

TAYLOR COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

Year ended June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Taylor County School District
Campbellsville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Taylor County School District (the "District") as of and for the year then 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for Schools District Audits Independent Auditor's Contract, Appendix I of the Independent Auditor's Contract – Audit Extension Request, and Appendix II of 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 of material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on Pages 3 through 8 and 33 through 34 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 conducting for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The additional information shown on Pages 35 through 38 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards on Pages 39 through 41 are 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 are also not a required part of the basic financial statements of the District.

The additional information shown on pages 35 through 38 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information shown on pages 35 through 38 and the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2013, on our consideration of the Taylor County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not 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 Taylor County School Districts internal control over financial reporting

Wise, Buckner, Sprowles & Associates PLLC

Wise, Buckner, Sprowles & Associates PLLC
Certified Public Accountants

Campbellsville, KY
November 12, 2013

TAYLOR COUNTY SCHOOL DISTRICT
CAMPBELLSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2013

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

FINANCIAL HIGHLIGHTS

- The beginning fund balance for the District's General Fund was \$4,038,000 as compared to \$3,770,033 for the year ending balance on June 30, 2013.
- A continued effort focuses on purchasing in the areas of supplies, food, energy and travel resulting in savings due to management strategies.
- Interest income earned in FY 2013 was \$58,134 as compared to \$120,749 in 2012. Total revenue (less bond proceeds) decreased by 2 percent for all governmental funds from \$23,282,354 in FY 12 to \$23,872,833 in FY 13.
- SEEK funding reported in the district's general fund in FY 2012 was \$10,388,873. The amount of SEEK received in FY 2013 was \$10,347,591. There was a .4% decrease in SEEK during 2013 in comparison with FY 2012.
- The General Fund had \$22,760,628 (including the beginning balance) in revenue, which primarily consisted of the state program (SEEK), property, local occupational license taxes, utilities and motor vehicle taxes. Excluding inter-fund transfers of \$38,431 for local technology matching fund and \$121,940 for debt service, there were \$19,104,864 in General Fund expenditures.
- Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The district's total principal bonded indebtedness decreased by \$745,000 during the current fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 9-10 of this report.

TAYLOR COUNTY SCHOOL DISTRICT
 CAMPBELLSVILLE, KENTUCKY
 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 YEAR ENDED June 30, 2013

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental and proprietary funds. The only proprietary fund is food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11-20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-34 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, total assets exceeded liabilities by \$12,433,525 as of June 30, 2013 as compared to \$12,323,079 as of June 30, 2012.

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

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

Net Position for the Period Ending June 30, 2013 and 2012:

Assets	2013	2012
Current Assets	\$ 6,260,665	\$ 5,418,288
Capital Assets	13,695,229	13,793,462
Total Assets	19,955,894	19,211,750
Current Liabilities	2,420,861	1,205,276
Non-Current Liabilities	5,101,508	5,683,395
Total Liabilities	7,522,369	6,888,671
Net Position		
Net Investment in Capital Assets	8,305,229	7,658,462
Restricted	541,834	211,925
Unrestricted	3,586,462	4,452,692
Total Net Position	\$ 12,433,525	\$ 12,323,079

TAYLOR COUNTY SCHOOL DISTRICT
 CAMPBELLSVILLE, KENTUCKY
 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 YEAR ENDED June 30, 2013

COMMENTS ON BUDGET COMPARISONS

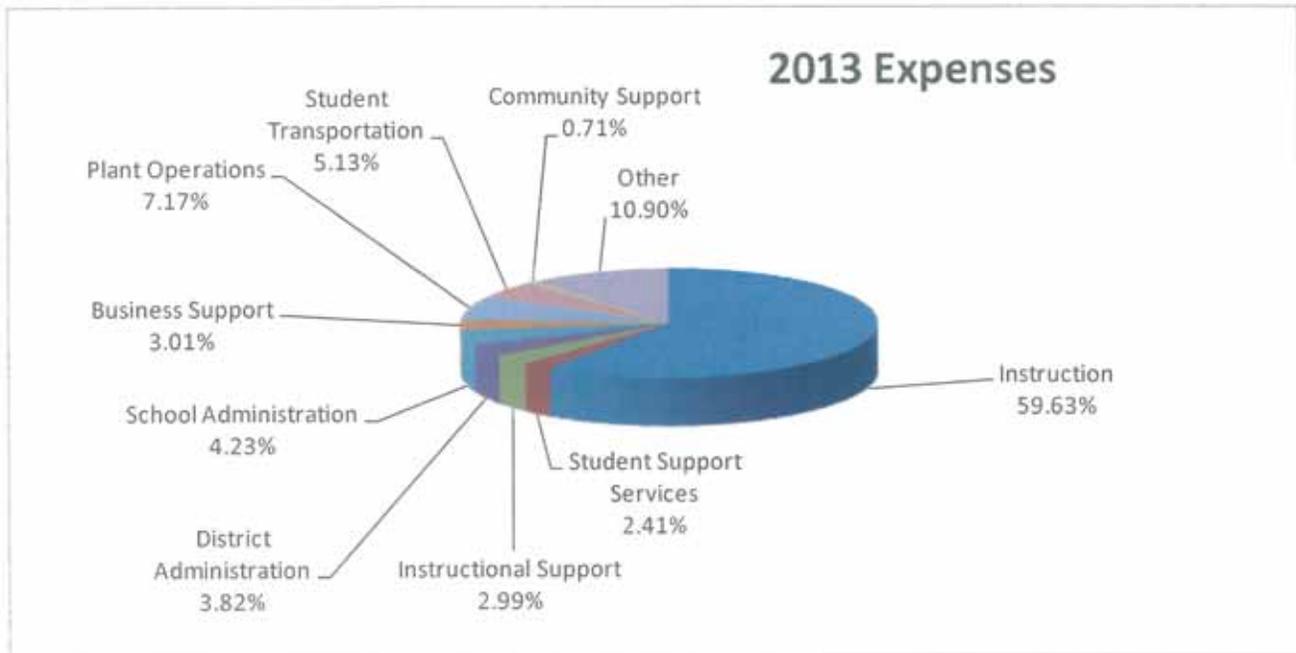
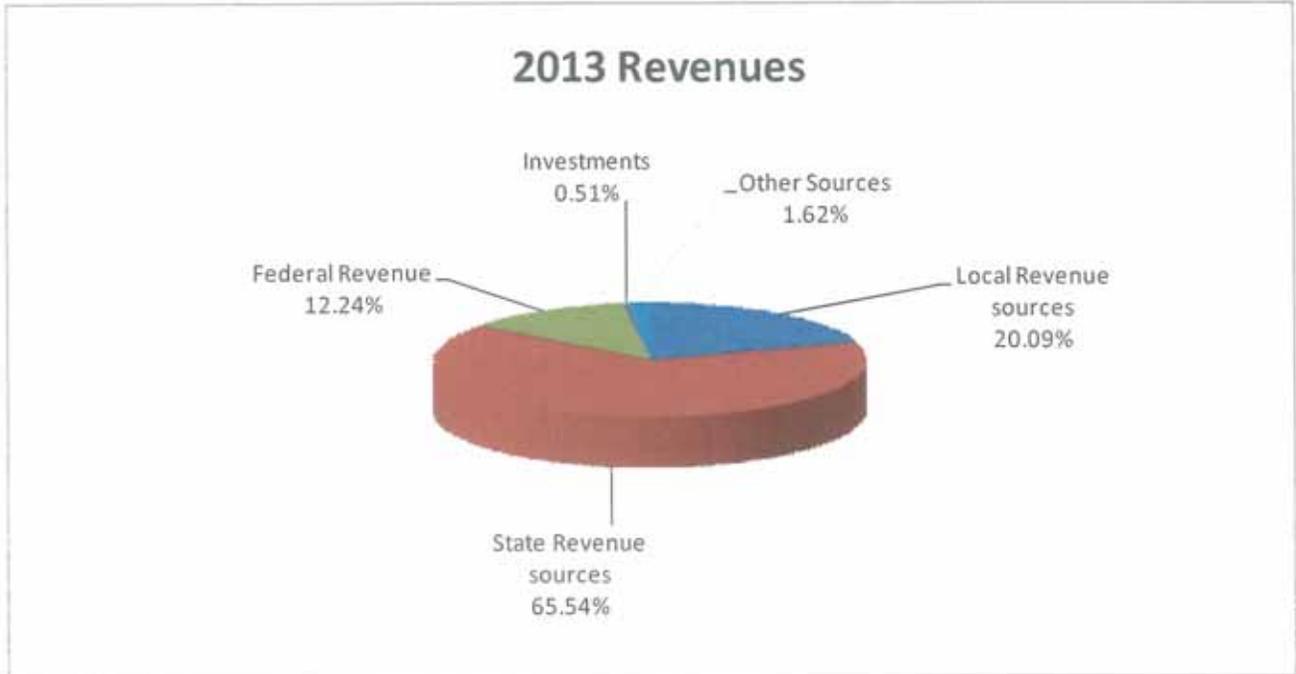
- The District's total revenues for the fiscal year ended June 30, 2013, net of inter-fund transfers and on-behalf payments, were \$18,958,166.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$702,842 more than budget (excluding on-behalf payments from the state of \$3,670,763).
- General fund final budget expenditures were \$2,935,494 less than budget (excluding on-behalf payments from the state of \$3,670,763).

