

SHELBY COUNTY SCHOOL DISTRICT

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

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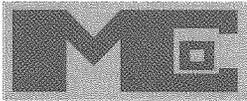
INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for
School District Audits
Members of the Board of Education
Shelby County School District
Shelbyville, Kentucky

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

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 4 through 11, and 40 through 41, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information, and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules of receipts, disbursements, and due to student groups related to school activity funds are presented for purposes of additional analysis, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Governmental Auditing Standards*

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

Mather & Co. CPAs, LLC

Mather & Co. CPAs, LLC
Louisville, Kentucky
November 11, 2013

SHELBY COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) Year ended June 30, 2013

This section of the financial statements for the Shelby County Public School District presents management's discussion and analysis of the financial performance of the Shelby County School District during the fiscal year that ended on June 30, 2013. As management of the District, we offer readers of the financial statements this narrative overview and analysis to highlight and further explain the financial events that have taken place in the past year. We encourage readers to consider the information presented herein along with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The General Fund had \$55.8 million in revenues, which primarily consisted of funding through the State's Support Education Excellence in Kentucky (SEEK) program and revenues from taxes, which include property taxes, motor vehicle taxes, and utilities taxes. This compares to \$52.1 million in General Fund revenues for the prior year.
- Net General Fund SEEK revenue for the year was \$23.5 million, compared to \$23.4 million for the prior year. This represents a 0.7% increase over the previous year funding level.
- The District levied tax rates of 71.5 cents (real estate), 71.5 cents (tangible property), and 46.5 cents (motor vehicles) per \$100 of assessed value, and continued the 3% utility tax.
- Construction is progressing on the District's new Early Childhood Center, on the site of the former Northside Elementary School, and a new elementary school to replace Southside Elementary School at the same location as the existing school.
- The District, through the Shelby County School District Finance Corporation, issued \$5.01 million of revenue bonds in October 2012 for the Early Childhood Center project and \$18.59 million of revenue bonds in January 2013 for the new Southside Elementary School project. Bonds are issued as the District constructs or renovates facilities consistent with a long-range facilities plan established with community input and in keeping with stringent compliance requirements of the Kentucky Department of Education (KDE).
- The District did not have any significant disposals of land or buildings in the fiscal year that ended June 30, 2013.
- During the current fiscal year, the District's portion of bonded indebtedness payments was \$4,915,381, including principal of \$2,596,461 and interest of \$2,318,920.

- General Fund expenditures totaled \$55.3 million.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of four parts—management’s discussion and analysis, the basic financial statements, notes to basic financial statements, and required supplementary information.

1. **Management’s Discussion and Analysis (MD&A):** The MD&A consists of the previous page and subsequent pages in this section that provide an outline of the financial statements, including specific results and an explanation of the financial statement presentation.
2. **Basic Financial Statements:** The basic financial statements include two kinds of statements that present different views of the District:
 - **Government-wide Financial Statements:**
 - **Statement of Net Position** and **Statement of Activities:** These two financial statements provide both short-term and long-term information about the District’s *overall* financial status.
 - **Fund Financial Statements:**
 - The remaining statements are various fund financial statements that focus on *individual parts* of the District, reporting the District’s operations in more detail than the government-wide statements. More information about the various types of funds is included later but, in general, the funds and their purposes are:
 - **Governmental funds** – Basic services like regular and special education are accounted for in these funds. The governmental funds include the General Fund, the Special Revenue Funds, the Construction Fund, and other governmental funds. The governmental funds statements tell how these basic services were financed in the short-term as well as what remains for future spending.
 - **Proprietary funds** – Certain activities, such as food services, daycare programs, and summer activity programs, are operated by the District like a business. The proprietary funds statements offer short- and long-term financial information about the activities of these funds.
 - **Fiduciary funds** – The District acts, primarily for scholarships and school activity fund accounts, solely as a trustee or agent for the benefit of others. The fiduciary funds statements provide information about these financial relationships.

3. **Notes to the Financial Statements:** The financial statements include notes that explain some of the information in the statements and provide more detailed data.
4. **Supplementary Information:** The financial statements include a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Types of Financial Statements

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the District's assets and liabilities. The current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position—the District's assets and deferred outflows less liabilities—are one way to measure the District's financial health or position. Over time, an increase or decrease in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*—Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*—The District charges fees to help cover the costs of certain services it provides. The District's food services, daycare programs, and summer activity programs are included here.

Fiduciary funds, by definition, are held by the District for others, so these funds are not part of the government-wide financial statements, since only the assets and liabilities of the *District* are included in the government-wide financial statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds—not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on

particular programs. Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for specific purposes (like the Construction Fund) or to show that it is properly using certain revenues (like the Building Fund, Capital Outlay Fund, and Special Revenue Funds). The District has three kinds of funds:

- *Governmental funds*—Most of the District’s basic services are included in governmental funds, which generally focus on (1) the flow of cash and other financial assets that can readily be converted to cash and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine the financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.
- *Proprietary funds*—Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. In fact, the District’s enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District uses internal service funds (the other kind of proprietary fund) to report activities that provide supplies and services for the District’s other programs and activities.
- *Fiduciary funds*—The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activity funds. The District is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. As noted previously, we exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position may serve over time as a useful indicator of the District’s financial position. The largest portion of the District’s net position reflects its investments in capital assets, such as land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress, less any related debt used to acquire those assets that remains outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.

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 is summarized in Table 1.

Table 1
Shelby County Public School District
Net Position
June 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>School District Total</u>
Current and other assets	\$ 41,595,626	\$ 1,092,654	\$ 42,688,280
Capital assets	<u>116,124,038</u>	<u>584,800</u>	<u>116,708,838</u>
Total assets	157,719,664	1,677,454	159,397,118
Deferred loss on bond refundings	<u>395,077</u>	<u>-</u>	<u>395,077</u>
Total deferred outflows of resources	<u>395,077</u>	<u>-</u>	<u>395,077</u>
Long-term debt outstanding	82,290,000	-	82,290,000
Other liabilities	<u>9,014,347</u>	<u>287,340</u>	<u>9,301,687</u>
Total liabilities	<u>91,304,347</u>	<u>287,340</u>	<u>91,591,687</u>
Net position invested in capital assets, net of related debt	29,647,610	584,800	30,232,410
Restricted	24,324,803	-	24,324,803
Unrestricted	<u>12,837,981</u>	<u>805,314</u>	<u>13,643,295</u>
Total net position	<u>\$ 66,810,394</u>	<u>\$ 1,390,114</u>	<u>\$ 68,200,508</u>

Comments on Budget Comparisons

- Revenues: General Fund revenues and other financing sources were \$56.0 million for the fiscal year ended June 30, 2013. This includes payments (\$10.0 million) made by the State on behalf of the District. The most significant “on behalf” payments were for employee health insurance and for Teachers’ Retirement match. General Fund actual revenues and other financing sources exceeded budget by approximately \$594,000.
- Expenses: General Fund expenses and other financing sources were \$55.8 million for the year. Budgeted expenses and other financing sources were \$63.1 million. The District had \$6.0 million remaining in budgeted contingency in the General Fund at year-end.

Table 2 presents a summary of the District's revenues for the year.

Table 2
Shelby County Public School District
Revenues
For the year ended June 30, 2013

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>School District Total</u>	<u>Percent</u>
Property taxes	\$ 22,016,283	\$ -	\$ 22,016,283	29.9 %
Motor vehicle taxes	1,322,732	-	1,322,732	1.8
Utilities taxes	3,121,961	-	3,121,961	4.2
Earnings on investments	235,594	4,517	240,111	0.3
Other local revenues	395,381	-	395,381	0.5
State revenue	38,509,242	255,252	38,764,494	52.7
Federal revenue	3,676,050	2,374,081	6,050,131	8.2
Lunchroom sales	-	1,175,596	1,175,596	1.6
Childcare fees	-	489,158	489,158	0.7
Total	<u>\$ 69,277,243</u>	<u>\$ 4,298,604</u>	<u>\$ 73,575,847</u>	<u>100.0 %</u>

2012/2013 Revenues

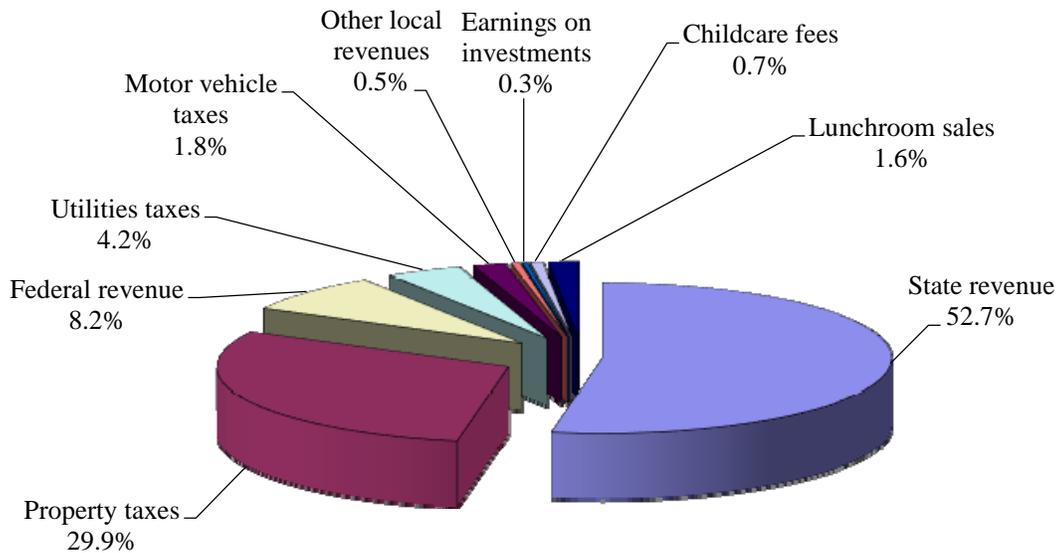
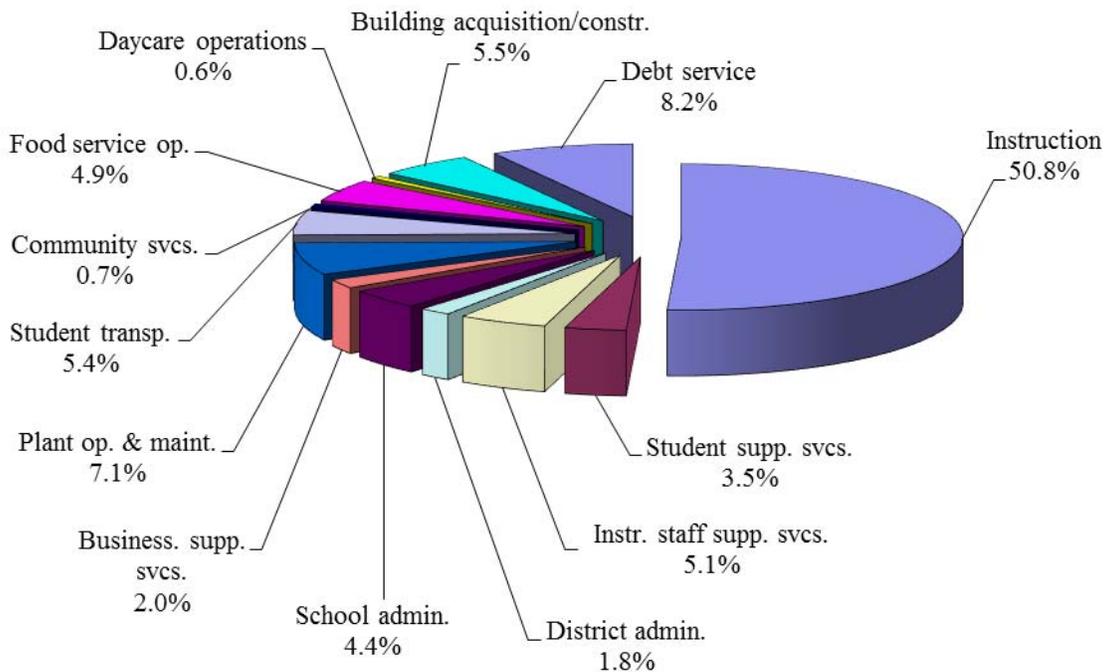


Table 3 presents a summary of the District's expenditures for the year.

