

**TRIMBLE COUNTY
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013**

- WITH INDEPENDENT AUDITORS' REPORT -

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JUNE 30, 2013**

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Independent Auditors' Report

To the Members of the Board of Education
Trimble County School District
68 Wentworth Avenue
Trimble, KY 40006

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 Trimble 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 Trimble County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–8, 15 and 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trimble County School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2013 on our consideration of the Trimble County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Trimble County School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "Bruce Spahn".

Crestview Hills, Kentucky
October 10, 2013

**TRIMBLE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2013**

As management of the Trimble County School District (District), we offer readers of the District's financial statement 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 cash balance for the District was \$1,208,494.
- The Board of Education completed Phase I of the Athletic Facilities and Phase II is about to begin. The Project consists of a baseball field, softball field, four tennis courts, lighting, fencing, additional parking and a building containing concessions, locker rooms and restroom facilities.
- During fiscal 2012-2013 the District replaced 32,400 square feet of the High School building roof and 14,700 square feet of the High School gym roof at a cost of \$1,471,416. This project was funded through the use of 2006 and 2008 offers of assistance from SFCC in the amount of \$1.25 million with the balance being covered through the use of residual funds in from the Construction Fund.
- The General Fund had \$11,503,019 in revenue. General Fund revenues primarily consisted of the state program (SEEK), property, franchise tax, motor vehicle taxes, as well as on-behalf benefits from the state. There was \$10,735,695 in General Fund expenditures, excluding interfund transfers and including the on-behalf benefit payments made by the state.
- The School District continues to support the PEBC Thinking Strategies initiative by sending additional teachers and teachers and administrators to the 4-day institute. The instructional focus of having all students reading by the end of third grade was supported through a summer Reading and Math Academy costing approximately \$40,000.
- The District supported a Summer STEM Academy for the Middle School at a cost of approximately \$7,000.

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 are comprised of three components: 1) district-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The statement of activities presents information showing how the District's net position changed during the most recent 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.

**TRIMBLE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

OVERVIEW OF FINANCIAL STATEMENTS (CONT'D)

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

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

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

The basic governmental fund financial statements can be found on pages 11 through 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 36 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, assets exceeded liabilities by \$16,812,556 as of June 30, 2013.

The largest portion of the District's net position reflects its investment in capital assets (i.e. land and improvements, buildings and improvements, vehicles, furniture and equipment), 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.

**TRIMBLE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONT'D)

Net Position for the periods ending June 30, 2013 and 2012

The following is a summary of net position for the fiscal years ended June 30, 2013 and 2012.

	2013	2012
Current assets	\$ 7,351,204	\$ 6,790,116
Noncurrent assets	<u>21,744,615</u>	<u>19,933,868</u>
Total assets	<u>\$ 29,095,819</u>	<u>\$ 26,723,984</u>
Current liabilities	\$ 1,700,291	\$ 1,243,501
Noncurrent liabilities	<u>10,582,972</u>	<u>9,785,000</u>
Total liabilities	<u>\$ 12,283,263</u>	<u>\$ 11,028,501</u>
Net position		
Investment in capital assets (net of debt)	\$ 9,961,912	\$ 9,579,255
Restricted	2,288,824	4,336,388
Nonspendable	22,233	-
Committed	104,363	-
Unassigned	<u>4,435,224</u>	<u>1,785,227</u>
Total net position	<u>\$ 16,812,556</u>	<u>\$ 15,700,870</u>

Comments on General Fund Budget Comparisons

- The District's total revenues in the General Fund for the fiscal year ended June 30, 2013, were \$11,503,019, net of inter-fund transfers, of \$0.
- General Fund budgeted revenue compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$2,698,019, more than budget or approximately 31% of General Fund Budget. The majority of this variance is the result of the District recording "on-behalf" payments made by the state.
- General Fund actual expenditures were \$10,735,695, net of inter-fund transfers of \$1,267,184.
- General Fund actual expenditures were less than budgeted expenditures by \$677,943. This is the result of the District closely monitoring budgetary expenditures.

**TRIMBLE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONT'D)

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2013 and 2012.

	2013	2012
Revenues:		
Program Revenues:		
Charges for services	\$ 309,003	\$ 315,819
Operating grants	2,752,940	2,822,140
Capital grants	<u>654,510</u>	<u>640,689</u>
Total grant revenues	<u>3,716,453</u>	<u>3,778,648</u>
General Revenues:		
Property taxes	4,384,303	3,488,563
Grants and entitlements	7,151,317	7,159,155
Earnings on investments	50,379	72,940
Miscellaneous	<u>36,872</u>	<u>11,369</u>
Total general revenues	<u>11,622,871</u>	<u>10,732,027</u>
Total revenues	<u>15,339,324</u>	<u>14,510,675</u>
Expenses:		
Instructional	8,082,915	8,020,457
Student support services	746,731	693,963
Staff support	448,031	423,073
District administration	510,247	469,857
School administration	816,801	768,823
Business support	454,905	436,086
Plant operations	803,021	1,099,480
Student transportation	892,559	937,216
Facilities acquisition and construction	78,714	301,295
Community service	157,321	166,765
Food service	1,112,059	985,247
Daycare	21,995	22,096
Other	-	26,641
Interest on long-term debt	<u>102,339</u>	<u>335,455</u>
Total expenses	<u>14,227,638</u>	<u>14,686,454</u>
Excess (deficit) of revenues over expenses	<u>\$ 1,111,686</u>	<u>\$ (175,779)</u>

**TRIMBLE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal programs, operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget with \$3,672,383 in contingency (40.8%). The cash balance for the beginning of the fiscal year was \$1,208,494.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Questions regarding this report should be directed to Mr. Phillip Harmon, Finance Officer (502) 255-3201 or by mail to: Trimble County Board of Education, 68 Wentworth Avenue, Bedford, KY 40006.