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Revenues:		
Local Revenue Sources	\$ 4,771,143	\$ 4,741,730
State Revenue Sources	15,492,375	15,466,783
Federal Revenue	2,468,631	2,888,752
Investments	58,134	120,749
Other Sources	<u>1,224,526</u>	<u>381,957</u>
Total Revenue	<u>24,014,809</u>	<u>23,599,971</u>
 Expenses:		
Instruction	14,839,100	14,650,423
Student Support Services	645,450	593,946
Instructional Support	738,090	734,444
District Administration	767,633	938,389
School Administration	919,382	1,039,467
Business Support	749,510	738,489
Plant Operations	1,968,556	1,761,812
Student Transportation	1,304,861	1,260,327
Community Support	171,527	174,988
Other	<u>2,000,146</u>	<u>2,678,542</u>
Total Expenses	<u>24,104,255</u>	<u>24,570,827</u>
 Revenue in Excess/(Deficit) of Expenses	 <u><u>\$ (89,446)</u></u>	 <u><u>\$ (970,856)</u></u>

TAYLOR COUNTY SCHOOL DISTRICT
 CAMPBELLSVILLE, KENTUCKY
 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 YEAR ENDED June 30, 2013

The following pie charts are included as additional illustrations of the District's revenues and expenses for the year ended June 30, 2013.



TAYLOR COUNTY SCHOOL DISTRICT
 CAMPBELLSVILLE, KENTUCKY
 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 YEAR ENDED June 30, 2013

GENERAL FUND REVENUE SOURCES

General fund receipts in FY 2013 were derived from three sources: local taxes account for 24 percent of all revenue; state sources were responsible for 74 percent of general fund revenue; federal sources totaled .5 percent; and an additional 1.5 percent came from investment income, the sale of property and other miscellaneous fees.

GENERAL FUND EXPENDITURE CATEGORIES

General Fund expenditures in FY 2013 were spread among more than one dozen functions.

<u>Expenditure Category</u>	<u>Percent</u>
Instructional Activities (<i>teachers, instructional assistants, instructional supplies, materials & equipment</i>)	64
Plant Operations	10
Student Transportation	7
School Administration Support (principal's offices)	5
Student Support Services (<i>pupil attendance, guidance, social work, health, psychologist, speech pathologists, occupational and physical therapy, services for the visually impaired</i>)	3
Instructional Staff Support	3
District Administration Support (<i>board of ed, office of superintendent</i>)	4
Business Support Services	4
Community Services, Site Improvement, Debt Service & Fund Transfers (<i>Local Technology Match</i>)	0
Other Services	0

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2 percent contingency. The district adopted a budget with \$2,373,166 in contingency (10% of the entire budget). The beginning cash balance for beginning the fiscal year was \$4,038,000.

The Taylor County Public Schools received a federal grant titled 21st Century Community Learning Centers, which was awarded for the period of March 1, 2008 through September 30, 2013. The amount awarded during that period was \$1,800,000. In addition, the district was awarded supplemental funds during this time period of \$184,500, which was to be used for program expenses including summer school and staff training. Its impact is to enable our community to design and implement effective out-of-school programs that will result in improved student achievement, and be sustained through community partnerships at the conclusion of the grant funds.

TAYLOR COUNTY SCHOOL DISTRICT
CAMPBELLSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2013

During FY 12-13, the district was awarded \$79,576 in School Improvement Grants for the middle & high schools.

The Kentucky School Boards Insurance Trust (KSBIT), which provided coverage through nonprofit self-insured pools for workers compensation and property/liability insurance reported a deficit position in FY 12-13. In response to this deficit, all participants are likely to be charged an assessment to cover losses from prior years. Preliminary estimates of the assessment charged to the Taylor County School District based on information provided by the Kentucky School Board Insurance Trust on 2/7/13 is \$295,059 for worker's compensation and \$29,004 for property and liability.

Questions regarding this report should be directed to the Superintendent (270-465-5371) or to the Finance Officer (270-465-5371) or by mail at 1209 East Broadway, Campbellsville, KY 42718.

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

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 5,083,262	\$ 279,899	\$ 5,363,161
Investments	-	40,000	40,000
Inventory	-	39,076	39,076
Accounts Receivable			
Taxes - Current	-	-	-
Accounts Receivable	192,984	-	192,984
Intergovernmental - State	-	-	-
Intergovernmental – Indirect Federal	329,356	67,862	397,218
Bond Issue Costs	228,226	-	228,226
Capital Assets			
Land and other non-depreciable assets	3,501,510	-	3,501,510
Capital Assets, net of Accumulated Depreciation	<u>10,086,058</u>	<u>107,661</u>	<u>10,193,719</u>
TOTAL ASSETS	<u>19,421,396</u>	<u>534,498</u>	<u>19,955,894</u>
LIABILITIES			
Accounts Payable	1,003,455	1,142	1,004,597
Checks Issued in Excess of Cash	137,343	-	137,343
KISBIT Payable	324,063	-	324,063
Unearned Revenue	192,013	-	192,013
Interest Payable	37,695	-	37,695
Non-Current Liabilities			
Due within one year	725,150	-	725,150
Due in more than one year	<u>5,101,508</u>	<u>-</u>	<u>5,101,508</u>
TOTAL LIABILITIES	<u>7,521,227</u>	<u>1,142</u>	<u>7,522,369</u>
NET POSITION			
Net Investment in Capital Assets	8,197,568	107,661	8,305,229
Restricted for:			
Capital Projects	162,740	-	162,740
Inventory	-	39,076	39,076
Debt Service	340,018	-	340,018
Unrestricted	<u>3,199,843</u>	<u>386,619</u>	<u>3,586,462</u>
TOTAL NET POSITION	<u>\$ 11,900,169</u>	<u>\$ 533,356</u>	<u>\$ 12,433,525</u>

See accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Net (Expense) Revenue and
Changes in Net Assets