Table 3
Shelby County Public School District
Expenditures
For the year ended June 30, 2013

	Governmental Activities	Business- Type Activities	School District Total	Percent
Instruction	\$ 38,691,939	\$ -	\$ 38,691,939	50.8 %
Student support services	2,635,302	-	2,635,302	3.5
Instructional staff support services	3,864,756	-	3,864,756	5.1
District administration	1,344,538	-	1,344,538	1.8
School administration	3,320,880	-	3,320,880	4.4
Business support services	1,525,257	-	1,525,257	2.0
Plant operations and maintenance	5,384,863	-	5,384,863	7.1
Student transportation	4,081,079	-	4,081,079	5.4
Community services	512,230	-	512,230	0.7
Food service operations	130,361	3,623,260	3,753,621	4.9
Daycare operations	-	482,990	482,990	0.6
Building acquisition and construction	4,193,786	-	4,193,786	5.5
Debt service	<u>6,216,702</u>	<u>-</u>	<u>6,216,702</u>	<u>8.2</u>
Totals	<u>\$ 71,901,693</u>	<u>\$ 4,106,250</u>	<u>\$ 76,007,943</u>	<u>100.0 %</u>

2012/2013 Expenditures



BUDGETARY IMPLICATIONS

Contingency

By law the District must have at least a 2% contingency for budgetary purposes, but management has concluded a higher reserve is needed due to significant fluctuations and instability in state and federal funding. The District ended the year with contingency of \$6,029,917 or 11.8% of the budgeted expenses in the General Fund (excluding contingency) and Food Service Fund.

Presentation of Revenues and Expenditures

The “on-behalf” payments are required to be presented as part of both revenues and expenditures. This requirement may be somewhat confusing, so we have presented the following General Fund summary to show the actual and budgeted revenues without these payments:

	General Fund				
	Actual		Excluding On-Behalf	Budget	Favorable (Unfavorable) Variance
	Total	Less: On-Behalf			
Total Revenues and other financing sources	\$ 55,956,026	\$ 10,043,391	\$ 45,912,635	\$ 45,318,615	\$ 594,020
Total Expenditures and other financing uses	<u>55,831,049</u>	<u>10,043,391</u>	<u>45,787,658</u>	<u>53,027,501</u>	<u>7,239,843</u>
Excess (deficit) of revenues over (under) expenditures	\$ <u>124,977</u>	\$ <u>-</u>	\$ <u>124,977</u>	\$ <u>(7,708,886)</u>	\$ <u>7,833,863</u>

Budget Approach

For many years, the District has prepared its budget in a conservative manner. A sizable fund balance at the beginning of the year is important since the majority of the District’s tax revenue is not received until approximately five months into the fiscal year. The District’s fund balance is used to offset the delay in tax receipts for the year.

In addition, the District receives approximately half of its funding from state sources. As a result, it is important that the District continue to budget conservatively due to periodic changes in state and federal funding, such as cuts in state and federal grants and adjustments to state SEEK appropriations.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances and to demonstrate the District’s accountability for the public funds it receives. If you have questions about this report or need additional financial information, contact Greg Murphy, Director of Finance, Shelby County Public Schools, 1155 Main Street, Shelbyville, Kentucky 40065. He can also be reached by electronic mail at greg.murphy@shelby.kyschools.us or by telephone at 502-633-2375.

SHELBY COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash	\$ 40,656,784	\$ 837,182	\$ 41,493,966
Investments	19,663	-	19,663
Receivables:			
Taxes	386,762	-	386,762
Intergovernmental – Federal	264,820	215,940	480,760
Due from Food Service Fund	267,597	-	267,597
Inventory	-	39,532	39,532
Net capital assets	<u>116,124,038</u>	<u>584,800</u>	<u>116,708,838</u>
Total assets	157,719,664	1,677,454	159,397,118
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refundings	395,077	-	395,077
LIABILITIES			
Accounts payable	241,231	19,743	260,974
Unearned revenue	1,117,688	-	1,117,688
Due to General Fund	-	267,597	267,597
Current maturities of bond obligations	3,175,000	-	3,175,000
Current portion of accumulated sick leave	175,000	-	175,000
Interest payable	1,011,428	-	1,011,428
Noncurrent maturities of bond obligations	82,290,000	-	82,290,000
Noncurrent portion of accumulated sick leave	2,694,000	-	2,694,000
Accrued insurance claims liability	<u>600,000</u>	<u>-</u>	<u>600,000</u>
Total liabilities	<u>91,304,347</u>	<u>287,340</u>	<u>91,591,687</u>
NET POSITION			
Invested in capital assets, net of related debt	29,647,610	584,800	30,232,410
Restricted for:			
Capital expenditures	19,330,562	-	19,330,562
Capital expenditures/debt service	4,994,241	-	4,994,241
Unrestricted	<u>12,837,981</u>	<u>805,314</u>	<u>13,643,295</u>
Total net position	<u>\$ 66,810,394</u>	<u>\$ 1,390,114</u>	<u>\$ 68,200,508</u>

See accompanying notes.

SHELBY COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year ended June 30, 2013

FUNCTION/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities							
Instruction	\$ 39,979,657	\$ -	\$ 11,524,680	\$ -	\$ (28,454,977)	\$ -	\$ (28,454,977)
Student support services	2,665,469	-	537,026	-	(2,128,443)	-	(2,128,443)
Instructional staff support services	3,864,756	-	1,423,140	-	(2,441,616)	-	(2,441,616)
District administration	1,383,322	-	73,860	-	(1,309,462)	-	(1,309,462)
School administration	3,613,008	-	750,905	-	(2,862,103)	-	(2,862,103)
Business support services	1,561,719	-	169,735	-	(1,391,984)	-	(1,391,984)
Plant operations and maintenance	7,732,955	-	391,518	-	(7,341,437)	-	(7,341,437)
Student transportation	4,457,916	-	491,549	-	(3,966,367)	-	(3,966,367)
Food service operations	130,361	-	5,124	-	(125,237)	-	(125,237)
Community services	512,231	-	512,106	-	(125)	-	(125)
Interest and bond issue costs	3,540,433	-	-	2,536,170	(1,004,263)	-	(1,004,263)
Total governmental activities	69,441,827	-	15,879,643	2,536,170	(51,026,014)	-	(51,026,014)
Business-type activities							
Food service	3,623,260	1,175,596	2,629,333	-	-	181,669	181,669
Child care	482,990	489,158	-	-	-	6,168	6,168
Total business-type activities	4,106,250	1,664,754	2,629,333	-	-	187,837	187,837
Total primary government	<u>\$ 73,548,077</u>	<u>\$ 1,664,754</u>	<u>\$ 18,508,976</u>	<u>\$ 2,536,170</u>	(51,026,014)	187,837	(50,838,177)
General revenues							
Taxes:							
Property					22,016,283	-	22,016,283
Motor vehicle					1,322,732	-	1,322,732
Utilities					3,121,961	-	3,121,961
Earnings on investments					235,594	4,517	240,111
State grants					23,852,462	-	23,852,462
Federal grants					118,214	-	118,214
Other local amounts					154,210	-	154,210
Other					27,618	-	27,618
Total general revenues					50,849,074	4,517	50,853,591
Income (loss) before operating transfer					(176,940)	192,354	15,414
Operating transfer in (out)					123,900	(123,900)	-
Change in net position					(53,040)	68,454	15,414
Net position as of July 1, 2012, as previously reported					67,731,958	1,321,660	69,053,618
Change in accounting principal					(868,524)	-	(868,524)
Net position as of July 1, 2012, as restated					66,863,434	1,321,660	68,185,094
Net position as of June 30, 2013					<u>\$ 66,810,394</u>	<u>\$ 1,390,114</u>	<u>\$ 68,200,508</u>

See accompanying notes.

SHELBY COUNTY SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS June 30, 2013

	General Fund	Special Revenue Funds	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	School Construction Fund	Debt Service Fund	Total Governmental Funds
ASSETS							
Cash	\$ 15,459,255	\$ 872,726	\$ -	\$ 4,994,241	\$ 19,330,562	\$ -	\$ 40,656,784
Investments	19,663	-	-	-	-	-	19,663
Receivables:							
Taxes	386,762	-	-	-	-	-	386,762
Intergovernmental – Federal	-	264,820	-	-	-	-	264,820
Due from Food Service Fund	267,597	-	-	-	-	-	267,597
Total assets	\$ 16,133,277	\$ 1,137,546	\$ -	\$ 4,994,241	\$ 19,330,562	\$ -	\$ 41,595,626
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 221,373	\$ 19,858	\$ -	\$ -	\$ -	\$ -	\$ 241,231
Unearned revenue	-	1,117,688	-	-	-	-	1,117,688
Current portion of accumulated sick leave	175,000	-	-	-	-	-	175,000
Total liabilities	396,373	1,137,546	-	-	-	-	1,533,919
Fund balances							
Restricted for:							
Capital expenditures	-	-	-	-	19,330,562	-	19,330,562
Capital expenditures/ debt service	-	-	-	4,994,241	-	-	4,994,241
Committed to future construction projects	8,000,000	-	-	-	-	-	8,000,000
Assigned to purchase obligations	239,892	-	-	-	-	-	239,892
Unassigned	7,497,012	-	-	-	-	-	7,497,012
Total fund balances	15,736,904	-	-	4,994,241	19,330,562	-	40,061,707
Total liabilities and fund balances	\$ 16,133,277	\$ 1,137,546	\$ -	\$ 4,994,241	\$ 19,330,562	\$ -	\$ 41,595,626

See accompanying notes.

SHELBY COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION June 30, 2013

Total fund balances – governmental funds	\$ 40,061,707
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$158,029,516, and the accumulated depreciation is \$41,905,478.	116,124,038
Deferred loss on bond refundings are not current financial resources and therefore are reported as deferred outflows of resources in governmental funds.	395,077
Bonds payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(85,465,000)
Noncurrent portion of accumulated sick leave is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(2,694,000)
Interest payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(1,011,428)
Accrued insurance claims liability is not reported in the government fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	<u>(600,000)</u>
Total net position – governmental activities	<u>\$ 66,810,394</u>

See accompanying notes.