TRIMBLE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION - DISTRICT WIDE
AS OF JUNE 30, 2013

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
CURRENT			
Cash and cash equivalents	\$ 1,980,892	\$ (104,109)	\$ 1,876,783
Investments	4,775,147	106,169	4,881,316
Accounts receivable	504,123	66,749	570,872
Inventories for consumption	-	22,233	22,233
	<u>7,260,162</u>	<u>91,042</u>	<u>7,351,204</u>
NONCURRENT			
Bond issuance cost - net	356,575	-	356,575
Construction in progress	1,471,416	-	1,471,416
Nondepreciated capital assets:			
Land	422,720	-	422,720
Depreciated capital assets:			
Land improvements	2,424,157	-	2,424,157
Buildings and improvements	22,622,829	-	22,622,829
Furniture and equipment	3,654,909	593,466	4,248,375
Less: accumulated depreciation	(9,474,179)	(327,278)	(9,801,457)
	<u>21,478,427</u>	<u>266,188</u>	<u>21,744,615</u>
Total noncurrent	<u>21,478,427</u>	<u>266,188</u>	<u>21,744,615</u>
Total assets	<u>\$ 28,738,589</u>	<u>\$ 357,230</u>	<u>\$ 29,095,819</u>
LIABILITIES			
CURRENT			
Current portion of bonds payable	\$ 640,000	\$ -	\$ 640,000
Accounts payable	18,455	6,382	24,837
Accrued interest	86,609	-	86,609
Current portion of accrued sick leave	20,886	-	20,886
Accrued payroll and related expenses	751,851	-	751,851
Assessed KISBIT liability	110,456	-	110,456
Deferred revenues	65,652	-	65,652
	<u>1,693,909</u>	<u>6,382</u>	<u>1,700,291</u>
Total current	<u>1,693,909</u>	<u>6,382</u>	<u>1,700,291</u>
NONCURRENT			
Accrued sick leave	187,972	-	187,972
Bond obligations	10,395,000	-	10,395,000
	<u>10,582,972</u>	<u>-</u>	<u>10,582,972</u>
Total noncurrent	<u>10,582,972</u>	<u>-</u>	<u>10,582,972</u>
Total liabilities	<u>12,276,881</u>	<u>6,382</u>	<u>12,283,263</u>
NET POSITION			
Invested in capital assets, net of related debt	9,695,724	266,188	9,961,912
Restricted for:			
Capital projects	2,226,397	-	2,226,397
Net position	-	62,427	62,427
Nonspendable	-	22,233	22,233
Assigned	-	-	-
Committed			
Other	100,000	-	100,000
Site-Based Carryforward	4,363	-	4,363
Unrestricted	4,435,224	-	4,435,224
	<u>16,461,708</u>	<u>350,848</u>	<u>16,812,556</u>
Total net position	<u>16,461,708</u>	<u>350,848</u>	<u>16,812,556</u>
Total liabilities and net position	<u>\$ 28,738,589</u>	<u>\$ 357,230</u>	<u>\$ 29,095,819</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**TRIMBLE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES - DISTRICT WIDE
FOR THE YEAR ENDED JUNE 30, 2013**

FUNCTION/PROGRAMS	PROGRAM REVENUES				NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
Governmental Activities:							
Instructional	\$ 8,082,915	\$ 22,964	\$ 1,566,610	\$ -	\$ (6,493,341)	\$ -	\$ (6,493,341)
Student support services	746,731	-	36,446	-	(710,285)	-	(710,285)
Staff support services	448,031	-	132,092	-	(315,939)	-	(315,939)
District administration	510,247	-	71,648	-	(438,599)	-	(438,599)
School administration	816,801	-	-	-	(816,801)	-	(816,801)
Business support services	454,905	-	-	-	(454,905)	-	(454,905)
Plant operation and maintenance	803,021	-	1,048	-	(801,973)	-	(801,973)
Student transportation	892,559	-	53,149	-	(839,410)	-	(839,410)
Food service operation	9,050	-	9,050	-	-	-	-
Community service operations	157,321	-	151,177	-	(6,144)	-	(6,144)
Facility acquisition and construction	78,714	-	45,664	654,510	621,460	-	621,460
Interest on long-term debt	102,339	-	-	-	(102,339)	-	(102,339)
Total governmental activities	13,102,634	22,964	2,066,884	654,510	(10,358,276)	-	(10,358,276)
Business-type Activities							
Food service	1,103,009	261,789	683,007	-	-	(158,213)	(158,213)
Daycare	21,995	24,250	3,049	-	-	5,304	5,304
Total business-type activities	1,125,004	286,039	686,056	-	-	(152,909)	(152,909)
Total school district	\$ 14,227,638	\$ 309,003	\$ 2,752,940	\$ 654,510	\$ (10,358,276)	\$ (152,909)	\$ (10,511,185)
			General revenues:				
			Taxes		\$ 4,384,303	\$ -	\$ 4,384,303
			State aid formula grants		7,151,317	-	7,151,317
			Investment earnings		49,446	933	50,379
			Loss on bond sale		(18,894)	-	(18,894)
			Miscellaneous		87,929	-	87,929
			Special items:				
			Gain on sale of assets		78,581	(288)	78,293
			KISBIT assessment		(110,456)	-	(110,456)
			Bond payments made by KSFCC		-	-	-
			Total general and special revenues		11,622,226	645	11,622,871
			Change in net position		1,263,950	(152,264)	1,111,686
			Net position - beginning		15,197,758	503,112	15,700,870
			Net position - ending		\$ 16,461,708	\$ 350,848	\$ 16,812,556