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	Total
FUNCTIONS/PROGRAMS						
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 14,870,637	\$ 3,920	\$ 2,589,320	\$ -	\$ -	\$ (12,277,397)
Support Services	-	-	-	-	-	-
Student	646,050	9,499	-	(636,551)	-	(636,551)
Instruction Staff	738,249	143,597	-	(594,652)	-	(594,652)
District Administrative	787,692	-	-	(787,692)	-	(787,692)
School Administrative	919,382	-	-	(919,382)	-	(919,382)
Business	749,510	-	-	(749,510)	-	(749,510)
Plant Operation and Maintenance	1,969,234	12,682	-	(1,955,572)	-	(1,955,572)
Student Transportation	1,431,325	-	-	(1,431,325)	-	(1,431,325)
Facilities acquisition and construction	-	30	693,626	693,656	-	693,656
Community Service Activities	171,527	170,226	-	(1,301)	-	(1,301)
Site Improvement	2,923	-	-	(2,923)	-	(2,923)
Interest on Long-Term Debt	197,693	-	-	(197,693)	-	(197,693)
TOTAL GOVERNMENTAL ACTIVITIES	22,484,222	4,900	2,925,354	(18,860,342)	-	(18,860,342)
BUSINESS-TYPE ACTIVITIES						
Food Service	1,309,187	301,211	1,053,621	-	45,645	45,645
TOTAL BUSINESS-TYPE ACTIVITIES	1,309,187	301,211	1,053,621	-	45,645	45,645
TOTAL SCHOOL DISTRICT	\$ 23,793,409	\$ 306,111	\$ 3,978,975	(18,860,342)	45,645	(18,814,697)
GENERAL REVENUES						
Taxes						
Property Taxes				3,254,669	-	3,254,669
Delinquent Property Taxes				56,723	-	56,723
Motor Vehicle				581,520	-	581,520
Utility Taxes				853,024	-	853,024
Other Taxes				25,207	-	25,207
Investment Earnings				58,134	1,599	59,733
State Aid Formula Grants				14,418,075	-	14,418,075
Miscellaneous				1,601	-	1,601
SPECIAL ITEMS:						
Gains (loss) on Sale of Fixed Assets				(1,346)	-	(1,346)
EXTRAORDINARY ITEM:						
KISBIT Insurance Expense				(324,063)	-	(324,063)
Transfers				68,818	(68,818)	-
TOTAL GENERAL REVENUES				18,992,362	(67,219)	18,925,143
Change in Net Position				132,020	(21,574)	110,446
Net Position - Beginning				11,768,149	554,930	12,323,079
Net Position - Ending				\$ 11,900,169	\$ 533,356	\$ 12,433,525

See accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Special Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES					
Cash and Cash Equivalents	\$ 4,580,504	\$ -	\$ 162,740	\$ 340,018	\$ 5,083,262
Accounts Receivable					
Taxes - Current	-	-	-	-	-
Accounts Receivable	192,984	-	-	-	192,984
Intergovernmental - State	-	-	-	-	-
Intergovernmental - Indirect Federal	-	329,356	-	-	329,356
TOTAL ASSETS AND RESOURCES	\$ 4,773,488	\$ 329,356	\$ 162,740	\$ 340,018	\$ 5,605,602
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Checks Issued in Excess of Cash	\$ -	\$ 137,343	\$ -	\$ -	\$ 137,343
Accounts Payable	1,003,455	-	-	-	1,003,455
Unearned Revenue	-	192,013	-	-	192,013
TOTAL LIABILITIES	1,003,455	329,356	-	-	1,332,811
FUND BALANCES					
Restricted- Sick Leave Payable	173,254	-	-	-	173,254
Restricted - KSFCC Escrow Prior Year	-	-	-	24,738	24,738
Restricted - Debt Service	-	-	-	315,280	315,280
Restricted - Future Construction Projects	-	-	162,740	-	162,740
Unassigned Fund Balance	3,596,779	-	-	-	3,596,779
TOTAL FUND BALANCES	3,770,033	-	162,740	340,018	4,272,791
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,773,488	\$ 329,356	\$ 162,740	\$ 340,018	\$ 5,605,602

See accompanying notes to financial statements.

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

Total fund balances per fund financial statements		\$ 4,272,791
Amounts reported for governmental activities in the statement of assets are different because:		
Capital assets used in government activities are not current financial resources and therefore are not reported as assets in this fund financial statement. The cost of the assets is \$27,156,408, and the accumulated depreciation is \$13,568,840.		13,587,568
Bond issue costs are not current financial resources and therefore are not reported as assets in this fund financial statement.		228,226
Bonds payable are not reported in this fund financial statement because they are not due and payable in the current period, but they are presented in the statement of net assets.		(5,390,000)
Certain liabilities, (Sick leave and interest payable) are not presented in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets as follows:		
KSBIT Payable	\$ (324,063)	
Interest Payable	(37,695)	
Accrued Sick Leave Payable	(436,658)	(798,416)
		(798,416)
Net position for governmental activities		\$ 11,900,169

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	General Fund	Special Revenue (Grant) Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
From Local Sources					
Taxes					
Property	\$ 2,903,473	\$ -	\$ -	\$ 433,126	\$ 3,336,599
Motor Vehicles	581,520	-	-	-	581,520
Utilities	853,024	-	-	-	853,024
Tuition and Fees	3,920	-	-	-	3,920
Earnings and Investments	55,195	583	-	2,356	58,134
Other Local Revenues	2,581	76,049	-	-	78,630
Intergovernmental – State	14,097,165	606,424	-	788,786	15,492,375
Intergovernmental – Direct federal	184,465	147,318	-	-	331,783
Intergovernmental – Indirect federal	41,285	2,095,563	-	-	2,136,848
TOTAL REVENUES	18,722,628	2,925,937	-	1,224,268	22,872,833
EXPENDITURES					
Instruction	12,215,766	2,623,334	-	-	14,839,100
Support Services					
Student	635,951	9,499	-	-	645,450
Instructional Staff	594,493	143,597	-	-	738,090
District Administration	767,633	-	-	-	767,633
School Administration	919,382	-	-	-	919,382
Business Support Services	749,510	-	-	-	749,510
Plant Operation and Management	1,913,074	12,682	-	42,800	1,968,556
Student Transportation	1,304,861	-	-	-	1,304,861
Food Service Operation	-	-	-	-	-
Facilities Acquisition and Construction	-	-	-	-	-
Building Improvements	2,893	30	-	-	2,923
Community Service Activities	1,301	170,226	-	-	171,527
Debt Service					
Principal	-	-	-	745,000	745,000
Interest	-	-	-	179,065	179,065
Other	-	-	-	-	-
TOTAL EXPENDITURES	19,104,864	2,959,368	-	966,865	23,031,097
Excess (Deficit) of Revenues Over Expenditures	(382,236)	(33,431)	-	257,403	(158,264)
OTHER FINANCING SOURCES (USES)					
Proceeds of Refunding Bond	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-
Operating Transfers In	274,640	38,431	-	828,905	1,141,976
Operating Transfers Out	(160,371)	(5,000)	-	(907,787)	(1,073,158)
TOTAL OTHER FINANCING SOURCES (USES)	114,269	33,431	-	(78,882)	68,818
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(267,967)	-	-	178,521	(89,446)
Fund Balance June 30, 2012	4,038,000	-	162,740	161,497	4,362,237
Fund Balance June 30, 2013	<u>\$ 3,770,033</u>	<u>\$ -</u>	<u>\$ 162,740</u>	<u>\$ 340,018</u>	<u>\$ 4,272,791</u>

See accompanying notes to financial statements.

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

Net Change - Governmental Funds \$ (89,446)

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

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays for the year.

Depreciation Expense	\$ (802,163)	
Capital Outlays	<u>728,334</u>	(73,829)

Bond proceeds are reported as financial sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Principal Paid:		
District	666,874	
State	<u>78,126</u>	745,000

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

Accrued Interest Payable	13,322	
Accrued Sick Leave	(105,668)	
KSBIT Payable	(324,063)	
Bond Amortization Cost	<u>(31,950)</u>	(448,359)

In the statement of activities the net gain on the sale/disposal of assets is reported in, whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net position differs from the change in fund balances by the cost of the assets sold/disposed.

Change in net position of governmental activities		<u><u>\$ 132,020</u></u>
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TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of June 30, 2013

	<u>Food Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 279,899
Investments	40,000
Accounts Receivable	67,862
Inventory	<u>39,076</u>
TOTAL CURRENT ASSETS	426,837
NON-CURRENT ASSETS	
Capital Assets net of Accumulated Depreciation	<u>107,661</u>
TOTAL NON-CURRENT ASSETS	<u>107,661</u>
TOTAL ASSETS	<u><u>\$ 534,498</u></u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	<u>\$ 1,142</u>
TOTAL CURRENT LIABILITIES	1,142
NET POSITION	
Net Investment in Capital Assets	107,661
Restricted:	
Nonexpendable - Inventory	39,076
Unrestricted	<u>386,619</u>
TOTAL NET POSITION	<u>533,356</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 534,498</u></u>

See accompanying notes to financial statements.