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended June 30, 2013**

	General Fund	Special Revenue Funds	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	School Construction Fund	Debt Service Fund	Total Governmental Funds
Revenues							
From local sources:							
Taxes:							
Property	\$ 17,066,283	\$ -	\$ -	\$ 4,950,000	\$ -	\$ -	\$ 22,016,283
Motor vehicle	1,322,732	-	-	-	-	-	1,322,732
Utilities	3,121,961	-	-	-	-	-	3,121,961
Earnings on investments	175,314	1,150	-	-	59,130	-	235,594
Other local	154,210	201,197	-	-	-	-	355,407
Intergovernmental – State	33,812,174	2,160,898	616,526	1,189,670	-	729,974	38,509,242
Intergovernmental – Federal	118,214	3,557,836	-	-	-	-	3,676,050
Miscellaneous	39,974	-	-	-	-	-	39,974
Total revenues	55,810,862	5,921,081	616,526	6,139,670	59,130	729,974	69,277,243
Expenditures							
Current:							
Instruction	34,394,015	4,297,924	-	-	-	-	38,961,939
Student support services	2,553,521	81,781	-	-	-	-	2,635,302
Instructional staff support services	2,802,475	1,062,281	-	-	-	-	3,864,756
District administration	1,344,538	-	-	-	-	-	1,344,538
School administration	3,307,467	13,413	-	-	-	-	3,320,880
Business support services	1,525,257	-	-	-	-	-	1,525,257
Plant operations and maintenance	5,384,863	-	-	-	-	-	5,384,863
Student transportation	3,905,543	175,535	-	-	-	-	4,081,078
Food service operations	130,361	-	-	-	-	-	130,361
Community services	125	512,106	-	-	-	-	512,231
Facilities acquisition and construction	-	-	-	-	4,193,786	-	4,193,786
Debt service	-	-	-	-	571,346	5,645,356	6,216,702
Total expenditures	55,348,165	6,143,040	-	-	4,765,132	5,645,356	71,901,693
(Deficit) excess of revenues (under) over expenditures	462,697	(221,959)	616,526	6,139,670	(4,706,002)	(4,915,382)	(2,624,450)
Other financing sources (uses)							
Proceeds from issuance of bonds	-	-	-	-	23,600,000	-	23,600,000
Operating transfers in	123,900	221,959	-	-	260,925	4,915,382	5,522,166
Operating transfers out	(482,884)	-	(616,526)	(4,298,856)	-	-	(5,398,266)
Other	21,264	-	-	-	-	-	21,264
Total other financing sources (uses)	(337,720)	221,959	(616,526)	(4,298,856)	23,860,925	4,915,382	23,745,164
Net change in fund balance	124,977	-	-	1,840,814	19,154,923	-	21,120,714
Fund balance as of July 1, 2012	15,611,927	-	-	3,153,427	175,639	-	18,940,993
Fund balance as of June 30, 2013	\$ 15,736,904	\$ -	\$ -	\$ 4,994,241	\$ 19,330,562	\$ -	\$ 40,061,707

See accompanying notes.

SHELBY COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year ended June 30, 2013

Net change in total fund balances – governmental funds	\$ 21,120,714
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but are presented as assets in the statement of net position and depreciated over their estimated useful lives. Related depreciation expense is reported in the statement of activities. The difference is the amount by which capital outlays (\$4,555,962) exceed depreciation expense (\$3,994,365) and loss on disposal of capital assets (\$33,620).	527,977
Bond proceeds are other financing resources in the governmental fund financial statements, but are not included in the statement of activities.	(23,600,000)
Bond payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions of liabilities and interest expense in the statement of net position and statement of activities, respectively.	2,676,269
Insurance claims expense related to accrued insurance claims liability is recognized in the statement of activities but not in the governmental fund financial statements because it will not be paid with existing financial resources.	(600,000)
Accumulated sick leave is recognized by the amount earned in the statement of activities, but the governmental fund financial statements only recognize the obligations anticipated to be retired from existing financial resources.	<u>(178,000)</u>
Change in net position – governmental activities	<u>\$ (53,040)</u>

See accompanying notes.

SHELBY COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

June 30, 2013

	School Food Service Fund	Child Care Fund	Total Proprietary Funds
ASSETS			
Current assets			
Cash	\$ 723,445	\$ 113,737	\$ 837,182
Intergovernmental receivable – Federal	215,940	-	215,940
Inventory	<u>39,532</u>	<u>-</u>	<u>39,532</u>
Total current assets	978,917	113,737	1,092,654
Noncurrent assets			
Capital assets	1,981,415	-	1,981,415
Less accumulated depreciation	<u>1,396,615</u>	<u>-</u>	<u>1,396,615</u>
Total noncurrent assets	<u>584,800</u>	<u>-</u>	<u>584,800</u>
Total assets	1,563,717	113,737	1,677,454
LIABILITIES			
Current liabilities			
Accounts payable	18,501	1,242	19,743
Due to General Fund	<u>267,597</u>	<u>-</u>	<u>267,597</u>
Total current liabilities	286,098	1,242	287,340
NET POSITION			
Invested in capital assets	584,800	-	584,800
Unrestricted	<u>692,819</u>	<u>112,495</u>	<u>805,314</u>
Total net position	<u>\$ 1,227,619</u>	<u>\$ 112,495</u>	<u>\$ 1,390,114</u>

See accompanying notes.

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS
Year ended June 30, 2013**

	School Food Service Fund	Child Care Fund	Total Proprietary Funds
Operating revenues			
Lunchroom sales	\$ 1,175,596	\$ -	\$ 1,175,596
Childcare fees	<u>-</u>	<u>489,158</u>	<u>489,158</u>
Total operating revenues	1,175,596	489,158	1,664,754
Operating expenses			
Salaries, wages, and benefits	1,672,608	433,523	2,106,131
Contract services	51,690	6,448	58,138
Materials and supplies	1,807,390	33,753	1,841,143
Depreciation	85,456	-	85,456
Other	<u>6,116</u>	<u>9,266</u>	<u>15,382</u>
Total operating expenses	<u>3,623,260</u>	<u>482,990</u>	<u>4,106,250</u>
Operating (loss) income	(2,447,664)	6,168	(2,441,496)
Nonoperating revenues			
Federal grants	2,201,970	-	2,201,970
Donated commodities	172,111	-	172,111
State grants	255,252	-	255,252
Interest income	<u>4,517</u>	<u>-</u>	<u>4,517</u>
Total nonoperating revenues	<u>2,633,850</u>	<u>-</u>	<u>2,633,850</u>
Income before operating transfer	186,186	6,168	192,354
Operating transfer out	<u>(123,900)</u>	<u>-</u>	<u>(123,900)</u>
Change in net position	62,286	6,168	68,454
Net position as of July 1, 2012	<u>1,215,333</u>	<u>106,327</u>	<u>1,321,660</u>
Net position as of June 30, 2013	<u>\$ 1,277,619</u>	<u>\$ 112,495</u>	<u>\$ 1,390,114</u>

See accompanying notes.

SHELBY COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

Year ended June 30, 2013

	School Food Service Fund	Child Care Fund	Total Proprietary Funds
Cash flows from operating activities			
Cash received from:			
Lunchroom sales	\$ 1,175,596	\$ -	\$ 1,175,596
Childcare fees	-	489,158	489,158
Cash paid to/for:			
Employees and contract services	(1,724,298)	(439,971)	(2,164,269)
Materials and supplies	(1,620,404)	(32,511)	(1,652,915)
Other	<u>(3,703)</u>	<u>(9,266)</u>	<u>(12,969)</u>
Net cash (used in) provided by operating activities	(2,172,809)	7,410	(2,165,399)
Cash flows from noncapital financing activities			
Government grants	<u>2,241,282</u>	<u>-</u>	<u>2,241,282</u>
Net cash provided by noncapital financing activities	2,241,282	-	2,241,282
Cash flows from capital and related financing activities			
Capital asset purchases	(33,742)	-	(33,742)
Advance from General Fund	267,597	-	267,597
Operating transfer to General Fund	<u>(123,900)</u>	<u>-</u>	<u>(123,900)</u>
Net cash provided by capital and related financing activities	109,955	-	109,955
Cash flows from investing activities			
Receipt of interest income	<u>4,517</u>	<u>-</u>	<u>4,517</u>
Net cash provided by investing activities	<u>4,517</u>	<u>-</u>	<u>4,517</u>
Net increase in cash	182,945	7,410	190,355
Cash as of July 1, 2012	<u>540,500</u>	<u>106,327</u>	<u>646,827</u>
Cash as of June 30, 2013	<u>\$ 723,445</u>	<u>\$ 113,737</u>	<u>\$ 837,182</u>
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities			
Operating (loss) income	\$ (2,447,664)	\$ 6,168	\$ (2,441,496)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:			
Depreciation	85,456	-	85,456
Donated commodities	172,111	-	172,111
Other	2,413	-	2,413
Changes in assets and liabilities:			
Inventory	(3,626)	-	(3,626)
Accounts payable	<u>18,501</u>	<u>1,242</u>	<u>19,743</u>
Net cash (used in) provided by operating activities	<u>\$ (2,172,809)</u>	<u>\$ 7,410</u>	<u>\$ (2,165,399)</u>
Schedule of non-cash transactions			
Donated commodities	\$ 172,111	\$ -	\$ 172,111

See accompanying notes.

SHELBY COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION – FIDUCIARY FUNDS

June 30, 2013

	<u>Private Purpose Trust Fund</u>	<u>Student Activity Funds</u>	<u>Total Fiduciary Funds</u>
ASSETS			
Cash	\$ <u>324</u>	\$ <u>783,993</u>	\$ <u>784,317</u>
Total assets	324	783,993	784,317
LIABILITIES			
Accounts payable	-	1,953	1,953
Due to student groups	<u>-</u>	<u>782,040</u>	<u>782,040</u>
Total liabilities	<u>-</u>	<u>783,993</u>	<u>783,993</u>
Total net position	<u>\$ 324</u>	<u>\$ -</u>	<u>\$ 324</u>

See accompanying notes.

SHELBY COUNTY SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUND
Year ended June 30, 2013

	<u>Private Purpose Trust Fund</u>
Revenues	
Earnings on investments	\$ 4
Contributions	<u>20,000</u>
Total revenues	20,004
Expenditures	
Scholarships	<u>20,000</u>
Total expenditures	<u>20,000</u>
Change in net position	4
Net position as of July 1, 2012	<u>320</u>
Net position as of June 30, 2013	<u><u>\$ 324</u></u>

See accompanying notes.

SHELBY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended June 30, 2013

1. Basis of presentation and summary of significant accounting policies

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

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

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

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

Shelby County School District Finance Corporation – The Shelby County, Kentucky, Board of Education established the Shelby County School District Finance Corporation (Corporation) (a nonprofit, nonstock, public, and charitable corporation organized under the School Bond Act, KRS 273, and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Shelby County Board of Education also comprise the Corporation's Board of Directors.

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 District's financial activities, except for fiduciary funds. The statements distinguish between those District activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The District's activities are generally financed through state funding, property and utility taxes, and federal, state, and local grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. Revenues from grants are recognized in the fiscal year in which eligibility requirements are met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities, and each segment of the District's business-type activities. Direct expenses are those that are specifically associated with a service, program, or function. The District does not charge indirect expenses to programs or functions. 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 District's general revenues.

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected within 60 days of year end are recognized as revenue.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when they come due for payment. General capital asset acquisitions are reported as expenditures in governmental funds, and proceeds of general long-term debt are reported as other financing sources.

Under the terms of the District's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the District applies cost-reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

Proprietary funds utilize the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with the fund's principal operations. The funds' principal operating revenues are food service charges and childcare fees. Operating expenses include food production costs, materials and supplies, administrative costs, and depreciation on capital assets.