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**TRIMBLE COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2013**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CONSTRUCTION FUNDS</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS					
CURRENT					
Cash (overdraft) and cash equivalents	\$ 47,025	\$ (292,530)	\$ 1,790,549	\$ 435,848	\$ 1,980,892
Investments	4,775,147	-	-	-	4,775,147
Accounts receivable	145,941	358,182	-	-	504,123
	<u>4,968,113</u>	<u>65,652</u>	<u>1,790,549</u>	<u>435,848</u>	<u>7,260,162</u>
Total current	<u>\$ 4,968,113</u>	<u>\$ 65,652</u>	<u>\$ 1,790,549</u>	<u>\$ 435,848</u>	<u>\$ 7,260,162</u>
LIABILITIES AND FUND BALANCE					
CURRENT					
Accounts payable	\$ 18,455	\$ -	\$ -	\$ -	\$ 18,455
Accrued payroll and related expenses	751,851	-	-	-	751,851
Interfund payable	-	-	-	-	-
Deferred revenues	-	65,652	-	-	65,652
	<u>770,306</u>	<u>65,652</u>	<u>-</u>	<u>-</u>	<u>835,958</u>
Total current	<u>770,306</u>	<u>65,652</u>	<u>-</u>	<u>-</u>	<u>835,958</u>
FUND BALANCE					
Restricted:					
Capital projects	-	-	1,790,549	435,848	2,226,397
Sick leave	100,000	-	-	-	100,000
Site-Based carryforward	4,363	-	-	-	4,363
Unrestricted	4,093,444	-	-	-	4,093,444
	<u>4,197,807</u>	<u>-</u>	<u>1,790,549</u>	<u>435,848</u>	<u>6,424,204</u>
Total fund balance	<u>4,197,807</u>	<u>-</u>	<u>1,790,549</u>	<u>435,848</u>	<u>6,424,204</u>
Total liabilities and fund balance	<u>\$ 4,968,113</u>	<u>\$ 65,652</u>	<u>\$ 1,790,549</u>	<u>\$ 435,848</u>	<u>\$ 7,260,162</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**TRIMBLE COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2013**

Total governmental fund balance	\$	6,424,204
Unamortized bond issuance costs		356,575
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Construction in process		1,471,416
Cost of capital assets		29,124,615
Accumulated depreciation		<u>(9,474,179)</u>
		21,121,852
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable		(11,035,000)
Accrued interest on bonds		(86,609)
Assessed KISBIT liability		(110,456)
Accrued sick leave		<u>(208,858)</u>
Total net position - governmental	\$	<u>16,461,708</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

TRIMBLE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CONSTRUCTION FUNDS</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:					
Taxes	\$ 4,107,815	\$ -	\$ -	\$ 276,488	\$ 4,384,303
Earnings on investments	48,303	71	-	1,143	49,517
State sources	7,028,870	384,322	-	654,510	8,067,702
Federal sources	122,447	1,679,829	-	-	1,802,276
Other sources	110,893	2,662	-	-	113,555
	<u>11,418,328</u>	<u>2,066,884</u>	<u>-</u>	<u>932,141</u>	<u>14,417,353</u>
Total revenues					
EXPENDITURES:					
Instructional	6,239,375	1,587,285	-	-	7,826,660
Student support services	452,185	36,446	-	-	488,631
Staff support services	312,484	132,092	-	-	444,576
District administration	389,972	71,648	-	-	461,620
School administration	789,801	-	-	-	789,801
Business support services	454,266	-	-	-	454,266
Plant operation and maintenance	1,040,719	1,048	-	-	1,041,767
Student transportation	1,050,914	53,149	-	-	1,104,063
Central office	-	-	-	-	-
Food service operation	-	9,050	-	-	9,050
Community service operations	5,979	151,177	-	-	157,156
Facility acquisition and construction	-	45,664	1,504,466	-	1,550,130
Debt service:					
Principal	-	-	-	575,000	575,000
Interest	-	-	-	351,184	351,184
	<u>10,735,695</u>	<u>2,087,559</u>	<u>1,504,466</u>	<u>926,184</u>	<u>15,253,904</u>
Total expenditures					
Excess (deficit) of revenues over expenditures	682,633	(20,675)	(1,504,466)	5,957	(836,551)
OTHER FINANCING SOURCES (USES):					
Loan and bond proceeds	-	-	1,210,406	-	1,210,406
Proceeds from sale of assets	84,691	-	-	-	84,691
Operating transfers in	-	20,675	1,521,840	593,003	2,135,518
Operating transfers out	(1,267,184)	-	(275,331)	(593,003)	(2,135,518)
	<u>(1,182,493)</u>	<u>20,675</u>	<u>2,456,915</u>	<u>-</u>	<u>1,295,097</u>
Total other financing sources (uses)					
Net change in fund balance	(499,860)	-	952,449	5,957	458,546
Fund balance, July 1, 2012	4,697,667	-	838,100	429,891	5,965,658
Fund balance, June 30, 2013	<u>\$ 4,197,807</u>	<u>\$ -</u>	<u>\$ 1,790,549</u>	<u>\$ 435,848</u>	<u>\$ 6,424,204</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**TRIMBLE COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