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

	<u>Food Service Fund</u>
OPERATING REVENUES	
Lunchroom Sales	\$ 296,113
Other Operating Revenues	<u>5,098</u>
TOTAL OPERATING REVENUES	301,211
OPERATING EXPENSES	
Salaries & Benefits	676,221
Contract Services	15,746
Material and Supplies	583,777
Depreciation	24,906
Other Operating Expenses	<u>8,537</u>
TOTAL OPERATING EXPENSES	<u>1,309,187</u>
OPERATING INCOME (LOSS)	(1,007,976)
NON-OPERATING REVENUES (EXPENSES)	
Federal Grants	871,503
Donated Commodities	78,228
State Grants	103,890
Interest Income	<u>1,599</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>1,055,220</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	47,244
NET TRANSFERS	<u>(68,818)</u>
CHANGE IN NET POSITION	(21,574)
TOTAL NET POSITION - BEGINNING	<u>554,930</u>
TOTAL NET POSITION - ENDING	<u><u>\$ 533,356</u></u>

See accompanying notes to financial statements.

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received From	
Lunchroom Sales	\$ 296,113
Other Activities	5,098
Cash Paid to/for	
Employees	(585,933)
Supplies	(505,070)
Other Activities	(24,284)
	<u>(814,076)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(814,076)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	<u>(1,848)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,848)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Grants	13,601
Federal Grants	<u>803,641</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	817,242
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipt of Interest Income	1,599
Net Transfers	<u>(68,818)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(67,219)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(65,901)
Balances, Beginning of Year	<u>345,800</u>
Balances, End of Year	<u><u>\$ 279,899</u></u>
RECONCILIATION OF CHANGE IN NET INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (1,007,976)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	24,906
State On-behalf Payments	90,289
Donated Commodities	78,228
Change in Assets and Liabilities	
(Increase) Decrease in Inventory	10,109
Increase (Decrease) in Accounts Payable	(9,632)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (814,076)</u></u>
SCHEDULE OF NON-CASH TRANSACTIONS	
On Behalf Payments from the State for Employee Benefits	\$ 90,289
Donated Commodities Received from Federal Government	78,228

See accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
As of June 30, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 118,615
Accounts Receivable	<u>624</u>
TOTAL ASSETS	119,239
LIABILITIES	
Accounts Payable	2,494
Due to Student Groups	<u>116,745</u>
TOTAL LIABILITIES	<u>119,239</u>
NET POSITION	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

Taylor County Board of Education Finance Corporation – On November 19, 1990, the Taylor County, Kentucky, Board of Education resolved to authorize the establishment of the Taylor County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

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

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

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

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

The District has the following funds:

- Governmental Fund Types

1. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
2. The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 39 through 40. This is a major fund of the District.
3. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 - a. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
 - b. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan. This is a major fund of the District.
 - c. The Construction Fund includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
4. The Debt Service Funds are used to account for the accumulation of resources for and the payment of, general long-term principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

- Proprietary Fund Types (Enterprise Fund)

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

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

- Fiduciary Fund Types

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

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available.

Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

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

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

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

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

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

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

TAYLOR COUNTY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2013, to finance the General Fund operations were \$.441 per \$100 valuation for real property, \$.441 per \$100 valuation for business personal property and \$.537 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.

Capital Assets

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

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

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

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

Inter-fund Balances

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

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budgetary Process

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

- Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
- The budget can be amended after initial approval.
- Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.
- On-Behalf payments were not considered in the budget.

Encumbrances

Encumbrances are not liabilities and, therefore, are not reported as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. There were no outstanding encumbrances at year-end.

Cash and Cash Equivalents

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

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the Enterprise Fund. Inventory consists of donated and purchased food held for resale and is expensed when used. Purchased food is valued at cost and the U.S. Government donated commodities value is determined by the U.S. Department of Agriculture.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2013 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Receivables

The District recognizes revenues as receivable when they are measurable and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions.

Accrued Liabilities and Long-Term Obligations

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

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Fund Balance Reserves

Beginning with fiscal year 2011, the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance-amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balances-amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance-amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint;
- Assigned fund balance-amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority;
- Unassigned fund balances-amounts that are available for any purpose; positive amounts are reported only in the General Fund

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board has provided otherwise in its commitment or assignment actions.

Net Position

Net position represents the difference between assets and liabilities. Net investment 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 positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

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

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions of Capital

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

Inter-fund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE 2 – ESTIMATES

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

NOTE 3 – CASH AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities.

At June 30, 2013, the carrying amount of the District's cash and cash equivalents (cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less) was \$5,344,433 while the bank statements totaled \$6,148,492. Of the total bank balances, \$250,000 was insured by FDIC; collateral agreements were executed and collateral, with a FMV of \$7,327,265 and book value of \$6,989,363, was pledged and held by the pledging bank's trust departments in the District's name to secure the remainder of deposits.

Due to the nature of the accounts and certain limitations on the use of the funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK) Fund, Special Revenue Fund, Debt Service Fund, Food Service Fund and Agency Fund.

Kentucky Revised Statutes authorizes the District to invest in the following: obligations of the United States Government and of its agencies and instrumentalities, repurchase agreements and specially approved AAA rated corporate bonds; bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and municipalities; certificates of deposit or other interest bearing accounts issued by any bank or savings and loan institution up to FDIC insured amount, and in larger amounts provided that the bank pledges as security obligations having a current market value at least equal to any uninsured deposits.

During the year, the District's temporary investments were comprised of certificates of deposits held at a bank located within the county. At year end, \$40,000 in certificates of deposits with interest rates of .70% and maturity dates of 166 days were held at the bank. Such investments are stated at cost, which approximates market value. These investments were covered by FDIC insurance and was covered by collateral agreements and collateral held by the pledging bank's trust department in the District's name

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2013

NOTE 4 – CAPITAL ASSETS

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

	Balance			Balance
	June 30, 2012	Additions	Retirements	June 30, 2013
GOVERNMENTAL ACTIVITIES				
Land	\$ 3,501,510	\$ -	\$ -	\$ 3,501,510
Buildings and Building Improvements	15,877,251	289,447	-	16,166,698
Technology equipment	2,132,031	387,972	(168,339)	2,351,664
Vehicles	2,593,700	-	-	2,593,700
General Equipment	1,652,432	50,915	(2,595)	1,700,752
Construction in Progress	842,084	-	-	842,084
Totals at historical cost	<u>26,599,008</u>	<u>728,334</u>	<u>(170,934)</u>	<u>27,156,408</u>
Less accumulated depreciation for:				
Land	177,257	28,640	-	205,897
Buildings and Building Improvements	7,901,216	305,502	-	8,206,718
Technology Equipment	1,438,926	249,340	(167,520)	1,520,746
Vehicles	2,162,101	139,045	-	2,301,146
General Equipment	1,256,765	79,636	(2,068)	1,334,333
Construction	-	-	-	-
Total accumulated depreciation	<u>12,936,265</u>	<u>802,163</u>	<u>(169,588)</u>	<u>13,568,840</u>
Governmental Activities Capital Net	<u>\$ 13,662,743</u>	<u>\$ (73,829)</u>	<u>\$ (1,346)</u>	<u>\$13,587,568</u>
 PROPRIETARY ACTIVITIES				
Land	\$ -	\$ -	\$ -	\$ -
Buildings and Building Improvements	-	-	-	-
Technology Equipment	30,704	-	(13,352)	17,352
Vehicles	-	-	-	-
General Equipment	614,573	1,848	-	616,421
Construction	-	-	-	-
Totals at historical cost	<u>645,277</u>	<u>1,848</u>	<u>(13,352)</u>	<u>633,773</u>
Less Accumulated Depreciation For:				
Land	-	-	-	-
Buildings and Buildings Improvement	-	-	-	-
Technology Equipment	22,715	3,120	(13,352)	12,483
General Equipment	491,843	21,786	-	513,629
Construction	-	-	-	-
Total Accumulated Depreciation	<u>514,558</u>	<u>24,906</u>	<u>(13,352)</u>	<u>526,112</u>
Proprietary Activities Capital Net	<u>\$ 130,719</u>	<u>\$ (23,058)</u>	<u>\$ -</u>	<u>\$ 107,661</u>