Fiduciary funds utilize the economic resources measurement focus and the accrual basis of accounting.

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

The District has the following funds:

a. Governmental fund types

The General Fund is the District's general operating fund and accounts for and reports all District revenues and expenditures not accounted for or reported in other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The Special Revenue Funds are used to account for and report the proceeds of specific revenue sources restricted to expenditures for specified purposes other than debt or capital projects. This is a major fund of the District.

Capital Project Funds are used to account for and report financial resources restricted for capital outlays, including the acquisition or construction of capital facilities or other capital assets, and to provide financial resources for debt service requirements. Capital Projects Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that are held in trust.

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the State as capital outlay funds and is generally restricted for use in financing projects identified in the District's facility plan (including payment of bonded lease obligations). This is a major fund of the District.
2. The Facility Support Program (FSPK) Fund accounts for and reports 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 School Construction Fund accounts for and reports proceeds from sales of bonds and other revenue to be used for authorized construction. This is a major fund of the District.

4. The Debt Service Fund accounts for and reports expenditures for debt payments. The fund does not have any funding sources and entirely relies upon transfers from other funds to meet debt obligations. This is a major fund of the District.

b. Proprietary fund types

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

The Child Care Fund is used to account for and report after-school revenues and programs where a fee is charged for participating. This is a major fund of the District.

c. Fiduciary fund types

The Student Activity Funds account for and report activities of student groups and other types of activities requiring clearing accounts. These funds comply with *Accounting Procedures for Kentucky School Activity Funds*.

The Private Purpose Trust Fund accounts for and reports the Pflughaupt Memorial Scholarship Fund under which principal and income are used to benefit individuals by providing scholarships.

Budgetary process – The District’s budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America.

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other local, state, and federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board.

The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each year.

Additionally, the District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for the instructional supplies, materials, travel, and equipment.

Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a 2% reserve.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget. The working budget was amended during the year.

Inventory – Inventory which consists of food and supplies is recorded at the lower of cost, determined by the first-in first-out (FIFO) method, or market.

Prepaid expenses – Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items on the accompanying statement of net position using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed. No prepaid expenses were recorded as of June 30, 2013.

Bond issue costs – Prior to July 1, 2012, costs associated with the issuance of bond obligations were capitalized and amortized over the related bond term on the statements of net position and activities. Effective July 1, 2012, the District adopted the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Accordingly, the District expenses bond issue costs as incurred.

Deferred loss on bond refundings – Deferred loss on bond refundings represents losses equal to the principal amount borrowed to refund the principal amount outstanding on previous bond issues. These amounts are recognized as deferred outflows of resources on the accompanying statement of net position. The amounts are amortized over the life of the new bond or the life of the refunded bond (whichever is shorter), and included in interest expense on the accompanying statement of activities.

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

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 and 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 fund.

All capital assets are capitalized at cost (or estimated historical cost based on independent appraisals) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains capitalization thresholds as shown below. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>	<u>Capitalization Thresholds</u>
Buildings and improvements	20-50 years	\$ 10,000
Land improvements	20 years	10,000
Technology equipment	5 years	5,000
Vehicles	5-10 years	All
General equipment	15 years	5,000
Food service equipment	12 years	1,000
Infrastructure	20 years	10,000

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements if they will be liquidated with current resources. In general, payments made within 60 days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Unearned revenue – Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied.

Accumulated sick leave – Sick leave benefits are calculated using the vesting method, and accrued based on the District's estimates using historical trend information. The current portion of the liability is estimated based on the anticipated payouts in the succeeding fiscal year.

Fund balances – The District classifies its governmental fund balances as follows:

Nonspendable – This category includes funds that are not available to be spent because they are not in spendable format, or because they are legally required to remain intact. The District does not have any nonspendable funds as of June 30, 2013.

Restricted – This category includes resources that are restricted by state law to be used for certain purposes. The SEEK Capital Outlay Fund and the FSPK Fund are restricted to be used for future debt service or future construction projects. The School Construction Fund is restricted for future construction projects. The Debt Service Fund is restricted for debt service.

Committed – This category includes funds that have been designated for future use by the Board. Only the Board may commit funds and modify or rescind the commitment.

Assigned – This category represents funds that have been designated for existing purchase obligations. Assignments can be made by authorized members of management.

Unassigned – This category represents the remainder of the governmental fund balances that do not belong in any other fund balance classifications.

When the District incurs an expenditure for which committed, assigned, or unassigned funds are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

When the District incurs an expenditure for which both restricted and unrestricted (assigned and unassigned, respectively) funds are available within a given fund, the District generally spends restricted funds first and unrestricted funds last.

Net position – Net position represents the difference between assets and deferred outflows of resources, and liabilities. Amounts invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on the asset's use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When the District incurs an expenditure for which both restricted and unrestricted funds are available, the District considers restricted funds to have been spent first.

Interfund activity – Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds, and after nonoperating revenues/expenses in proprietary funds. These transactions are eliminated in the governmental and business-type activities columns of the statement of activities.

Encumbrance accounting – Encumbrances are not liabilities, and therefore are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next fiscal year.

Estimates – The preparation of basic financial statements 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 basic financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent events – The District's management has evaluated subsequent events through November 11, 2013, the date which the financial statements were available for issue. No subsequent events were of such a nature as to require disclosure.

New accounting pronouncements – In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and in March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 63 amends previous pronouncements and incorporates deferred outflows of resources and deferred inflows of resources, as defined in Concepts Statement No. 4, *Elements of Financial Statements*, into the required components of the statement of financial position's (formerly statement of net assets) residual measure and renames that measure net position, rather than net assets. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify certain items previously classified as assets and liabilities as deferred outflows and deferred inflows of resources. Effective July 1, 2012, the District adopted GASB Statements No. 63 and 65. The adoption of GASB Statement No. 65 resulted in a \$868,524 reduction of the District's net position as of July 1, 2012 and is presented as a change in accounting principal on the accompanying statement of activities.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. GASB Statement No. 68 replaces previous requirements related to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The objective of GASB Statement No. 68 is to improve accounting and financial reporting for pensions provided to the employees of state and local governments, and information about financial support for pensions that is provided by other entities. This 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. GASB Statement No. 68 also provides related note disclosure and supplementary information requirements. GASB Statement No. 68 is effective for years beginning after December 15, 2014. The District has not determined the potential impact, if any, this pronouncement will have on its future financial statements.

2. Deposits with financial institutions

As of June 30, 2013, the carrying amount of the District's deposits with financial institutions was \$42,278,284, and its bank balances totaled \$47,387,994. Of the total bank balances, approximately \$250,000 was covered by federal depository insurance, with the remainder covered by a collateral agreement with securities.

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

Facility Support Program (FSPK) Fund
School Construction Fund
Student Activity Funds
Private Purpose Trust Fund

District funds are considered to be public funds and therefore their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds.

3. Taxes

The District's ad valorem property tax is levied on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes as certified by the Kentucky Department of Revenue become delinquent after January 31.

The property tax rates assessed for the year ended June 30, 2013 were \$.715 per \$100 valuation for real property, \$.715 per \$100 valuation for business personal property, and \$.465 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.

4. Capital assets

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

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfer</u>	<u>Balance</u> <u>June 30, 2013</u>
Land	\$ 2,877,875	\$ -	\$ -	\$ -	\$ 2,877,875
Land improvements	1,484,521	-	-	-	1,484,521
Buildings and improvements	139,545,065	-	177,816	602,949	139,970,198
Technology equipment	1,323,693	91,479	432,424	-	982,748
Vehicles	5,822,620	458,287	399,383	-	5,881,524

<u>Governmental Activities</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Transfer</u>	<u>Balance June 30, 2013</u>
General equipment	\$ 1,176,759	\$ 85,429	\$ 23,369	\$ -	\$ 1,238,819
Construction in progress	1,786,181	3,920,767	-	(602,949)	5,103,999
Infrastructure	<u>489,832</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>489,832</u>
Total cost	154,506,546	4,555,962	1,032,992	-	158,029,516
Less accumulated depreciation:					
Land improvements	805,366	47,340	-	-	852,706
Buildings and improvements	32,011,896	3,376,132	144,194	-	35,243,834
Technology equipment	1,056,864	98,297	432,425	-	722,736
Vehicles	4,250,837	365,285	399,384	-	4,216,738
General equipment	565,097	82,821	23,369	-	624,549
Infrastructure	<u>220,425</u>	<u>24,490</u>	<u>-</u>	<u>-</u>	<u>244,915</u>
Total accumulated depreciation	<u>38,910,485</u>	<u>3,994,365</u>	<u>999,372</u>	<u>-</u>	<u>41,905,478</u>
Governmental activities net capital assets	<u>\$ 115,596,061</u>	<u>\$ 561,597</u>	<u>\$ 33,620</u>	<u>\$ -</u>	<u>\$ 116,124,038</u>
<u>Business-Type Activities</u>					
Food service equipment	\$ 1,969,751	\$ 33,742	\$ 22,078	\$ -	\$ 1,981,415
Less accumulated depreciation:					
Food service equipment	<u>1,330,824</u>	<u>85,456</u>	<u>19,665</u>	<u>-</u>	<u>1,396,615</u>
Business-type activities net capital assets	<u>\$ 638,927</u>	<u>\$ (51,714)</u>	<u>\$ 2,413</u>	<u>\$ -</u>	<u>\$ 584,800</u>

Governmental activities depreciation expense is allocated to specific functions or programs on the statement of activities as follows:

Instruction	\$ 509,718
Student support services	30,167
District administration	38,784
School administration	292,128
Business support services	36,462
Plant operations and maintenance	2,710,268
Student transportation	<u>376,838</u>
Total depreciation expense	<u>\$ 3,994,365</u>

5. Bonded debt and lease obligations

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

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

<u>Issue</u>	<u>Proceeds</u>	<u>Interest Rates</u>
1996	\$ 285,000	4.00 – 5.10%
1999	9,325,000	4.00 – 4.35%
2004	12,335,000	1.65 – 5.08%
2005	5,140,000	2.50 – 4.25%
2009	13,710,000	2.25 – 3.25%
2009	35,700,000	3.25 – 5.00%
2011	6,210,000	1.00 – 3.125%
2012	9,620,000	0.70 – 2.80%
2012	5,010,000	0.70 – 2.55%
2013	18,590,000	2.00 – 3.125%

The District, through the General Fund, the Facility Support Program (FSPK) Fund, and the SEEK Capital Outlay Fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Shelby 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.