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

Net changes-governmental funds		\$ 458,546
Proceeds from sale of bonds	(1,210,406)	
Underwriter discount on bond sale	<u>(18,894)</u>	
		(1,229,300)
<p>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 capital outlays exceed depreciation expense for the year.</p>		
Depreciation expense	(909,943)	
Construction in progress	-	
Capital outlays	2,405,485	
Retirement of capital assets	<u>(6,110)</u>	
		1,489,432
<p>Bond proceeds are reported as financing 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.</p>		
Principal paid		575,000
<p>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.</p>		
		<u>(29,728)</u>
Changes in net position of governmental activities		<u>\$ 1,263,950</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**TRIMBLE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Taxes	\$ 3,544,323	\$ 3,544,323	\$ 4,107,815	\$ 563,492
Other local sources	83,500	83,500	159,196	75,696
State sources	5,162,077	5,162,077	7,028,870	1,866,793
Federal sources	15,000	15,000	122,447	107,447
Other sources	100	100	84,691	84,591
	<u>8,805,000</u>	<u>8,805,000</u>	<u>11,503,019</u>	<u>2,698,019</u>
Total revenues				
EXPENDITURES:				
Instructional	4,893,065	4,861,549	6,239,375	(1,377,826)
Student support services	358,862	358,862	452,185	(93,323)
Staff support services	250,066	250,066	312,484	(62,418)
District administration	389,111	389,111	389,972	(861)
School administration	632,246	632,246	789,801	(157,555)
Business support services	365,645	365,645	454,266	(88,621)
Plant operation and maintenance	1,046,760	1,046,760	1,040,719	6,041
Student transportation	976,842	1,004,278	1,050,914	(46,636)
Community service operations	5,066	5,066	5,979	(913)
Facility acquisition and construction	75,000	75,000	-	75,000
Other	3,688,159	3,692,239	1,267,184	2,425,055
	<u>12,680,822</u>	<u>12,680,822</u>	<u>12,002,879</u>	<u>677,943</u>
Total expenditures				
Net change in fund balance	(3,875,822)	(3,875,822)	(499,860)	3,375,962
Fund balance, July 1, 2012	<u>3,875,822</u>	<u>3,875,822</u>	<u>4,697,667</u>	<u>821,845</u>
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,197,807</u>	<u>\$ 4,197,807</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**TRIMBLE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Other local sources	\$ 2,085	\$ 17,550	\$ 71	\$ (17,479)
State sources	368,564	356,202	384,322	28,120
Federal sources	1,607,135	1,689,930	1,679,829	(10,101)
Other sources	18,803	20,675	23,337	2,662
	<u>1,996,587</u>	<u>2,084,357</u>	<u>2,087,559</u>	<u>3,202</u>
Total revenues				
EXPENDITURES:				
Instructional	1,441,238	1,534,332	1,587,285	(52,953)
Student support services	57,318	57,318	36,446	20,872
Staff support services	162,097	160,028	132,092	27,936
District administration	73,668	73,440	71,648	1,792
Plant operation and maintenance	850	850	1,048	(198)
Student transportation	53,409	53,409	53,149	260
Food service operation	8,500	8,500	9,050	(550)
Community service operations	150,816	150,816	151,177	(361)
Facility acquisition and construction	45,664	45,664	45,664	-
Other	3,027	-	-	-
	<u>1,996,587</u>	<u>2,084,357</u>	<u>2,087,559</u>	<u>(3,202)</u>
Total expenditures				
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**TRIMBLE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
AS OF JUNE 30, 2013**

	<u>FOOD SERVICE</u>	<u>AFTER SCHOOL CARE FUND</u>	<u>TOTAL</u>
ASSETS			
CURRENT			
Cash (overdraft) and cash equivalents	\$ (121,563)	\$ 17,454	\$ (104,109)
Investments	106,169	-	106,169
Accounts receivable	65,967	782	66,749
Inventories for consumption	22,233	-	22,233
Total current	<u>72,806</u>	<u>18,236</u>	<u>91,042</u>
NONCURRENT			
Furniture and fixtures	593,466	-	593,466
Less: accumulated depreciation	<u>(327,278)</u>	<u>-</u>	<u>(327,278)</u>
Total noncurrent	<u>266,188</u>	<u>-</u>	<u>266,188</u>
Total assets	<u><u>\$ 338,994</u></u>	<u><u>\$ 18,236</u></u>	<u><u>\$ 357,230</u></u>
LIABILITIES			
CURRENT			
Accounts payable	<u>\$ 6,382</u>	<u>\$ -</u>	<u>\$ 6,382</u>
Total current	<u>6,382</u>	<u>-</u>	<u>6,382</u>
NET POSITION			
Invested in assets, net of debt	266,188	-	266,188
Nonspendable - inventories	22,233	-	22,233
Assigned			
Purchase obligations	-	-	-
Restricted			
Net position	<u>44,191</u>	<u>18,236</u>	<u>62,427</u>
Total net position	<u>332,612</u>	<u>18,236</u>	<u>350,848</u>
Total liabilities and net position	<u><u>\$ 338,994</u></u>	<u><u>\$ 18,236</u></u>	<u><u>\$ 357,230</u></u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**TRIMBLE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>FOOD SERVICE</u>	<u>AFTER SCHOOL CARE FUND</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Lunchroom sales	\$ 261,789	\$ -	\$ 261,789
Other operating revenues	-	24,250	24,250
Total operating revenues	<u>261,789</u>	<u>24,250</u>	<u>286,039</u>
OPERATING EXPENSES:			
Salaries and benefits	440,905	21,763	462,668
Contract services	54,530	-	54,530
Materials and supplies	565,832	232	566,064
Depreciation	40,359	-	40,359
Other operating expenses	1,383	-	1,383
Total operating expenses	<u>1,103,009</u>	<u>21,995</u>	<u>1,125,004</u>
Operating income (loss)	<u>(841,220)</u>	<u>2,255</u>	<u>(838,965)</u>
NONOPERATING REVENUES:			
Federal grants	559,966	-	559,966
State grants	65,745	3,049	68,794
Donated commodities and other donations	57,296	-	57,296
Transfers	-	-	-
Loss on disposal of capital assets	(288)	-	(288)
Interest income	933	-	933
Total nonoperating revenues	<u>683,652</u>	<u>3,049</u>	<u>686,701</u>
Net income (loss)	(157,568)	5,304	(152,264)
Total net position, July 1, 2012	<u>490,180</u>	<u>12,932</u>	<u>503,112</u>
Total net position, June 30, 2013	<u>\$ 332,612</u>	<u>\$ 18,236</u>	<u>\$ 350,848</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**TRIMBLE COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	FOOD SERVICE FUND	AFTER SCHOOL CARE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from lunchroom sales	\$ 261,789	\$ -	\$ 261,789
Cash received from other activities	-	23,664	23,664
Cash payments to employees for services	(440,905)	(21,763)	(462,668)
Cash payments to suppliers for goods and services	(615,568)	(292)	(615,860)
Net cash provided by (used in) operating activities	<u>(794,684)</u>	<u>1,609</u>	<u>(793,075)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Purchase of capital assets	-	-	-
Net cash provided by capital financing activities	-	-	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Non-operating revenues received	623,346	3,049	626,395
Net cash provided by noncapital financing activities	<u>623,346</u>	<u>3,049</u>	<u>626,395</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	70	-	70
Net cash flows provided by investing activities	<u>70</u>	<u>-</u>	<u>70</u>
Net increase (decrease) in cash and cash equivalents	(171,268)	4,658	(166,610)
Cash and cash equivalents - beginning	49,705	12,796	62,501
Cash (overdraft) and cash equivalents - ending	<u>\$ (121,563)</u>	<u>\$ 17,454</u>	<u>\$ (104,109)</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES			
Operating income (loss)	\$ (841,220)	\$ 2,255	\$ (838,965)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Depreciation	40,359	-	40,359
Changes in assets and liabilities:			
Decrease in accounts payable	(479)	(60)	(539)
Increase in accounts receivable	-	(586)	(586)
Decrease in inventories	6,656	-	6,656
Net cash provided by (used in) operating activities	<u>\$ (794,684)</u>	<u>\$ 1,609</u>	<u>\$ (793,075)</u>
SCHEDULE OF NON-CASH TRANSACTIONS:			
Donated commodities received from federal government	<u>\$ 57,296</u>	<u>\$ -</u>	<u>\$ 57,296</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**TRIMBLE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
AS OF JUNE 30, 2013**