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2013

NOTE 4 – CAPITAL ASSETS - CONTINUED

Depreciation Expense Charged to Governmental Functions as Follows:

Instructional	\$ 643,728
Student Support Services	600
Staff Support Services	159
District Administration	23,935
School Administration	-
Plant Operation and Maintenance	7,277
Student Transportation	126,464
	126,464
Total	\$ 802,163

NOTE 5 – LONG-TERM OBLIGATIONS

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

ISSUE	DISTRICT ORIGINAL AMOUNT	SFCC ORIGINAL AMOUNT	INTEREST RATE RANGES	MATURITY DATES
Issue of Aug., 2002	\$ 1,475,000	\$ -	1.50 % - 4.200 %	Feb. 1, 2018
Issue of April, 2004	\$ 1,320,000	\$ -	2.65 % - 4.500 %	Apr. 1, 2024
Issue of April, 2004	\$ 1,917,880	\$ 192,120	2.00 % - 3.625 %	Oct. 1, 2014
Issue of Aug., 2005	\$ 1,942,049	\$ 137,951	2.75 % - 4.000 %	Aug. 1, 2016
Issue of Feb., 2007	\$ 1,371,053	\$ 408,947	4%	June 1, 2019
Issue of Feb., 2012	\$ 1,840,000	\$ -	1.85%	Apr. 1, 2024

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

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

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2013

NOTE 5 – LONG-TERM OBLIGATIONS – CONTINUED

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

YEAR	TAYLOR COUNTY SCHOOL DISTRICT		KENTUCKY SCHOOL CONSTRUCTION COMMISSION		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2013-2014	689,026	143,585	80,974	14,184	927,769
2014-2015	707,267	121,042	77,733	11,306	917,348
2015-2016	741,048	97,199	63,952	8,685	910,884
2016-2017	673,837	78,980	61,163	6,340	820,320
2017-2018	701,886	61,144	53,114	4,196	820,340
2019-2023	1,304,829	84,062	55,171	2,138	1,446,200
2024-2028	180,000	3,330	-	-	183,330
Totals	<u>\$ 4,997,893</u>	<u>\$ 589,342</u>	<u>\$ 392,107</u>	<u>\$ 46,849</u>	<u>\$ 6,026,191</u>

Total interest incurred for the year ended June 30, 2013 was \$197,693, all of which was charged to expense.

Accumulated Unpaid Sick Leave Benefits

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

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments. As of June 30, 2013, management has estimated the accrued sick leave liability obligation will be approximately \$436,658. The entire sick leave liability is reported on the government-wide financial statements.

Long-term liability the fiscal year ended June 30, 2013 was as follows:

	Beginning Balance July 1, 2012	Additions	Reductions	Ending Balance June 30, 2013	Amounts Due Within One Year
Governmental Activities					
Revenue Bonds Payable	\$ 6,135,000	\$ -	\$ 745,000	\$ 5,390,000	\$ 635,000
Accrued Sick Leave	330,990	146,446	40,778	436,658	90,150
Governmental Activities					
Long-term Liabilities	<u>\$ 6,465,990</u>	<u>\$ 146,446</u>	<u>\$ 785,778</u>	<u>\$ 5,826,658</u>	<u>\$ 725,150</u>

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

TAYLOR COUNTY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended June 30, 2013

NOTE 6 – COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for office equipment provide the minimum future rental payments as of June 30, 2013 as follows:

Year ending June 30:		
	2014	34,278
	2015	<u>28,486</u>
Total Minimum Payments		<u>\$ 62,764</u>

Rent expense for the year ended June 30, 2013 was \$60,852.

NOTE 7 – RETIREMENT PLANS

KENTUCKY TEACHER’S RETIREMENT:

All the District’s eligible employees participate in the Kentucky Teachers Retirement System (KTRS), a statewide multiple-employer public employee retirement system covering all employees of local school districts within the State of Kentucky. KTRS is a cost sharing public employee retirement system with one exception: all risks and costs are not shared by the District but are the liability of the State of Kentucky. KTRS is funded through state employee contributions and the District has no legal obligation for paying benefits. As discussed below, the District may be required in certain situations to make limited contributions on behalf of certain employees.

Funding policy - Contribution rates are established by KRS. All members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 14.105% of salaries for members. The federal program for any salaries paid by that program pays the matching contributions.

During the years ended June 30, 2013, 2012 and 2011, contributions of \$1,381,331, \$1,259,983, and \$1,213,674 were made by the State of Kentucky and \$124,148, \$184,726 and \$171,497 in contributions were passed through the District’s federally funded programs. The employee contribution rates of 10.855 % are actuarially determined and withheld by the District. Such withholdings during the years ended June 30, 2013, 2012 and 2011 totaled \$1,163,929, \$1,134,695 and \$1,110,170 and were paid by the District to the State of Kentucky as required. The District has no other liability under the plan. The District’s total payroll for all employees during the years ended June 30, 2013, 2012 and 2011 was \$14,244,227, \$14,284,076 and \$13,861,697 and \$10,722,503, \$10,925,229 and \$10,956,262 of such amounts related to employees covered by the retirement plan. All payments were made to the retirement system in the amount of the annually required contributions.

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

Substantially all other employees (classified personnel) are covered under the County Employees Retirement System (CERS). Funding for the Plan is provided through payroll withholdings of 5% and a District contribution for the years ended June 30, 2013, 2012 and 2011 of 19.55%, 18.96% and 16.93% of the employee’s total compensation subject to contribution. The contribution rate is actuarially determined. The District’s contribution requirement for CERS for the years ended June 30, 2013, 2012 and 2011 was \$603,294, \$577,253 and \$491,889 from the District and \$158,655, \$155,719 and \$147,010 from employees. The total covered payroll for CERS during the years ended June 30, 2013, 2012 and 2011 was \$3,521,724, \$3,358,847 and \$2,905,435. Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents. All payments were made to the retirement system in the amount of the annually required contributions.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2013

NOTE 7 – RETIREMENT PLANS- CONTINUED

The County Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

DEFERRED COMPENSATION:

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

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving a ninety (90) day notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

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

NOTE 9 - CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and un-reimbursed 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 Kentucky School Boards Insurance Trust has issued an assessment due to premium loss to school districts. The total assessment for the Taylor County School District is \$324,063. This amount has been recorded as a liability in the statement of net position and extraordinary expense in the government wide statement of activities.

NOTE 10 – COBRA

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

TAYLOR COUNTY SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended June 30, 2013

NOTE 11 - DEFICIT OPERATING/FUND BALANCES

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

General Fund	\$267,967
School Food Service	\$ 21,574

NOTE 12 - TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	Technology Match	\$ 38,431
Operating	Special Revenue	General Fund	Operating	5,000
Operating	General Fund	Debt Service	Debt Service	121,940
Operating	Capital Outlay	General Fund	Operating	200,822
Operating	Building Fund	Debt Service	Debt Service	706,965
Operating	School Food Svc	General Fund	Operating	68,818
				\$ 1,141,976

NOTE 13 – ON-BEHALF PAYMENTS

The District receives on-behalf payments for fringe benefits from the Commonwealth of Kentucky. For the year ended June 30, 2013, total payments were \$3,761,052. The following amounts were recognized as on behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities:

On-behalf payments:

Kentucky Teacher's Retirement System	\$ 1,295,272
Health Insurance	2,414,403
Life Insurance	5,655
Administrative Fees	26,853
Flexible Plans	126,788
Technology	78,076
Less: Federal Reimbursements	(185,995)
Total	\$ 3,761,052

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2013

NOTE 14 – LITIGATION

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

NOTE 15 – RESTRICTED NET ASSETS

The government-wide statement of net position reports \$201,816 of restricted net assets, of which \$162,740 is restricted by enabling legislation.