For the 1996, 1999, 2004, 2009, 2011, 2012, and 2013 bond issues, the District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The participation agreements generally provide for the Commission to assist the District in meeting bond obligations and are renewable, at the Commission's option, bi-annually. Should the Kentucky General Assembly choose to not fund the Commission in the future, the District would be responsible for meeting the full requirements of the bond issues. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

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

<u>Fiscal Year Ending</u>	<u>Shelby County School District</u>		<u>Kentucky School Facility Construction Commission</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2014	\$ 2,585,408	\$ 2,725,899	\$ 589,592	\$ 294,675	\$ 6,195,574
2015	2,948,092	2,673,991	711,908	282,886	6,616,877
2016	3,016,288	2,594,259	728,712	264,158	6,603,417

Fiscal Year Ending	Shelby County School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2017	\$ 3,104,418	\$ 2,600,685	\$ 730,582	\$ 243,837	\$ 6,679,522
2018	3,202,338	2,410,574	747,662	223,894	6,584,468
2019	3,172,418	2,313,684	767,582	203,455	6,457,139
2020	3,396,976	2,209,467	463,024	181,493	6,250,960
2021	3,454,490	2,101,517	475,510	169,008	6,200,525
2022	3,621,139	1,985,627	488,861	155,655	6,251,282
2023	3,745,342	1,861,458	504,658	139,858	6,251,316
2024	3,818,614	1,728,217	521,386	123,132	6,191,349
2025	4,021,374	1,584,668	363,626	105,326	6,074,994
2026	4,202,846	1,400,732	377,154	91,798	6,072,530
2027	4,418,577	1,201,894	391,423	77,531	6,089,425
2028	4,618,301	982,865	406,699	62,253	6,070,118
2029	5,607,390	745,142	422,610	46,342	6,821,484
2030	4,355,385	487,085	234,615	29,766	5,106,851
2031	4,428,347	360,981	241,653	22,728	5,053,709
2032	4,456,097	232,017	248,903	15,478	4,952,495
2033	<u>3,618,630</u>	<u>113,082</u>	<u>256,370</u>	<u>8,010</u>	<u>3,996,092</u>
	<u>\$ 75,792,470</u>	<u>\$ 32,313,844</u>	<u>\$ 9,672,530</u>	<u>\$ 2,741,283</u>	<u>\$ 120,520,127</u>

A summary of the changes in the outstanding bonds during the fiscal year ended June 30, 2013 is as follows:

Issue	Balance July 1, 2012	Additions	Payments	Balance June 30, 2013
School Building Revenue Bonds:				
1996	\$ 80,000	\$ -	\$ 20,000	\$ 60,000
2005	3,740,000	-	225,000	3,515,000
2009	11,395,000	-	1,495,000	9,900,000
2009	34,105,000	-	595,000	33,510,000
2011 refunding	5,860,000	-	270,000	5,590,000
2012 refunding	9,570,000	-	125,000	9,445,000
2012	-	5,010,000	155,000	4,855,000
2013	-	<u>18,590,000</u>	-	<u>18,590,000</u>
Totals	<u>\$ 64,750,000</u>	<u>\$ 23,600,000</u>	<u>\$ 2,885,000</u>	<u>\$ 85,465,000</u>

6. Accumulated unpaid sick leave benefits

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

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accumulated sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the accumulated sick leave payable account in the General Fund. The noncurrent portion of the liability is not reported.

A summary of the changes in the estimated accumulated unpaid sick leave benefits during the fiscal year ended June 30, 2013 is as follows:

Balance as of July 1, 2012	\$ 2,691,000
Additions/increases to estimate	294,629
Less payments	<u>116,629</u>
Balance as of June 30, 2013	2,869,000
Less current portion	<u>175,000</u>
Noncurrent portion	<u>\$ 2,694,000</u>

7. Accrued insurance claims liability

The District has previously purchased workers compensation and general liability insurance through the Kentucky School Boards Insurance Trust (KSBIT). KSBIT filed for bankruptcy. Accordingly, the participant districts are subject to KSBIT's unpaid outstanding claims. The District has accrued its estimate of the most likely loss on the accompanying statement of net position.

8. Commitments and contingencies

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

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

The District has been named in multiple lawsuits, most of which are being handled by the District's insurance carrier. The District cannot estimate a potential loss, if any, at this time.

9. Retirement plans

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

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

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

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

In order to fund the post-employment healthcare benefit, active member contributions are matched by the State at 0.75% 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 District pays 1% of members' salaries for the 2012-2013 fiscal year.

The District's total payroll was \$41,126,558, \$42,930,876, and \$39,287,568 for the years ended June 30, 2013, 2012, and 2011, respectively. The payroll for employees covered under KTRS was \$31,849,358, \$31,817,408, and \$31,324,029 for the years ended June 30, 2013, 2012, and 2011, respectively. The Commonwealth contributed \$3,946,851, \$3,771,914, and \$3,878,715 to KTRS for the years ended June 30, 2013, 2012, and 2011, respectively, for the benefit of the participating employees. The District's contributions to KTRS were \$548,330, \$321,397, and \$270,776 for the years ended June 30, 2013, 2012, and 2011, respectively, which represents those employees covered by federal programs.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost-sharing, multiple-employer, public employers retirement system administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. CERS provides retirement, death, disability, and health benefits to members and their beneficiaries. Under KRS provisions, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report can be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan members are required to contribute 5% of their annual covered compensation, if hired before September 1, 2008, or 6% of their annual covered compensation if hired after September 1, 2008, and the District is required to contribute at an actuarially determined rate. The current rate is 19.55% of the employee's total covered compensation. The contribution requirements of plan members and the District are established and may be amended by the Kentucky Retirement System's Board of Trustees. The District's contributions to CERS for the years ended June 30, 2013, 2012, and 2011 were \$1,605,104, \$1,605,868, and \$1,348,863, respectively, and are equal to the required contribution for the related year.

The District also offers employees the option to participate in the Shelby County Board of Education 403(b) Plan, a defined contribution plan under Section 403(b), 401(k), and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable under Section 403(b), 401(k), and 457 of the Internal Revenue Code. Members contributed approximately \$836,700 during the year ended June 30, 2013. The District does not contribute to the plan.

10. On-behalf payments for fringe benefits

The District receives on-behalf payments for fringe benefits from the Commonwealth of Kentucky. The following amounts are included as revenues and expenses/expenditures on the statement of activities, and the statement of revenues, expenditures, and changes in fund balances/net position:

Retirement contributions to the Teachers' Retirement System of Kentucky	\$ 3,946,851
Health and life insurance	<u>6,012,861</u>
 Total General Fund	 9,959,712
 Health and life insurance	 <u>222,385</u>
 Total School Food Service Fund	 <u>222,385</u>
 Total	 <u>\$ 10,182,097</u>

11. Insurance, risk management, and related activities

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc.; and risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, natural disasters, workers compensation, unemployment, etc. Each of these risk areas is covered through the purchase of commercial insurance.

The District has purchased certain policies which are retrospectively rated which includes workers' compensation insurance. Premiums are accrued based on the ultimate cost of the experience to date of a group of entities.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. However, the District has potential exposure for claims in excess of commercial insurance coverage as explained in Note 7.

12. Deficit operating/fund balances

There are no District funds that currently have a deficit fund balance.

13. COBRA

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

14. Transfer of funds

The following transfers were made during the year ended June 30, 2013:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	School Food Service	General	Administrative	\$ 123,900
Matching	General	Special Revenue	Technology Matching	221,959
Operating	General	Construction	Construction	260,925
Financing	SEEK Capital Outlay	Debt Service	Debt Payments	616,526
Financing	Facility Support Program (FSPK)	Debt Service	Debt Payments	4,298,856

15. Interfund receivables and payables

Interfund balances as of June 30, 2013 consist of the following:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	School Food Service	Cash flow	\$ 267,597

SUPPLEMENTARY INFORMATION

SHELBY COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND Year ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources:				
Taxes:				
Property	\$ 15,275,019	\$ 16,677,530	\$ 17,066,283	\$ 388,753
Motor vehicle	1,099,790	1,291,290	1,322,732	31,442
Utilities	3,000,000	2,920,000	3,121,961	201,961
Earnings on investments	85,000	145,500	175,314	29,814
Other local	102,000	154,210	154,210	-
Intergovernmental – State	23,504,686	33,845,653	33,812,174	(33,479)
Intergovernmental – Federal	116,000	116,000	118,214	2,214
Miscellaneous	<u>27,958</u>	<u>36,823</u>	<u>39,974</u>	<u>3,151</u>
Total revenues	43,210,453	55,187,006	55,810,862	623,856
Expenditures				
Current:				
Instruction	25,905,412	34,695,025	34,394,015	301,010
Student support services	2,054,304	2,639,953	2,553,521	86,432
Instructional staff support services	1,933,056	3,329,057	2,802,475	523,582
District administration	1,258,347	1,516,633	1,344,538	172,095
School administration	2,536,774	3,216,946	3,307,467	(90,521)
Business support services	1,236,111	1,602,134	1,525,257	76,877
Plant operations and maintenance	5,215,148	5,866,678	5,384,863	481,815
Student transportation	3,108,894	3,542,596	3,905,543	(362,947)
Food service operations	150,169	149,068	130,361	18,707
Community services	-	-	125	(125)
Contingency	<u>5,017,177</u>	<u>6,029,917</u>	<u>-</u>	<u>6,029,917</u>
Total expenditures	<u>48,415,392</u>	<u>62,588,007</u>	<u>55,348,165</u>	<u>7,239,842</u>
Excess (deficit) of revenues over (under) expenditures	(5,204,939)	(7,401,001)	462,697	7,863,698
Other financing sources (uses)				
Operating transfers in	200,000	175,000	123,900	(51,100)
Operating transfers out	-	(482,884)	(482,884)	-
Other	<u>-</u>	<u>-</u>	<u>21,264</u>	<u>21,264</u>
Total other financing sources (uses)	<u>200,000</u>	<u>(307,884)</u>	<u>(337,720)</u>	<u>(29,836)</u>
Net change in fund balance	(5,004,939)	(7,708,885)	124,977	7,833,862
Fund balance as of July 1, 2012	<u>15,611,927</u>	<u>15,611,927</u>	<u>15,611,927</u>	<u>-</u>
Fund balance as of June 30, 2013	<u>\$ 10,606,988</u>	<u>\$ 7,903,042</u>	<u>\$ 15,736,904</u>	<u>\$ 7,833,862</u>

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – SPECIAL REVENUE FUNDS
Year ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
From local sources:				
Earnings on investments	\$ -	\$ 1,150	\$ 1,150	\$ -
Other local	179,510	388,582	201,197	(187,385)
Intergovernmental – State	2,424,041	2,508,319	2,160,898	(347,421)
Intergovernmental – Federal	<u>2,823,664</u>	<u>3,572,574</u>	<u>3,557,836</u>	<u>(14,738)</u>
Total revenues	5,427,215	6,470,625	5,921,081	(549,544)
Expenditures				
Current:				
Instruction	3,735,829	4,566,836	4,297,924	268,912
Student support services	131,256	8,688	81,781	(73,093)
Instructional staff support services	896,426	1,434,903	1,062,281	372,622
School administration	15,000	13,413	13,413	-
Student transportation	172,325	151,484	175,535	(24,051)
Community services	<u>476,379</u>	<u>517,260</u>	<u>512,106</u>	<u>5,154</u>
Total expenditures	<u>5,427,215</u>	<u>6,692,584</u>	<u>6,143,040</u>	<u>549,544</u>
Deficit of revenues under expenditures	-	(221,959)	(221,959)	-
Other financing sources				
Operating transfers in	<u>-</u>	<u>221,959</u>	<u>221,959</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>221,959</u>	<u>221,959</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance as of July 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance as of June 30, 2013	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
MIDDLE AND ELEMENTARY SCHOOLS ACTIVITY FUNDS
Year ended June 30, 2013**