	TRUST/AGENCY FUND	TOTAL
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 26,030	\$ 26,030
Investments	14,157	14,157
Accounts receivable	5	5
Total current assets	40,192	40,192
NONCURRENT		
Capital assets	-	-
Total noncurrent assets	-	-
Total assets	\$ 40,192	\$ 40,192
LIABILITIES		
CURRENT		
Accounts payable	\$ 600	\$ 600
Total current	600	600
NONCURRENT		
Total noncurrent	-	-
Total liabilities	600	600
NET POSITION		
RESTRICTED	-	-
UNRESTRICTED	39,592	39,592
Total net position	39,592	39,592
Total liabilities and net position	\$ 40,192	\$ 40,192

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**TRIMBLE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>TRUST/AGENCY FUND</u>	<u>TOTAL</u>
ADDITIONS		
Investment income	\$ 120	\$ 120
Private donations	30,564	30,564
Student activities	-	-
	<u>30,684</u>	<u>30,684</u>
Total additions	<u>30,684</u>	<u>30,684</u>
DEDUCTIONS		
Instruction	291	291
Community services	9,430	9,430
	<u>9,721</u>	<u>9,721</u>
Total deductions	<u>9,721</u>	<u>9,721</u>
Change in net position	20,963	20,963
Net position - July 1, 2012	<u>18,629</u>	<u>18,629</u>
Net position - June 30, 2013	<u><u>\$ 39,592</u></u>	<u><u>\$ 39,592</u></u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**TRIMBLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Trimble County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Trimble County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Trimble 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:

Trimble County School District Finance Corporation - On December 2, 1988, the Trimble County Board of Education resolved to authorize the establishment of the Trimble 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 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Trimble County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

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

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

**TRIMBLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Presentation (cont'd)

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

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

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

The District has the following funds:

I. Governmental Fund Types

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

- (B) The Special Revenue Fund accounts for 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 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 page 43. This is a major fund of the District.

**TRIMBLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Presentation (cont'd)

I. Governmental Fund Types (cont'd)

(C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Technology Fund accounts for the Kentucky Education Technology System (KETS) allocation and local district matching funds restricted for the purchase of technology consistent with the District's approved technology plan. The balance in the fund represents additional local money in excess of required matching funds.
4. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

II. Debt Service Fund

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

**TRIMBLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Presentation (cont'd)

III. Proprietary Fund (Enterprise Fund)

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

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

IV. Fiduciary Fund Type (Agency and Trust Funds)

The Trust/Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

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

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

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

**TRIMBLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Accounting (cont'd)

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

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

Property Taxes

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

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) of the United States of America. 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).

Cash and Cash Equivalents

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

**TRIMBLE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2013**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Inventories

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

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 district-wide statement of net assets 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 district-wide statement of net assets 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 asset's life are not.

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

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

**TRIMBLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 District's experience of making termination payments.

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

Interfund Balances

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

Accrued Liabilities and Long-Term Obligations

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

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

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:

**TRIMBLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fund Balance Reserves (cont'd)

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – 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 balance – amounts that are available for purpose; positive amounts are reported only in the General fund.

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

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

Net Position

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

Operating Revenues and Expenses

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

Interfund Activity

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

**TRIMBLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE B - ESTIMATES

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

NOTE C - CASH AND CASH EQUIVALENTS

At year end, the District had on deposit, cash and cash equivalents totaling \$3,100,265. Of the total cash balance, \$451,509 was covered by the Federal Deposit Insurance Corporation (FDIC), with the remainder covered by a collateral agreement and collateral held by the pledging banks' trust department in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

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

	<u>Bank Balance</u>	<u>Book Balance</u>
Farmers Bank of Milton	\$ 2,898,757	\$ 1,917,794
Bedford Loan and Deposit Bank	<u>201,508</u>	<u>213,269</u>
Total cash on deposit	<u>\$ 3,100,265</u>	<u>\$ 2,131,063</u>

Breakdown per financial statements:

Governmental funds	\$ 1,980,892
Proprietary funds	(104,109)
Trust and Agency funds	26,030
Activity funds	<u>228,250</u>
Total cash and cash equivalents	<u>\$ 2,131,063</u>

NOTE D - ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2013, this amount totaled approximately \$208,858 for all employees. The Board has reserved \$100,000 of its General Fund for unpaid sick leave benefits.

**TRIMBLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE E - CAPITAL ASSETS

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

<u>Governmental Activities</u>	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Land	\$ 422,720	\$ -	\$ -	\$ 422,720
Land improvements	428,910	1,995,247	-	2,424,157
Buildings and improvements	22,622,829	-	-	22,622,829
Technology equipment	1,018,967	190,013	181,706	1,027,274
General equipment	471,106	15,825	6,066	480,865
Vehicles	1,874,259	368,907	96,396	2,146,770
Construction in progress	1,635,923	1,471,416	1,635,923	1,471,416
	<u>28,474,714</u>	<u>4,041,408</u>	<u>1,920,091</u>	<u>30,596,031</u>
Totals at historical cost				
Less: accumulated depreciation				
Land improvements	329,885	49,239	-	379,124
Buildings and improvements	6,248,477	545,265	-	6,793,742
Technology equipment	785,110	135,767	178,499	742,378
General equipment	230,647	22,456	3,163	249,940
Vehicles	1,248,175	157,216	96,396	1,308,995
	<u>8,842,294</u>	<u>909,943</u>	<u>278,058</u>	<u>9,474,179</u>
Total accumulated depreciation				
Governmental activities capital assets - net	<u>\$ 19,632,420</u>	<u>\$ 3,131,465</u>	<u>\$ 1,642,033</u>	<u>\$ 21,121,852</u>
 <u>Business - Type Activities</u>				
Technology equipment	\$ 14,778	\$ -	\$ 8,221	\$ 6,557
General equipment	588,248	-	1,339	586,909
	<u>603,026</u>	<u>-</u>	<u>9,560</u>	<u>593,466</u>
Totals at historical cost				
Less: accumulated depreciation				
Technology equipment	14,372	406	8,221	6,557
General equipment	281,819	39,953	1,051	320,721
	<u>296,191</u>	<u>40,359</u>	<u>9,272</u>	<u>327,278</u>
Total accumulated depreciation				
Business - type activities capital assets - net	<u>\$ 306,835</u>	<u>\$ (40,359)</u>	<u>\$ 288</u>	<u>\$ 266,188</u>

**TRIMBLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE F - LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued.

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
November 1, 2002	\$ 1,226,927	3.500%
September 1, 2007	\$ 6,350,000	3.850%
October 1, 2010	\$ 4,445,000	2.00% - 3.000%
July 1, 2012	\$ 1,250,000	0.05% - 3.250%

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

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table in Note P 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.

All issues 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 reported on Note P on page 36.

NOTE G - RETIREMENT PLANS

Kentucky Teachers Retirement System

The Kentucky Local School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education. Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

**TRIMBLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE G - RETIREMENT PLANS (CONT'D)

Funding policy – Contribution rates are established by Kentucky Revised Statutes. Members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions. The contribution requirement for KTRS for the year ended June 30, 2013, was \$767,628 which consisted of \$639,954 from the District and \$127,674 from the employees. Total contributions for the year ended June 30, 2012 and 2011 were \$732,472 and \$791,515, respectively. The contributions have been contributed in full for fiscal years 2013, 2012 and 2011.

County Employees Retirement System

Classified employees who work an average of 80 hours per month over the actual days worked during the school year participate in the County Employees Retirement System (CERS). This is a cost sharing, multiple-employer, public employers retirement plan created and maintained by Kentucky legislature and provides retirement, death and disability benefits to Plan members.

Participating employees contribute 5% of creditable compensation. Participants hired after August 31, 2008 are required to contribute 6%. Matching contributions are made by the state at a rate as required by the Board of Trustees to be necessary for the actuarial soundness per Kentucky Revised Statute 61.565. The contribution requirement for CERS for the year ended June 30, 2013, was \$542,324, which consisted of \$429,289 from the District and \$113,035 from the employees. Total contributions for the year ended June 30, 2012 and 2011 were \$519,593 and \$438,318, respectively. The contributions have been contributed in full for fiscal years 2013, 2012 and 2011.

The District's total payroll for the year was \$12,302,307. The payroll for employees covered under KTRS was \$9,223,450 and for CERS was \$3,033,739.

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

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits which is adjusted for the effects of projected salary increases and step-rate benefits that are estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligations for individual employers. KTRS and CERS both issue a publicly available financial report that includes all financial statements and required supplementary information. The reports can be obtained in writing from the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 and the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, KY 40601.

**TRIMBLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE H - CONTINGENCIES

Grant Fund Approval

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 the grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue the programs.

NOTE I - INSURANCE AND RELATED ACTIVITIES

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

NOTE J - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts 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 ninety (90) days 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 K - COBRA

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

**TRIMBLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE L - DEFICIT OPERATING/FUND BALANCES

The District ended the year with no funds having a deficit fund balance.

The following funds have operations that resulted in a current year deficit of revenues over expenditures, not including fund transfers. Special Revenue and Construction fund deficits were supplemented with transfers from the General Fund. Debt Service fund deficit was supplemented with transfers from the Capital Outlay and Building funds.

Special Revenue	\$ 20,675
Food Service Fund	\$ 157,568
Construction Fund	\$ 294,061
Debt Service Fund	\$ 593,003
Bedford Elementary	\$ 8,747

NOTE M - CONTINGENT LIABILITY

The District is a participant in the Kentucky School Board Insurance Trust in which the District purchases general liability and workers' compensation insurance. As of June 30, 2013, the District has been notified of a deficit in the trust and has been given a preliminary assessment of its portion of the deficit of \$110,456. This contingent liability has been recorded in the District Wide Financial Statements but not included in the Governmental Financial Statements.

NOTE N - TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
1	2	Matching	\$ 20,675
1	360	Construction	\$ 1,246,509
310	400	Debt Service	\$ 124,191
320	400	Debt Service	\$ 468,812
360	360	Project	\$ 275,331

NOTE O - ON-BEHALF PAYMENTS

For the year ended June 30, 2013 total payments of \$2,302,170 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded as revenues and expenses in the following funds:

General Fund	\$ 1,908,528
Debt Service Fund	333,181
Food Service Fund	57,412
Proprietary Fund	3,049
	<hr/>
Total On-Behalf	<u>\$ 2,302,170</u>

**TRIMBLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE P - SCHEDULE OF LONG-TERM OBLIGATIONS

2002, 2007, 2010 and 2012

FISCAL YEAR	TRIMBLE COUNTY SCHOOL DISTRICT			KY SCHOOL FACILITIES CONSTRUCTION COMMISSION			TOTAL REQUIREMENTS
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	
2013-2014	\$ 382,211	\$ 212,777	\$ 594,988	\$ 257,789	\$ 137,586	\$ 395,375	\$ 990,363
2014-2015	388,698	203,039	591,737	256,302	130,314	386,616	978,353
2015-2016	397,178	194,606	591,784	262,822	123,203	386,025	977,809
2016-2017	405,247	185,108	590,355	269,753	115,640	385,393	975,748
2017-2018	417,960	174,882	592,842	277,040	107,719	384,759	977,601
2018-2019	430,222	163,308	593,530	284,778	99,218	383,996	977,526
2019-2020	442,048	150,578	592,626	292,952	90,151	383,103	975,729
2020-2021	453,578	137,572	591,150	301,422	80,685	382,107	973,257
2021-2022	474,675	123,540	598,215	315,325	70,631	385,956	984,171
2022-2023	428,793	101,534	530,327	236,207	60,202	296,409	826,736
2023-2024	446,876	84,677	531,553	243,124	51,861	294,985	826,538
2024-2025	464,687	67,130	531,817	255,313	42,953	298,266	830,083
2025-2026	487,216	48,806	536,022	262,784	33,694	296,478	832,500
2026-2027	504,452	29,716	534,168	275,548	24,074	299,622	833,790
2027-2028	519,619	10,003	529,622	235,381	15,009	250,390	780,012
2028-2029	-	-	-	70,000	9,900	79,900	79,900
2029-2030	-	-	-	75,000	7,906	82,906	82,906
2030-2031	-	-	-	75,000	5,703	80,703	80,703
2031-2032	-	-	-	80,000	3,281	83,281	83,281
2032-2033	-	-	-	65,000	1,016	66,016	66,016
	<u>\$ 6,643,460</u>	<u>\$ 1,887,276</u>	<u>\$ 8,530,736</u>	<u>\$ 4,391,540</u>	<u>\$ 1,210,746</u>	<u>\$ 5,602,286</u>	<u>\$ 14,133,022</u>

NOTE Q - SUBSEQUENT EVENTS

Subsequent events were considered through November 15, 2013, which represents the release date of our report.

**TRIMBLE COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2013**

	CAPITAL OUTLAY FUND	BUILDING FUND	DEBT SERVICE FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
ASSETS				
CURRENT				
Cash and cash equivalents	\$ 315,025	\$ 120,823	\$ -	\$ 435,848
Accounts receivable	-	-	-	-
Total current	<u>\$ 315,025</u>	<u>\$ 120,823</u>	<u>\$ -</u>	<u>\$ 435,848</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total current	-	-	-	-
 FUND BALANCES				
Restricted:				
Capital projects fund	315,025	120,823	-	435,848
Prior year encumbrances	-	-	-	-
Unrestricted	-	-	-	-
Total fund balances	315,025	120,823	-	435,848
Total liabilities and fund balances	<u>\$ 315,025</u>	<u>\$ 120,823</u>	<u>\$ -</u>	<u>\$ 435,848</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**TRIMBLE COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>CAPITAL OUTLAY FUND</u>	<u>BUILDING FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL NONMAJOR GOVERNMENT FUNDS</u>
REVENUES:				
Taxes	\$ -	\$ 276,488	\$ -	\$ 276,488
Earnings on investments	900	243	-	1,143
State sources	129,217	192,112	333,181	654,510
Federal sources	-	-	-	-
Other sources	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	130,117	468,843	333,181	932,141
EXPENDITURES:				
Instructional	-	-	-	-
Student support services	-	-	-	-
Staff support services	-	-	-	-
District administration	-	-	-	-
School administration	-	-	-	-
Business support services	-	-	-	-
Plant operation and maintenance	-	-	-	-
Student transportation	-	-	-	-
Central office	-	-	-	-
Food service	-	-	-	-
Community service operations	-	-	-	-
Facility acquisition and construction	-	-	-	-
Debt service:				
Principal	-	-	575,000	575,000
Interest	-	-	351,184	351,184
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	-	-	926,184	926,184
Excess (deficit) of revenues over expenditures	130,117	468,843	(593,003)	5,957
OTHER FINANCING SOURCES(USES):				
Proceeds from sale of bonds	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Operating transfers in	-	-	593,003	593,003
Operating transfers out	(124,191)	(468,812)	-	(593,003)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources(uses)	(124,191)	(468,812)	593,003	-
Net change in fund balance	5,926	31	-	5,957
Fund balance, July 1, 2012	309,099	120,792	-	429,891
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, June 30, 2013	\$ 315,025	\$ 120,823	\$ -	\$ 435,848
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**TRIMBLE COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
BOND AND INTEREST REDEMPTION FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>SLIP/KISTA 2002</u>	<u>ISSUE OF 2007</u>	<u>ISSUE OF 2010</u>	<u>ISSUE OF 2012</u>	<u>Total</u>
Cash at July 1, 2012	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:					
Transfers and miscellaneous deposits	117,875	374,546	418,033	15,730	926,184
Disbursements:					
Bonds paid	110,000	155,000	310,000	-	575,000
Interest coupons	7,875	219,546	108,033	15,730	351,184
Transfers and miscellaneous	-	-	-	-	-
Call fee	-	-	-	-	-
Total disbursements	117,875	374,546	418,033	15,730	926,184
Excess of receipts over disbursements	-	-	-	-	-
Cash at June 30, 2013	-	-	-	-	-
Accounts Receivable and Payable					
Matured interest and bonds outstanding	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-
Fund Balance at June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**TRIMBLE COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
TRIMBLE COUNTY HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	FUND BALANCE JULY 1, 2012	RECEIPTS	DISBURSEMENTS	FUND BALANCE JUNE 30, 2013
8th region basketball coaches	\$ 1,908	\$ -	\$ 760	\$ 1,148
Academic team	479	363	842	-
Agricultural fees	283	1,547	1,830	-
AP exams	-	3,152	2,894	258
Art club	317	507	-	824
Art fees	289	1,378	807	860
Athletic drink machine	1,366	1,017	2,347	36
Athletics	3,977	35,173	38,928	222
Band	-	9,203	8,456	747
Baseball	2,327	13,557	13,773	2,111
Beta club	1	6,766	6,359	408
Biology/Anatomy	2	1,682	1,169	515
Bookstore	62	208	-	270
Boys basketball	347	18,446	17,967	826
Boys golf	-	2,438	2,438	-
Business fees	100	140	-	240
CBI	690	626	243	1,073
Charities	523	1,227	1,509	241
Cheerleaders	970	13,161	14,131	-
Christopher's 2nd Wind	-	4,081	4,081	-
Chemistry lab	13	50	-	63
Computer lab fees	45	2,095	1,652	488
Cooking Club	-	850	840	10
Courtyard	59	-	41	18
Credit recovery/E-school	4,064	1,681	100	5,645
Cross country	-	10,759	7,474	3,285
Dance team	1,795	3,315	4,434	676
District basketball	-	1,875	1,875	-
Drama	3,228	2,397	835	4,790
Families in need	74	-	-	74
FBLA	50	1,092	1,006	136
FCA	258	-	-	258
FFA	662	12,365	12,442	585
Field trips	776	-	-	776
Flower and gift fund	156	943	1,021	78
Football	2,973	33,018	22,203	13,788
Football raffle	744	-	744	-
Forensic	81	625	386	320
Freshman class	461	756	1,028	189
General	9,369	28,755	14,933	23,191
Girls basketball	315	16,351	13,956	2,710
Girls golf	272	1,484	1,636	120
Girls tennis	-	799	492	307
Greenhouse	1,789	3,160	1,634	3,315
Guidance department	395	616	1,011	-