NOTE 16 - SUBSEQUENT EVENTS

Subsequent to the fiscal year end of June 30, 2013, the Taylor County School Board passed property tax rates which included \$.0580 per \$100 of assessed property value (nickel tax) for future construction projects. Management has reviewed subsequent events through November 12, 2013, the date the financial statements were available to be issued. There are no other material subsequent events to disclose.

REQUIRED SUPPLEMENTARY INFORMATION

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
From Local Sources				
Taxes				
Property	\$ 2,707,000	\$ 2,695,000	\$ 2,903,473	\$ 208,473
Motor Vehicle	490,000	490,000	581,520	91,520
Utilities	890,000	850,000	853,024	3,024
Tuition and Fees	5,400	5,400	3,920	(1,480)
Earnings on Investments	50,000	50,000	55,195	5,195
Other Local Revenues	6,000	6,000	2,581	(3,419)
Intergovernmental – State	10,240,000	10,240,000	14,097,165	3,857,165
Intergovernmental –Direct federal	13,000	13,000	184,465	171,465
Intergovernmental –Indirect federal	20,000	20,000	41,285	21,285
TOTAL REVENUES	14,421,400	14,369,400	18,722,628	4,353,228
EXPENDITURES				
Instruction	9,625,209	9,626,031	12,215,766	(2,589,735)
Support Services				
Student	511,431	511,431	635,951	(124,520)
Instructional Staff	577,147	577,147	594,493	(17,346)
District Administration	411,392	411,392	767,633	(356,241)
School Administration	876,873	876,873	919,382	(42,509)
Business Support Services	665,329	665,329	749,510	(84,181)
Plant Operations and Maintenance	1,881,738	1,881,738	1,913,074	(31,336)
Student Transportation	1,453,768	1,453,768	1,304,861	148,907
Food Service Operation	-	-	-	-
Facilities Acquisition and Construction	-	-	2,893	(2,893)
Community Services	1,150	1,150	1,301	(151)
Miscellaneous	1,938,398	2,373,166	-	2,373,166
Debt Services	-	-	-	-
TOTAL EXPENDITURES	17,942,435	18,378,025	19,104,864	(726,839)
Excess (Deficit) of Revenues Over Expenditures	(3,521,035)	(4,008,625)	(382,236)	3,626,389
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	251,035	254,262	274,640	20,378
Operating Transfers Out	(30,000)	(151,940)	(160,371)	(8,431)
TOTAL OTHER FINANCING SOURCES (USES)	221,035	102,322	114,269	11,947
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(3,300,000)	(3,906,303)	(267,967)	3,638,336
Fund Balance June 30, 2012	3,300,000	3,906,303	4,038,000	131,697
Fund Balance June 30, 2013	\$ -	\$ -	\$ 3,770,033	\$ 3,770,033

On-Behalf Payments of \$3,670,763 are not budgeted by the Taylor County School District.

TAYLOR COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
SPECIAL REVENUE
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Earnings and Investments	\$ -	\$ -	\$ 583	\$ 583
Other Local Revenues	17,991	75,586	76,049	463
Intergovernmental – State	603,307	623,818	606,424	(17,394)
Intergovernmental –Direct federal	125,000	125,000	147,318	22,318
Intergovernmental –Indirect federal	<u>1,625,856</u>	<u>1,941,849</u>	<u>2,095,563</u>	<u>153,714</u>
TOTAL REVENUES	2,372,154	2,766,253	2,925,937	159,684
EXPENDITURES				
Instruction	1,992,607	2,448,754	2,623,334	(174,580)
Support Services				
Student	9,186	9,362	9,499	(137)
Instructional Staff	211,947	145,189	143,597	1,592
District Administration	-	-	-	-
School Administration	-	-	-	-
Business Support Services	-	-	-	-
Plant Operations and Maintenance	8,521	12,682	12,682	-
Food Service Operation	-	-	-	-
Student Transportation	-	-	-	-
Facilities Acquisition and Construction	-	-	30	(30)
Community Services	177,298	175,266	170,226	5,040
Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>2,399,559</u>	<u>2,791,253</u>	<u>2,959,368</u>	<u>(168,115)</u>
Excess (Deficit) of Revenues Over Expenditures	(27,405)	(25,000)	(33,431)	(8,431)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	30,000	30,000	38,431	8,431
Operating Transfers Out	<u>(2,595)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>27,405</u>	<u>25,000</u>	<u>33,431</u>	<u>8,431</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	-	-	-
Fund Balance June 30, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SUPPLEMENTARY SCHEDULES

TAYLOR COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 As of June 30, 2013

	<u>SEEK Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS AND RESOURCES				
Cash and Cash Equivalents	\$ -	\$ 340,018	\$ -	\$ 340,018
Accounts Receivable	-	-	-	-
TOTAL ASSETS AND RESOURCES	<u>\$ -</u>	<u>\$ 340,018</u>	<u>\$ -</u>	<u>\$ 340,018</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-
FUND BALANCES				
Restricted - KSFCC Escrow Prior Year	-	24,738	-	24,738
Restricted - Debt Service	-	315,280	-	315,280
TOTAL FUND BALANCES	<u>-</u>	<u>340,018</u>	<u>-</u>	<u>340,018</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 340,018</u>	<u>\$ -</u>	<u>\$ 340,018</u>

TAYLOR COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS - NON-MAJOR FUNDS
 For the Year Ended June 30, 2013

	SEEK Capital Outlay Fund	Building Fund	Debt Service Fund	Total Other Governmental Funds
REVENUES				
Taxes	\$ -	\$ 433,126	\$ -	\$ 433,126
Earnings on Investments	-	2,356	-	2,356
Intergovernmental – State	243,622	450,004	95,160	788,786
TOTAL REVENUES	243,622	885,486	95,160	1,224,268
EXPENDITURES				
Support services				
Plant operation and maintenance	42,800	-	-	42,800
Facilities Acquisition and Construction	-	-	-	-
Building Improvements	-	-	-	-
Debt Service				
Principal	-	-	745,000	745,000
Interest	-	-	179,065	179,065
Other	-	-	-	-
TOTAL EXPENDITURES	42,800	-	924,065	966,865
Excess (Deficit) of Revenues Over Expenditures	200,822	885,486	(828,905)	257,403
OTHER FINANCING SOURCES (USES)				
Proceeds of Refunding Bond	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Operating Transfers In	-	-	828,905	828,905
Operating Transfers Out	(200,822)	(706,965)	-	(907,787)
TOTAL OTHER FINANCING SOURCES (USES)	(200,822)	(706,965)	828,905	(78,882)
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	178,521	-	178,521
Fund Balance June 30, 2012	-	161,497	-	161,497
Fund Balance June 30, 2013	<u>\$ -</u>	<u>\$ 340,018</u>	<u>\$ -</u>	<u>\$ 340,018</u>

SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCES
SCHOOL ACTIVITY FUNDS

TAYLOR COUNTY SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCES
 FOR ACTIVITY FUNDS
 For the Year Ended June 30, 2013