<u>School</u>	<u>Cash July 1, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash June 30, 2013</u>	<u>Accounts Receivable June 30, 2013</u>	<u>Accounts Payable June 30, 2013</u>	<u>Due to Student Groups June 30, 2013</u>
Shelby County Education Center at Cropper Heritage Elementary School	\$ 1,177	\$ 914	\$ 473	\$ 1,618	\$ -	\$ -	\$ 1,618
Painted Stone Elementary School	93,237	61,127	62,339	92,025	-	-	92,025
Simpsonville Elementary School	68,918	59,872	66,632	62,158	-	-	62,158
Southside Elementary School	84,003	52,617	46,575	90,045	-	-	90,045
Clear Creek Elementary School	23,814	45,101	41,008	27,907	-	-	27,907
Wright Elementary School	26,863	73,062	67,222	32,703	-	-	32,703
East Middle School	82,951	57,906	37,803	103,054	-	-	103,054
West Middle School	34,026	156,027	129,942	60,111	-	-	60,111
	<u>26,244</u>	<u>216,006</u>	<u>200,786</u>	<u>41,464</u>	<u>-</u>	<u>-</u>	<u>41,464</u>
Totals	<u>\$ 441,233</u>	<u>\$ 722,632</u>	<u>\$ 652,780</u>	<u>\$ 511,085</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 511,085</u>

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
SHELBY COUNTY HIGH SCHOOL ACTIVITY FUNDS
Year ended June 30, 2013**

<u>Activity Fund</u>	<u>Cash July 1, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>	<u>Cash June 30, 2013</u>	<u>Accounts Receivable June 30, 2013</u>	<u>Accounts Payable June 30, 2013</u>	<u>Due to Student Groups June 30, 2013</u>
Academic team	\$ 735	\$ 4,000	\$ 1,903	\$ (1,371)	\$ 1,461	\$ -	\$ -	\$ 1,461
Amnesty Club	235	-	-	-	235	-	-	235
AP examination	-	35,028	30,927	(2,993)	1,108	-	-	1,108
Athletic Booster Club	-	3,986	2,052	(1,877)	57	-	-	57
Athletic Brick Camp	100	275	125	-	250	-	-	250
Athletic fees	-	19,340	7,432	(7,015)	4,893	-	-	4,893
Athletic gate	1,400	49,446	2,800	(47,708)	338	-	-	338
Athletic insurance	-	2,550	7,525	4,975	-	-	-	-
Athletic season passes	-	3,785	35	(3,205)	545	-	-	545
Band	361	9,583	9,430	193	707	-	-	707
Baseball	-	-	7,478	7,478	-	-	-	-
Baseball District	-	2,759	1,869	(890)	-	-	-	-
Basketball – boys	-	-	3,768	3,768	-	-	-	-
Basketball – girls	-	-	5,305	5,354	49	-	-	49
Basketball Holiday Tournament	-	2,301	2,714	413	-	-	-	-
Beta Club	465	5,715	4,848	(750)	582	-	-	582
Beverage and snack	1,339	1,099	1,780	(179)	479	-	-	479
Bible study	511	-	-	-	511	-	-	511
Black Achievers	835	-	-	(185)	650	-	-	650

(continued)

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
SHELBY COUNTY HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2013**

<u>Activity Fund</u>	<u>Cash</u> <u>July 1,</u> <u>2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund</u> <u>Transfers</u>	<u>Cash</u> <u>June 30,</u> <u>2013</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2013</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2013</u>	<u>Due to</u> <u>Student</u> <u>Groups</u> <u>June 30,</u> <u>2013</u>
Boys Basketball								
Camp	\$ 1,400	\$ 2,385	\$ 1,130	\$ (873)	\$ 1,782	\$ -	\$ -	\$ 1,782
C. Turner classroom	102	142	89	-	155	-	-	155
Ceralde classroom	1,559	250	-	-	1,809	-	-	1,809
Chess Club	-	81	-	-	81	-	-	81
Chorus	6,437	28,879	31,034	(3,244)	1,038	-	-	1,038
Colorpro Poster Ac	226	699	2,021	1,163	67	-	-	67
Cross-country	-	-	433	433	-	-	-	-
Cross-country invitational	2,568	9,593	5,444	-	6,717	-	-	6,717
Cross-country regional	180	-	-	(180)	-	-	-	-
Culinary	-	7,140	6,541	(397)	202	-	-	202
Dance Team	4,147	10,790	13,337	(399)	1,201	-	-	1,201
District Support Fund	-	5,000	3,823	-	1,177	-	-	1,177
Diversity Club	835	7,201	6,940	(263)	833	-	-	833
Drama	57	3,896	2,349	700	2,304	-	-	2,304
Eighth grade team	481	7,460	6,506	(1,421)	14	-	-	14
English	100	-	-	-	100	-	-	100
Ernest Jennings	100	850	750	-	200	-	-	200
ESL	437	-	-	-	437	-	-	437
Family and Consumer SC	-	-	279	844	565	-	-	565

(continued)

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
SHELBY COUNTY HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2013**

<u>Activity Fund</u>	<u>Cash July 1, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>	<u>Cash June 30, 2013</u>	<u>Accounts Receivable June 30, 2013</u>	<u>Accounts Payable June 30, 2013</u>	<u>Due to Student Groups June 30, 2013</u>
FCCLA	\$ 131	\$ 2,973	\$ 2,717	\$ 221	\$ 608	\$ -	\$ -	\$ 608
FEA Scholarship	204	-	-	-	204	-	-	204
Fellow Christian Athletes	1,692	-	-	-	1,692	-	-	1,692
Field trips	-	-	13,315	13,315	-	-	-	-
Fishing Club	436	-	-	-	436	-	-	436
Flower fund	-	235	459	224	-	-	-	-
Football	-	-	8,042	8,292	250	-	-	250
Football camp	37	890	450	-	477	-	-	477
Football playoff	-	5,500	2,082	(3,418)	-	-	-	-
French Club	367	-	-	-	367	-	-	367
Freshman Class	622	401	35	-	988	-	-	988
Future Farmers	712	8,798	11,279	4,954	3,185	-	-	3,185
General Athletics	457	5,039	7,866	4,271	1,901	-	-	1,901
General Fund	199	18,595	22,268	20,232	16,758	-	-	16,758
Girls basketball camp	1,109	855	368	-	1,596	-	-	1,596
Golf – boys	-	-	671	671	-	-	-	-
Golf – girls	-	-	3,953	3,953	-	-	-	-
Guidance	301	201	68	(48)	386	-	-	386

(continued)

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
SHELBY COUNTY HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2013**

<u>Activity Fund</u>	<u>Cash July 1, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>	<u>Cash June 30, 2013</u>	<u>Accounts Receivable June 30, 2013</u>	<u>Accounts Payable June 30, 2013</u>	<u>Due to Student Groups June 30, 2013</u>
Hargadon								
Benevolence	\$ 470	\$ -	\$ -	\$ -	\$ 470	\$ -	\$ -	\$ 470
Health and PE	296	5	-	-	301	-	-	301
Interact Club	58	480	502	-	36	-	-	36
Jr KY Homebuilders	-	85	276	191	-	-	-	-
Juniors – 2014	-	10,106	7,873	(821)	1,412	-	-	1,412
KHSAA Cheer	-	4,258	3,966	(217)	75	-	-	75
Latino Club	283	-	-	-	283	-	-	283
Library fines and copier	6,193	2,321	1,236	(237)	7,041	-	-	7,041
Link crew	-	518	73	(417)	28	-	-	28
Mildred Jennings	-	3,076	750	-	2,326	-	-	2,326
National Honor Society	204	1,280	1,052	(432)	-	-	-	-
Nature Center	1,165	-	-	-	1,165	-	-	1,165
Odyssey	-	257	257	956	956	-	-	956
Orchestra	1,567	3,588	1,715	(1,461)	1,979	-	-	1,979
ROTC – non-reimburse	9,869	14,049	7,671	(3,183)	13,064	-	-	13,064
S.C. Jr. Historical	358	-	-	-	358	-	-	358
SCHS farm	8,663	11,574	8,512	(140)	11,585	-	-	11,585
SCHS Fund for the Arts	639	-	-	-	639	-	-	639

(continued)

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
SHELBY COUNTY HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2013**

<u>Activity Fund</u>	<u>Cash July 1, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>	<u>Cash June 30, 2013</u>	<u>Accounts Receivable June 30, 2013</u>	<u>Accounts Payable June 30, 2013</u>	<u>Due to Student Groups June 30, 2013</u>
SCHS Shelbyhouse	\$ 14,947	\$ 4,521	\$ 5,370	\$ (5,000)	\$ 9,098	\$ -	\$ -	\$ 9,098
SCHS theater	667	-	-	-	667	-	-	667
SCHS Youth Service Center	11	3,172	1,589	-	1,594	-	-	1,594
Science Club	622	1,026	889	-	759	-	-	759
Senior class trip	-	23,025	24,811	1,786	-	-	-	-
Seniors – 2012	1,517	-	554	(16)	947	-	-	947
Seniors – 2013	4,192	-	2,163	(1,786)	243	-	-	243
Soccer – boys	-	-	3,082	3,082	-	-	-	-
Soccer – girls	-	-	2,317	2,317	-	-	-	-
Social studies	5	-	-	-	5	-	-	5
Softball	-	-	6,930	6,930	-	-	-	-
Softball camp	3,875	725	27	-	4,573	-	-	4,573
Spanish Club	165	-	-	-	165	-	-	165
Special Education	101	117	117	-	101	-	-	101
Spirit Club	158	-	-	-	158	-	-	158
Sports program	-	6,361	3,997	-	2,364	-	-	2,364
Staff vending	585	1,757	1,654	(89)	599	-	-	599
State textbooks	12	245	12	-	245	-	-	245
Student Council	589	-	-	-	589	-	-	589

(continued)

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
SHELBY COUNTY HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2013**

<u>Activity Fund</u>	<u>Cash July 1, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>	<u>Cash June 30, 2013</u>	<u>Accounts Receivable June 30, 2013</u>	<u>Accounts Payable June 30, 2013</u>	<u>Due to Student Groups June 30, 2013</u>
Student insurance	\$ -	\$ 380	\$ 380	\$ -	\$ -	\$ -	\$ -	\$ -
Student YMCA	217	15,866	15,356	(727)	-	-	-	-
Summer baseball	4,324	22,270	17,495	(132)	8,967	-	-	8,967
Summer boys basketball	50	10,058	12,207	2,387	288	-	-	288
Summer boys golf	1,787	7,298	7,359	70	1,796	-	-	1,796
Summer boys soccer	1,427	3,926	2,604	-	2,749	-	-	2,749
Summer boys tennis	225	1,364	874	-	715	-	-	715
Summer cheerleaders	429	12,303	9,250	(1,504)	1,978	-	-	1,978
Summer cross-country	9,291	336	6,766	(583)	2,278	-	1,795	483
Summer football	3,841	24,064	23,457	165	4,613	-	-	4,613
Summer girls basketball	2,984	11,190	9,726	(280)	4,168	-	-	4,168
Summer girls golf	4,009	8,921	10,065	1,216	4,081	-	-	4,081
Summer girls soccer	2,940	10,519	8,774	(850)	3,835	-	-	3,835
Summer girls tennis	-	330	360	50	20	-	-	20
Summer softball	8,247	6,589	6,676	-	8,160	-	158	8,002
Summer swimming	514	10,411	7,922	(873)	2,130	-	-	2,130
Summer track	423	7,887	8,152	-	158	-	-	158
Summer volleyball	209	3,001	3,083	21	148	-	-	148
Swim team	-	-	366	366	-	-	-	-

(continued)

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
SHELBY COUNTY HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2013**

<u>Activity Fund</u>	<u>Cash July 1, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>	<u>Cash June 30, 2013</u>	<u>Accounts Receivable June 30, 2013</u>	<u>Accounts Payable June 30, 2013</u>	<u>Due to Student Groups June 30, 2013</u>
Tag	\$ 1,107	\$ -	\$ 159	\$ (948)	\$ -	\$ -	\$ -	\$ -
Tech. Student Assoc.	533	1,485	1,281	215	952	-	-	952
Tennis – boys	-	-	238	238	-	-	-	-
Tennis – girls	-	-	408	408	-	-	-	-
Track	-	100	200	100	-	-	-	-
TV production	280	175	268	-	187	-	-	187
Volleyball – girls	-	-	2,102	2,102	-	-	-	-
Volleyball camp	760	-	-	(760)	-	-	-	-
Volleyball Regional	-	2,870	2,218	(578)	74	-	-	74
W. Wilson Project Acct	1,054	2,240	741	(371)	2,182	-	-	2,182
WHAS Excellence – Larue	115	-	-	-	115	-	-	115
Yearbook and Newspaper	6,895	7,445	4,977	(6,233)	3,130	-	-	3,130
Young Republicans	41	-	-	-	41	-	-	41
Totals	\$ 139,790	\$ 531,294	\$ 495,099	\$ -	\$ 175,985	\$ -	\$ 1,953	\$ 174,032

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
MARTHA LAYNE COLLINS HIGH SCHOOL ACTIVITY FUNDS
Year ended June 30, 2013**

<u>Activity Fund</u>	<u>Cash</u> <u>July 1,</u> <u>2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund</u> <u>Transfers</u>	<u>Cash</u> <u>June 30,</u> <u>2013</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2013</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2013</u>	<u>Due to</u> <u>Student</u> <u>Groups</u> <u>June 30,</u> <u>2013</u>
Academic Guides	\$ 1,000	\$ 1,000	\$ 1,000	\$ -	\$ 1,000	\$ -	\$ -	\$ 1000
Academic Team	1,119	4,250	2,499	(2,832)	38	-	-	38
AP Test Account	-	49,140	45,738	-	3,402	-	-	3,402
Art Department	-	100	-	-	100	-	-	100
ASL Club	37	105	-	-	142	-	-	142
Athletic fees	-	10,731	-	(10,696)	35	-	-	35
Athletic gate	-	1,800	1,800	-	-	-	-	-
Athletic insurance	-	6,565	6,540	-	25	-	-	25
Athletic programs	-	3,951	1,735	(2,216)	-	-	-	-
Band	-	10,027	10,220	193	-	-	-	-
Band fees	353	12,750	12,093	(907)	103	-	-	103
Band instrument rental	178	440	273	(193)	152	-	-	152
Baseball	-	5,156	5,722	566	-	-	-	-
Baseball summer	984	12,246	11,084	-	2,146	-	-	2,146
Beta Club	2,739	8,187	7,595	(419)	2,912	-	-	2,912
Black Achievers	602	701	1,131	(172)	-	-	-	-
Boys basketball	-	14,840	6,757	(8,083)	-	-	-	-
Boys basketball summer	670	21,290	17,853	(1,857)	2,250	-	-	2,250
Boys soccer districts	-	1,919	1,696	(223)	-	-	-	-

(continued)

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
MARTHA LAYNE COLLINS HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2013**

<u>Activity Fund</u>	<u>Cash</u> <u>July 1,</u> <u>2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund</u> <u>Transfers</u>	<u>Cash</u> <u>June 30,</u> <u>2013</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2013</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2013</u>	<u>Due to</u> <u>Student</u> <u>Groups</u> <u>June 30,</u> <u>2013</u>
Boys soccer regional	\$ -	\$ 1,513	\$ 195	\$ (1,318)	\$ -	\$ -	\$ -	\$ -
Boys tennis	-	80	184	104	-	-	-	-
Cheerleaders	1,087	15,440	23,923	10,313	2,917	-	-	2,917
Chorus	1,694	18,573	14,799	(716)	4,752	-	-	4,752
Class of 2013	5,211	2,411	7,304	-	318	-	-	318
Class of 2014	156	19,251	16,499	-	2,908	-	-	2,908
Class of 2015	88	-	-	-	88	-	-	88
Class of 2016	-	175	175	-	-	-	-	-
Collected donations	-	1,223	1,123	(100)	-	-	-	-
Collins Creations	12	132	174	30	-	-	-	-
Collins Media Production	2,516	10,618	3,567	-	9,567	-	-	9,567
Concessions	-	37,152	26,258	(6,144)	4,750	-	-	4,750
Cross-country	4,511	6,854	8,853	-	2,512	-	-	2,512
Culinary arts	2,632	9,400	10,194	125	1,963	-	-	1,963
Dance team	4,483	8,873	13,229	(127)	-	-	-	-
District basketball	-	11,721	8,726	(2,995)	-	-	-	-
Drama	5,215	5,888	3,789	(345)	6,969	-	-	6,969
English department	117	-	-	-	117	-	-	117
FCA	354	680	534	-	500	-	-	500

(continued)

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
MARTHA LAYNE COLLINS HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2013**

<u>Activity Fund</u>	<u>Cash July 1, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>	<u>Cash June 30, 2013</u>	<u>Accounts Receivable June 30, 2013</u>	<u>Accounts Payable June 30, 2013</u>	<u>Due to Student Groups June 30, 2013</u>
FCCLA	\$ 295	\$ 1,902	\$ 2,647	\$ 450	\$ -	\$ -	\$ -	\$ -
FFA	491	9,708	8,893	-	1,306	-	-	1,306
Field trips	-	501	175	(318)	8	-	-	8
Fine Arts Dept.	-	467	-	-	467	-	-	467
Football	-	20,914	14,385	(6,529)	-	-	-	-
Football playoffs	-	11,685	11,003	(682)	-	-	-	-
Football state ticket	-	5,829	5,308	(521)	-	-	-	-
Football summer	6,691	18,025	22,867	(774)	1,075	-	-	1,075
French Club	65	-	-	-	65	-	-	65
General athletics	34,440	6,152	49,101	11,409	2,900	-	-	2,900
General Fund	16,077	7,629	18,549	158	5,315	-	-	5,315
Girls basketball	-	5,856	9,282	3,426	-	-	-	-
Girls basketball summer	1,831	8,013	11,131	5,066	3,779	-	-	3,779
Girls soccer districts	-	1,650	1,219	(431)	-	-	-	-
Girls tennis	60	-	377	317	-	-	-	-
Golf boys	1,311	825	1,803	1,000	1,333	-	-	1,333
Golf girls	500	-	-	-	500	-	-	500
Graduation expenses	-	3,000	2,040	-	960	-	-	960

(continued)

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
MARTHA LAYNE COLLINS HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2013**

<u>Activity Fund</u>	<u>Cash</u> <u>July 1,</u> <u>2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund</u> <u>Transfers</u>	<u>Cash</u> <u>June 30,</u> <u>2013</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2013</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2013</u>	<u>Due to</u> <u>Student</u> <u>Groups</u> <u>June 30,</u> <u>2013</u>
Guidance	\$ 302	\$ 3,868	\$ 3,660	\$ -	\$ 510	\$ -	\$ -	\$ 510
Habitat for Humanity	-	496	-	-	496	-	-	496
Hispanic Achievers	-	687	431	-	256	-	-	256
International Club	220	25	-	-	245	-	-	245
Jets Team	86	-	-	-	86	-	-	86
JROTC	140	11,386	10,559	(587)	380	-	-	380
KY Jr Historical Soc.	50	-	-	-	50	-	-	50
Lacrosse summer	924	7,037	5,281	(702)	1,978	-	-	1,978
Leo Club administrator	200	357	42	-	515	-	-	515
Leo projects	-	382	-	-	382	-	-	382
Library	1,870	1,520	755	-	2,635	-	-	2,635
NHS	457	1,033	601	(55)	834	-	-	834
Odyssey	372	604	795	(27)	154	-	-	154
Orchestra	100	2,693	1,736	(91)	966	-	-	966
PLTW	11,137	650	10,924	-	863	-	-	863
SBDM Reimbursement	-	1,074	13,636	16,115	3,553	-	-	3,553
Science Department	428	3,074	2,028	(1,159)	315	-	-	315
Senior Needs Fund	-	-	-	100	100	-	-	100
Senior Service Project	-	227	227	-	-	-	-	-

(continued)

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
MARTHA LAYNE COLLINS HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2013**

<u>Activity Fund</u>	<u>Cash</u> <u>July 1,</u> <u>2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund</u> <u>Transfers</u>	<u>Cash</u> <u>June 30,</u> <u>2013</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2013</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2013</u>	<u>Due to</u> <u>Student</u> <u>Groups</u> <u>June 30,</u> <u>2013</u>
Senior Trip	\$ -	\$ 10,790	\$ 10,790	\$ -	\$ -	\$ -	\$ -	\$ -
Shelby Prevention	485	1,548	1,818	-	215	-	-	215
Soccer boys	-	4,288	2,334	(1,954)	-	-	-	-
Soccer boys summer	-	5,020	5,345	325	-	-	-	-
Soccer girls	-	1,840	2,130	290	-	-	-	-
Soccer girls summer	997	5,417	3,996	247	2,665	-	-	2,665
Softball	-	2,127	5,097	2,970	-	-	-	-
Softball summer	7,123	2,500	7,538	2,000	4,085	-	-	4,085
Spanish NHS	246	-	5	-	241	-	-	241
Special Education	-	633	633	-	-	-	-	-
Sports passes	-	2,056	-	(2,056)	-	-	-	-
Staff vending	-	1,896	1,609	(260)	27	-	-	27
Student Accident Insurance	-	355	355	-	-	-	-	-
Student Council	54	-	-	-	54	-	-	54
Student vending	1,716	3,356	4,413	-	659	-	-	659
Swim team	2,264	-	2,264	-	-	-	-	-
Textbooks	823	30	-	-	853	-	-	853

(continued)

SHELBY COUNTY SCHOOL DISTRICT

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS –
MARTHA LAYNE COLLINS HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2013**

<u>Activity Fund</u>	<u>Cash July 1, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>	<u>Cash June 30, 2013</u>	<u>Accounts Receivable June 30, 2013</u>	<u>Accounts Payable June 30, 2013</u>	<u>Due to Student Groups June 30, 2013</u>
Titan Nation	\$ -	\$ 2,858	\$ 2,843	\$ (15)	\$ -	\$ -	\$ -	\$ -
Track summer	73	614	2,123	1,436	-	-	-	-
TSA	247	9,312	4,362	(268)	4,929	-	-	4,929
Volleyball	-	3,114	4,135	1,021	-	-	-	-
Volleyball summer	427	6,491	4,872	(1,105)	941	-	-	941
Volleyball tourney	-	2,695	2,489	(206)	-	-	-	-
Volunteer Background	-	90	70	-	20	-	-	20
World Language	32	3,751	3,034	(507)	242	-	-	242
YMCA	57	5,931	5,744	(71)	173	-	-	173
Young Republicans	30	-	-	-	30	-	-	30
Youth Service Center	<u>203</u>	<u>106</u>	<u>212</u>	<u>-</u>	<u>97</u>	<u>-</u>	<u>-</u>	<u>97</u>
Totals	<u>\$ 128,582</u>	<u>\$ 529,269</u>	<u>\$ 560,928</u>	<u>\$ -</u>	<u>\$ 96,923</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,923</u>