	Cash Balance		Actual		Actual		Cash Balance		Accounts		Fund Balance	
	July 31, 2011		Receipts	Disbursements	June 30, 2012	Receivable	Payable	June 30, 2012			June 30, 2012	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Academic Team	287		2,436	2,364	359	-	-	359	-	-	359	
Agriculture Greenhouse	10,178		7,847	13,548	4,477	-	-	4,477	-	-	4,477	
Art	140		2,469	2,113	496	-	-	496	-	-	496	
T-Sign Productions	-		2,148	1,052	1,096	-	-	1,096	-	-	1,096	
Athletics	3,089		93,617	95,754	952	-	-	952	-	-	952	
Girls Basketball	-		1,084	-	1,084	-	-	1,084	-	-	1,084	
Band	93		28,089	28,182	-	-	-	-	-	-	-	
Beta Club	4,023		11,975	13,029	2,969	-	-	2,969	-	-	2,969	
Business Department	1,166		732	1,348	550	-	-	550	-	-	550	
Cardinal Financial CTR	268		687	145	810	-	-	810	-	-	810	
Cardinal Kroger	752		13,805	13,335	1,222	-	-	1,222	-	-	1,222	
Cheerleading	3		-	-	3	-	-	3	-	-	3	
Chorus	1,269		32,253	27,598	5,924	-	-	5,924	-	-	5,924	
Concessions - Students	1,441		2,914	3,519	836	-	-	836	-	-	836	
Concessions - Athletics	323		426	612	137	-	-	137	-	-	137	
Concessions - Lounge	143		3,012	1,955	1,200	-	-	1,200	-	-	1,200	
Creative Writer's Club	177		-	-	177	-	-	177	-	-	177	
Club International	99		100	188	11	-	-	11	-	-	11	
Dance Team	395		275	-	670	-	-	670	-	-	670	
DECA	1,907		21,310	22,268	949	-	-	949	-	-	949	
Region III DECA	922		6	928	-	-	-	-	-	-	-	
Drama	513		1,425	1,634	304	-	-	304	-	-	304	
English	81		325	341	65	-	-	65	-	-	65	
Future Educators	1		1,160	1,074	87	-	-	87	-	-	87	
Faculty Flower Fund	35		340	297	78	-	-	78	-	-	78	
Family/Consumer	975		5,937	6,571	341	-	-	341	-	-	341	
Foreign Language	3		-	-	3	-	-	3	-	-	3	
FCA	44		2,000	1,747	297	-	-	297	-	-	297	
FFA	2,718		40,336	42,416	638	-	-	638	-	-	638	
FCCLA (FHA)	9,414		24,754	30,302	3,866	-	-	3,866	-	-	3,866	
TC Beads	-		267	-	267	-	-	267	-	-	267	
Perfect Prints	-		2,095	1,429	666	-	-	666	-	-	666	
General	3,030		29,881	20,793	12,118	-	-	12,118	-	-	12,118	
Greenhouse Entrepreneur	2,093		9,346	9,034	2,405	-	-	2,405	-	-	2,405	

TAYLOR COUNTY SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCES
 FOR ACTIVITY FUNDS - CONTINUED
 For the Year Ended June 30, 2013

	Cash Balance July 31, 2011	Actual Receipts	Actual Disbursements	Cash Balance June 30, 2012	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2012
	\$	\$	\$	\$	\$	\$	\$
Guidance	779	14,715	14,637	857	-	-	857
Health & PE	60	3,756	3,526	290	-	-	290
Industrial Technology	249	1,943	2,192	-	-	-	-
iPad Fee	-	23,409	23,409	-	-	-	-
Class of 2013	4,912	-	4,690	222	-	-	222
Class of 2016	-	1,400	695	705	-	-	705
Lady Cards Little League	493	325	386	432	-	-	432
Library	145	3,254	3,398	1	-	-	1
Math	-	311	311	-	-	-	-
TCES Football	647	6,563	5,173	2,037	-	-	2,037
TCES Outdoors Club	1,048	2,605	3,368	285	-	-	285
TCES Tennis Club	-	199	154	45	-	-	45
Pep Club	105	865	815	155	-	-	155
Radio	15,877	14,936	16,458	14,355	-	-	14,355
Science Club	-	122	103	19	-	-	19
Toshiba America Foundation	1,304	-	1,304	-	-	-	-
Science Department	1,619	2,441	3,243	817	-	-	817
Aviation Science	-	2,945	2,692	253	-	-	253
Senior Trip	-	2,530	2,214	316	-	-	316
Class of 2014	744	21,600	16,172	6,172	-	-	6,172
Social Studies Dept	700	20,809	20,585	924	-	-	924
Student Government	48	403	73	378	-	-	378
TCES Touchdown Club	3,999	16,907	20,797	109	-	-	109
TCES Weight Room	3,005	-	2,460	545	-	-	545
Wrestling Team	-	20,978	20,524	454	-	-	454
Tech. Students Association	195	-	80	115	-	-	115
Text Books	4,839	18,200	23,039	-	-	-	-
Yearbook	1,670	5,220	2,735	4,155	-	-	4,155
Y Club	3	9,568	9,405	166	-	-	166
Young Historians	1,532	1,689	1,906	1,315	-	-	1,315
Taylor County High School	89,554	540,745	550,120	80,179	-	-	80,179
Taylor County Middle School	23,208	182,725	182,699	23,234	624	312	23,546
Taylor County Elementary	15,809	306,201	306,808	15,202	-	2,182	13,020
Total	\$ 128,571	\$ 1,029,671	\$ 1,039,627	\$ 118,615	\$ 624	\$ 2,494	\$ 116,745

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TAYLOR COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	Federal CFDA Number	Pass Through Number	Disbursements
U.S. DEPARTMENT OF EDUCATION			
Passed through the Kentucky Department of Education:			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010A	3101M	\$ 467
Title I Grants to Local Educational Agencies	84.010A	3102	146,488
Title I Grants to Local Educational Agencies	84.010A	3102M	3,290
Title I Grants to Local Educational Agencies	84.010A	3102T	2,012
Title I Grants to Local Educational Agencies	84.010A	3103	416,610
Title I Grants to Local Educational Agencies	84.010A	3103M	2,680
Title I Grants to Local Educational Agencies	84.010A	3201	6,104
Title I Grants to Local Educational Agencies	84.010A	3202	39,496
Total Title I, Part A Cluster			<u>617,147</u>
Special Education Cluster			
Special Education - Grants to States	84.027A	3372	31,133
Special Education - Grants to States	84.027A	3373	509,020
Special Education - Preschool Grants	84.173A	3432	11,677
Special Education - Preschool Grants	84.173A	3433	46,483
Total Special Education Cluster			<u>598,313</u>
Career and Technical Education-Basic Grants to States	84.048	3482A	983
Career and Technical Education-Basic Grants to States	84.048	3483	25,994
			<u>26,977</u>
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	3762	4,961
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	3763	25,097
			<u>30,058</u>
Twenty-first Century Community Learning Centers	84.287	5501E	10,866
Twenty-first Century Community Learning Centers	84.287	5501H	11,758
Twenty-first Century Community Learning Centers	84.287	5501J	31,000
Twenty-first Century Community Learning Centers	84.287	5501M	66,213
Twenty-first Century Community Learning Centers	84.287	5501X	45,614
Twenty-first Century Community Learning Centers	84.287	5502E	50,349
Twenty-first Century Community Learning Centers	84.287	5502H	139,282
Twenty-first Century Community Learning Centers	84.287	5502M	108,342
Twenty-first Century Community Learning Centers	84.287	5502X	75,000
			<u>538,424</u>

TAYLOR COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

Title IV Rural & Low Income	84.358B	3502	\$ 3,590
Title IV Rural & Low Income	84.358B	3503	<u>45,227</u>
			48,817
Improving Teacher Quality State Grants	84.367	4012	24,084
Improving Teacher Quality State Grants	84.367	4013	<u>79,263</u>
			103,347
School Improvement Grants Cluster			
ARRA - School Improvement Grants	84.388A	5600B	26,630
ARRA - School Improvement Grants	84.388A	5600C	<u>78,554</u>
Total School Improvement Grants Cluster			105,184
Education Jobs Fund	84.410A	4411	8,782
Educational Technology State Grants	84.318X	4251	1,877
Race To The Top	84.413A	4521	<u>16,639</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			2,095,565
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Drug-Free Communities Support Program Grants	93.276	5002	43,140
Drug-Free Communities Support Program Grants	93.276	5003	<u>104,178</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			147,318
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Kentucky Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	7750002 12	135,313
National School Lunch Program	10.555	7750002 13	511,354
School Breakfast Program	10.553	7760005 12	43,750
School Breakfast Program	10.553	7760005 12	179,972
Summer Food Service Program for Children	10.559	7690024 13	106
Summer Food Service Program for Children	10.559	7740023 13	<u>1,008</u>
Total Child Nutrition Cluster			871,503
Passed through the Kentucky Department of Agriculture			
Food Distribution	10.565	51	<u>78,228</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>949,731</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 3,192,614</u>

The accompanying notes are an integral part of this schedule.