SHELBY 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>
Cash expenditures			
<u>U.S. Department of Education</u>			
Kentucky Department of Education:			
Title I	84.010	3100002-12 3100002-11 3100202-12 3133	\$ 570,533 512,942 419,028 <u>18,300</u>
Subtotal			<u>1,520,803</u>
Migrant Education	84.011	3110002-12 3110002-11	161,136 <u>58,348</u>
Subtotal			<u>219,484</u>
Special Education	84.027	3810002-12	1,208,209
Vocational Education Basic	84.048	4621332-12 4621232-11	25,207 <u>8,068</u>
Subtotal			<u>33,275</u>
Special Education Preschool	84.173	3800002-12	35,644
Improving Teacher Quality	84.367	3230002-12 3200101-11	206,032 <u>54,197</u>
Subtotal			<u>260,229</u>
English Language Acquisition	84.365	3300002-11 3300002-10	111,992 <u>992</u>
Subtotal			<u>112,984</u>
Rehabilitation Services Vocational Rehabilitation	84.126	3763	44,094
Race to the Top	84.416	3960002-12	11,418
Education Jobs Fund*	84.410	EJOB00-10	<u>9,099</u>
Total U.S. Department of Education			3,455,239

(continued)

SHELBY COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED
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 Health and Human Services</u> Head Start	93.600	6552	\$ <u>10,335</u>
Total U.S. Department of Health and Human Services			10,335
<u>U.S. Department of Agriculture</u> Kentucky Department of Education: National School Breakfast Program	10.553	7760005-13 7760005-12	441,336 <u>117,129</u> 558,465
Subtotal			558,465
National School Lunch Program	10.555	7750002-13 7750002-12	1,241,248 <u>325,329</u> 1,566,577
Subtotal			1,566,577
Summer Food Service Program for Children	10.559	7690024-12 7740023-12	7,259 <u>69,669</u> 76,928
Subtotal			76,928
Total U.S. Department of Agriculture			2,201,970
<u>U.S. Department of Defense</u> Promoting K-12 Student Achievement	12.556	Not Provided	<u>118,214</u>
Total U.S. Department of Defense			<u>118,214</u>
Total cash expenditures			5,785,758
Non-cash expenditures			
<u>U.S. Department of Agriculture</u> Kentucky Department of Agriculture: Food Donation	10.555	Not Provided	<u>172,111</u>
Total federal expenditures			<u>\$ 5,957,869</u>

* American Recovery and Reinvestment Act (ARRA) funds.

See accompanying notes.

SHELBY COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2013

1. Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Shelby County School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

2. Food donation

Nonmonetary assistance for food donation is reported in the schedule at the fair value of the commodities disbursed. These donations are received from the U.S. Department of Agriculture via the Kentucky Department of Agriculture (KDA). The KDA has not provided a pass-through grant number.

3. Program clusters

The following programs are considered clusters and are considered in the aggregate for consideration of major program determination:

<u>Cluster Name</u>	<u>CFDA</u>	<u>Total Grant</u>
Special Education	84.027/84.173	\$ 1,243,853
Child Nutrition	10.555/10.553/10.559	2,374,081



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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Shelby County School District
Shelbyville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*, the financial statements of the governmental activities, the business-type activities, and each major fund of the Shelby County School District (District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 11, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

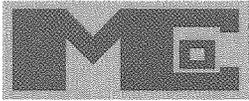
We noted certain other matters that we reported to the District's management in a separate letter dated November 11, 2013.

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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mather & Co. CPAs, LLC

Mather & Co. CPAs, LLC
Louisville, Kentucky
November 11, 2013



**M A T H E R
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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

Kentucky State Committee for
School District Audits
Members of the Board of Education
Shelby County School District
Shelbyville, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards and OMB Circular

A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the 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

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

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

Our consideration of the 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.

Mather & Co. CPAs, LLC

Mather & Co. CPAs, LLC
Louisville, Kentucky
November 11, 2013

SHELBY COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2013

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I

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

Auditee qualified as low risk Yes _____ No

(continued)

SHELBY COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
Year ended June 30, 2013

Section II – Financial Statement Findings

No matters to report.

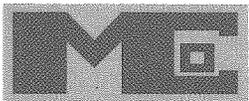
Section III – Federal Award Findings

No matters to report.

SHELBY COUNTY SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year ended June 30, 2013

There were no prior year audit findings.



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Members of the Board of Education
Shelby County School District
Shelbyville, Kentucky

In planning and performing our audit of the basic financial statements of the Shelby County School District (District) as of and for the year ended June 30, 2013, 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 *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*, we considered the District's internal control over financial reporting and compliance as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting or compliance. Accordingly, we do not express an opinion on the District's internal control over reporting and compliance.

However, during our audit we became aware of instances of noncompliance that we do not consider to be material weaknesses or significant deficiencies, but are opportunities for strengthening internal control. In addition, we followed up on another matter noted in our previous audit. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 11, 2013 on the District's basic financial statements.

Respectfully,

Mather & Co. CPAs, LLC

Mather & Co. CPAs, LLC
Louisville, Kentucky
November 11, 2013

SHELBY COUNTY SCHOOL DISTRICT

**MANAGEMENT LETTER COMMENTS
JUNE 30, 2013**

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ELEMENTARY, MIDDLE, AND HIGH SCHOOL ACTIVITY FUNDS

Follow-up on Prior Year Finding

Clear Creek Elementary School

Prior year comment: During the prior year receipts testing, it was noted the school did not properly control and use pre-numbered receipts. The bookkeeper manually re-numbered several receipts by crossing out the pre-numbered receipt and assigning different receipt numbers. Redbook Handling Cash Policy #2 states, "Pre-numbered receipts shall be issued any time money is received, and all receipt numbers shall be accounted for." We recommend pre-numbered receipts to be maintained and reconciled to the monthly general ledger reports in order to account for all cash received by the bookkeeper.

Current year follow-up: There were no such instances in the current year.

Current Year Findings

Clear Creek Elementary School

2013-1 Statement of deficiency: There was one instance where the check was missing dual signatures (the only signature was that of the school's treasurer).

Criteria for deficiency: Segregation of duties policies under Redbook.

Cause of deficiency: Principal did not sign checks.

Effect of deficiency: This deficiency is a violation of Redbook segregation of duties.

Recommendation for correction: We recommend the Principal sign all checks to meet the segregation of duties requirement.

Board response: We agree that the Redbook requirement was not followed in these instances. We have met with the school personnel involved, as well as the bookkeepers for all schools, to address this matter. We will continue to emphasize the importance of adhering to Redbook requirements. We have pointed out that, when a second signer is not available, the Director of Finance or the Finance Coordinator should be consulted to determine if an alternate signature is appropriate. A single signature on a check is never permitted by Redbook requirements.

Heritage Elementary School

2013-2 Statement of deficiency: There was an instance noted where the detail on the multiple receipt form did not match the total amount deposited.

Criteria for deficiency: Redbook policy stipulates the bookkeeper and person turning in money shall jointly count the money.

Cause of deficiency: The total on the multiple receipt form did not match the bank deposit.

Effect of deficiency: This deficiency is in violation of Redbook procedures for handling cash.

Recommendation for correction: We recommend the bookkeeper and person turning in the money count the money together and reconcile any discrepancies on the multiple receipt form.

Board response: We agree that the Redbook requirement was not followed in these instances. We have met with the school personnel involved, as well as the bookkeepers for all schools, to address this matter. Upon investigation, we determined: (Heritage and Simpsonville) credit card purchases by parents at a book fair were not included on the multiple receipt form. We have developed a process where credit card purchases will be included on a separate multiple receipt form to eliminate confusion. (Wright) The issue stemmed from a “penny war”, which is discouraged as a fundraiser, even for charitable purposes. However, in this case some teachers wanted to use it as a learning experience for students. The students counted the money and the teachers put that amount on the multiple receipt form without verifying the accuracy of the count. The time required is significant for the bookkeeper and the teachers to count the money together, hence the reason this activity is discouraged. We have again emphasized to bookkeepers that this is not a good way to raise funds. We will continue to emphasize the importance of adhering to the Redbook requirements.

Painted Stone Elementary School

2013-3 Statement of deficiency: There was an instance noted where the deposit was held for multiple days.

Criteria for deficiency: Redbook policy for handling cash.

Cause for deficiency: Money to be deposited was held beyond the time permitted by the Redbook.

Effect of the deficiency: This deficiency is in violation of Redbook’s policy for handling cash.

Recommendation for correction: We recommend all money be turned in daily to the bookkeeper and deposited in accordance with Redbook.

Board response: We agree that the Redbook requirement was not followed in these instances. We have met with the school personnel involved, as well as the bookkeepers for all schools, to address this matter. Upon investigation, we determined the bookkeeper at one school (Shelby County High School) received money at the end of the day before the start of spring break; however, under no circumstance is money to be left in a school over a break. We have instructed school personnel that they are to use the night depository at the bank when an extended school break will occur. We will work on tightening up the process and informing our schools as to the process to follow. We will continue to emphasize the importance of adhering to the Redbook requirements.

2013-4 Same item noted in 2013-1.

Shelby County High School

2013-5 **Statement of deficiency:** There was an instance where a portion of the money collected at the high school concession stand was given to the Booster Club.

Criteria for deficiency: Support/Booster organizations using external accounts under Redbook.

Cause for deficiency: The money collected was not separated between school activity funds and the Booster Club.

Effect of deficiency: This deficiency is a violation of Redbook policy.

Recommendation for correction: All monies collected for the student activity funds should only go to the student activity funds. The Booster Club needs to be either completely segregated from the student activity funds or needs to be included in the student activity funds under Redbook policies and procedures.

Board response: We agree that the Redbook requirement was not followed in this instance. We have met with the school personnel involved to address this matter. Upon investigation, we found that the concession stand was run by the Booster Club. Because a few parents of baseball and softball players helped out, the Booster Club gave cash to the school. We have made sure the school personnel are aware that cash transactions such as this are not permitted. In the future, the Booster Club will give a check to the high school.

2013-6 Same item noted in 2013-3.

Simpsonville Elementary

2013-7 Same item noted in 2013-3.

2013-8 Same item noted in 2013-2.

Shelby County West Middle School

2013-9 Same item noted in 2013-3.

Wright Elementary

2013-10 Same item noted in 2013-2.

OTHER ISSUES RELATING TO INTERNAL CONTROL AND GENERAL ACCOUNTING PROCEDURES

Follow-up on Prior Year Comments

There were no prior year findings.

Current Year Findings

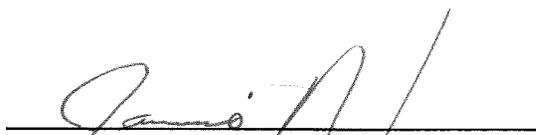
There are no current year findings.

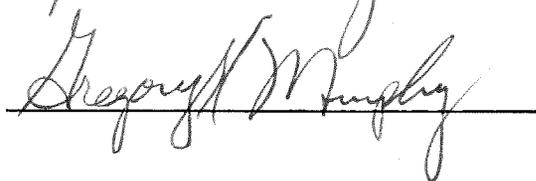
STATEMENT OF CERTIFICATION

State Committee for School District Audits
Frankfort, Kentucky

The Shelby County School District certifies that all audit adjustments have been entered into MUNIS and that an Annual Financial Report and Balance Sheet, which are in agreement with the audit report, will be transferred to KDE in conjunction with the audit report.

SUBMITTED, November 11, 2013


_____ Superintendent


_____ Finance Officer