TAYLOR COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at fair value of the commodities disbursed.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I – Summary of Auditor’s Results

Financial Statements

Type of audit issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? _____ Yes X No
- Significant deficiencies identified that are Not considered to be material weakness (es)? X Yes _____

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs?

- Material weakness(es) identified _____ Yes X No
- Significant deficiencies identified that are Not considered to be material weakness (es)? _____ Yes X 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 X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.367	US Department of Education Passed through the Kentucky Department of Education: Improving Teacher Quality State Grants
10.553, 10.555, 10.559	US Department of Agriculture Passed through the Kentucky Department of Education: Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? X Yes _____ No

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

Section II – Financial Statement of Findings

Finding 2013-1

Criteria - Taylor County School District's Policy and Procedures Manual, Chapter 04-Fiscal Management – District Issuance of Checks

Condition – During our test of subsequent disbursements, we noted paid invoices without a properly approved purchase order.

Cause – Vendors submit invoices and request immediate payment without regard to the policies of the District.

Effect – Unauthorized future payments may occur and not be detected and corrected in a timely manner.

Recommendation – We recommend that the District follow the policies it has set forth within its policies and procedures manual, Chapter 04 – Fiscal Management – District Issuance of Checks and not to issue any checks without prior proper approval. Additionally, we recommend the District communicate with the District's vendors regarding the timing of check issuance so that the policy concerning the timing and process of check issuance will be understood by the district's vendors.

Management Response – Management concurs that payments are periodically made without proper documented approval because of the demands set forth by vendors. We will begin to communicate the District's policies concerning issuance of checks to our vendors to mitigate this problem.

Section III – Federal Award Findings and Questioned Costs

No matters were reported

TAYLOR COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2013

The audit of Taylor County School District for the year ended June 30, 2012, revealed no audit findings requiring corrective action.



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 *GOVERNMENTAL AUDITING STANDARDS*

Kentucky State Committee for School District Audits
Members of the Board of Education
Taylor County School District
Campbellsville, KY 42718

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the requirements prescribed by the Kentucky State Committee for School District Audits *Independent Auditor's Contract* in Appendices I, and II of the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Taylor County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Taylor County School District's basic financial statements and have issued our report thereon dated November 12, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs (Finding 2013-1) that we consider to be a significant deficiency.

Compliance and Other Matters

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

Kentucky State Committee for School District Audits
And Members of the Board of Education of
Taylor County School District
Page 2

Taylor County School District's Response to Findings

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

Purpose of this Report

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

Wise, Buckner, Sprowles & Associates PLLC

Wise, Buckner, Sprowles & Associates PLLC
Campbellsville, KY

November 12, 2013



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

Kentucky State Committee for School District Audits
Members of the Board of Education
Taylor County School District
Campbellsville, KY 42718

Report on Compliance for Each Major Federal Program

We have audited Taylor County School District's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Taylor County School District's major federal programs for the year ended June 30, 2013. Taylor County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Wise, Buckner, Sprowles & Associates PLLC

Wise, Buckner, Sprowles & Associates PLLC
Certified Public Accountants

Campbellsville, Kentucky
November 12, 2013

MANAGEMENT LETTER



WISE, BUCKNER, SPROWLES
& ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

GREGORY S. WISE, CPA
SHIRLEY M. BUCKNER, CPA
JEFFREY G. SPROWLES, CPA

November 12, 2013

Members of the Board of Education
Taylor County Board of Education
Campbellsville, Kentucky

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

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters, but we would first like to address the progress of the management letter points from the previous audit.

The management letter from the previous fiscal year discussed four points with respect to strengthening internal controls within the school activity funds.

In connection with our tests for the activity funds, the following observations were made concerning the prior year management letter points:

FIDUCIARY FUNDS

Taylor County High School

Condition: FFA held a Truck and Tractor Pull fundraiser in which the revenue could not be traced to the ledger due to lack of individual deposits for fundraiser being properly documented.

Current Year Observation: Current year audit procedures identified no exceptions for fundraisers held by the FFA.

The following memorandum discusses the current year management letter points. We will review the status of these comments during our next audit engagement. We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the Board is complying with requirements such as those mentioned in the following memorandum.

Sincerely,

Wise, Buckner, Sprowles & Associates, PLLC

Wise, Buckner, Sprowles & Associates, PLLC
Certified Public Accountants
Campbellsville, Kentucky

UNCORRECTED PRIOR YEAR COMMENTS

CENTRAL OFFICE:

Finding #1: Multiple Purchase Orders were found dated after the date of invoice. This is almost exclusively concerning the maintenance department.

Observation: Audit procedures revealed three (3) occurrences where purchases were made before approval that exceeded the Superintendent's verbal threshold approval amount of \$500.

Management's Response: We believe the two occurrences found that deviated from our purchasing approval process were due to emergency situations in which purchases had to be made quickly to avoid further costs to our District. The controls over purchases are believed to be strong. Management will review procedures concerning emergency purchases within the finance department.

CURRENT YEAR COMMENTS:

FIDUCIARY FUNDS

TAYLOR COUNTY MIDDLE SCHOOL

Finding #2: Unallowable expenditures are being paid by the activity fund.

Observation: Audit procedures for expenditures identified that payments for the principal's cell phone bill and data plan are being paid by the school's general activity fund. Additionally, a purchase of coffee was paid through the school's general activity fund.

Recommendation: Redbook defines basic routine operating expenses as utilities including telephone service ... as expenditures not to be paid by activity funds. We recommend that the school reimburse the activity fund the cost of telephone and data plan expense paid by the general activity fund and refrain from any purchase through the activity fund that does not directly benefit the students, i.e. purchase of coffee.

Management's Response:

We agree with the finding. Expenditures defined as basic routine operating expenses and those not directly benefiting students are no longer being paid through activity funds. This finding was immediately corrected upon recommendation by the auditor during their current year field work.

CENTRAL OFFICE:

Finding #3: Excessive travel and entertainment expenses

Observation: Audit procedures for expenditures identified two (2) occasions where meals purchased were excessive in relation to the policy for District employees in general for travel and meal reimbursements.

Recommendation: We recommend that the policy for superintendent expenditures for meals and entertainment be reviewed and policies be set to make it comparable to the travel and meal expense policy for District employees.

Management's Response: The expenditures referred to above were both occasions of multi-day conferences in which the staff in attendance were given a choice of using their meal allocation for one large meal or spreading their allowance throughout the conference. It was the consensus for all to participate in one large meal and bypass the daily meal allowance. Management feels the aggregate amount spent was comparable to the daily meal allowance if the meals were spread out over the whole conference.

Finding #4: Lack of additional approval for the School Food Service Director expenditures.

Observation: Audit procedures for school food service expenditures revealed that School Food Service Director expenditures such as travel etc. were being requested and approved only the School Food Service Director.

Recommendation: We recommend that the Superintendent or Finance Officer approve purchase orders for the School Food Service Director expenditures other than that of recurring food and supply expenditures.

Management's Response: We agree that there has been no other approval for School Food Service Director's expenditures other than the Director's approval and will discuss ways in which there can be approval of the Director expenditures from someone outside of the School Food Service office.

Finding #5: Audit procedures identified unrecorded donated assets.

Observation: Audit procedures for capital assets identified donated assets which were placed in the classroom were not initially valued and recorded as contributions.

Recommendation: We recommend that procedures for valuation of donated assets occur at the time of receipt to ensure the completeness of the total value of the donation.

Management's Response: We agree that there was not a value placed upon the donated items placed in the classroom. Each individual item was below the threshold for capitalization and therefore was initially overlooked for the recorded amount of the donation. A value has been placed upon the items and since recorded within MUNIS and is reflected within the amounts on the District's financial statements.