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**TRIMBLE COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
TRIMBLE COUNTY HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	FUND BALANCE JULY 1, 2012	RECEIPTS	DISBURSEMENTS	FUND BALANCE JUNE 30, 2013
History club	\$ 915	\$ 185	\$ -	\$ 1,100
In memory of F. Burkhardt	50	500	500	50
Jazz band	95	-	-	95
Junior class	3,329	5,728	6,157	2,900
Kelly Jewell scholarship	239	1,051	-	1,290
Library	644	1,226	1,193	677
Lounge drink machine	48	3,070	2,425	693
Media class	373	237	228	382
Pep club	484	1,306	1,206	584
Physical science fees	460	1,962	1,935	487
Project prom	300	-	-	300
Raider ranch	-	479	479	-
Raider wear	500	2,590	2,629	461
Relay for life	63	(30)	-	33
School Incentives	-	730	366	364
Science	75	-	-	75
Science club	1,231	-	-	1,231
Senior class	1,203	23,580	24,492	291
Senior overflow	3,126	1,203	449	3,880
Softball	396	10,356	9,900	852
Sophomore class	2,010	5,807	5,612	2,205
Spanish club	-	425	92	333
Student council	350	13	-	363
Student incentives	175	5,067	4,119	1,123
Technology fees	30	531	561	-
Technology student association	343	60	-	403
Teen leadership	96	1,275	-	1,371
Tennis	161	625	561	225
Textbooks	22,571	27,345	32,620	17,296
Track	1,502	6,435	5,347	2,590
Transportation costs	27,367	18,514	31,125	14,756
Volleyball	-	1,181	1,181	-
Volleyball Coach	-	10,157	9,783	374
Yearbook	530	6,175	4,867	1,838
Total	\$ 109,886	\$ 375,441	\$ 356,104	\$ 129,223

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**TRIMBLE COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>MILTON ELEMENTARY SCHOOL</u>	<u>BEDFORD ELEMENTARY SCHOOL</u>	<u>TRIMBLE COUNTY MIDDLE SCHOOL</u>	<u>TOTAL</u>
Fund balances at July 1, 2012	\$ 13,876	\$ 48,725	\$ 42,227	\$ 104,828
Add: receipts	43,139	59,502	96,608	199,249
Less: disbursements	<u>(41,825)</u>	<u>(68,249)</u>	<u>(94,976)</u>	<u>(205,050)</u>
Fund balances at June 30, 2013	<u>\$ 15,190</u>	<u>\$ 39,978</u>	<u>\$ 43,859</u>	<u>\$ 99,027</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**TRIMBLE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

	CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	EXPENDITURES	PROGRAM/ CLUSTER TOTALS
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Head Start	93.600	N/A	\$ 666,337	\$ 666,337
Drug-Free Communities Support Program Grants	93.276	N/A	109,678	109,678
Total U.S. Department of Health and Human Services			<u>776,015</u>	<u>776,015</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed through the Kentucky Department of Education:</i>				
Race to the Top	84.413	3960002 11	2,094	2,094
Migrant Education State Grant Program	84.011	3110002 11	13,609	
Migrant Education State Grant Program	84.011	3110002 12	22,963	36,572
School Improvement Grants - Recovery Act	84.388	4100302 09	113,352	113,352
Title I - Grants to Local Educational Agencies	84.010	3100002 12	297,206	
Title I - Grants to Local Educational Agencies	84.010	3100202 10	32,565	
Title I - Grants to Local Educational Agencies	84.010	3100202 11	8,327	
Title I - Grants to Local Educational Agencies	84.010	3100202 12	30,337	368,435
Career and Technical Education - Basic Grants to States	84.048	4621032 11	532	
Career and Technical Education - Basic Grants to States	84.048	4621032 12	13,006	13,538
Improving Teacher Quality State Grants	84.367	3230002 12	68,446	68,446
Education Jobs Fund	84.410	EJOB00 10	2,334	2,334
Special Education Cluster:				
Special Education Grants to States	84.027	3810002 10	4,058	
Special Education Grants to States	84.027	3810002 11	20,597	
Special Education Grants to States	84.027	3810002 12	263,356	
Special Education Preschool Grants	84.173	3800002 11	422	
Special Education Preschool Grants	84.173	3800002 12	10,609	299,042
Total U.S. Department of Education			<u>903,813</u>	<u>903,813</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed through the Kentucky Department of Education:</i>				
Child Nutrition Cluster:				
National School Lunch Program	10.555	7750002 13	291,802	
National School Lunch Program	10.555	7750002 12	71,750	
School Breakfast Program	10.553	7760005 13	146,900	
School Breakfast Program	10.553	7760005 12	37,245	
Summer Food Service Program for Children	10.559	7690024 12	726	
Summer Food Service Program for Children	10.559	7740023 12	7,031	
<i>Passed through the Kentucky Department of Agriculture:</i>				
National School Lunch Program - Food Donation	10.555	400-4619	57,296	612,750
Total U.S. Department of Agriculture			<u>612,750</u>	<u>612,750</u>
Total Expenditures of Federal Awards			<u>\$ 2,292,578</u>	<u>\$ 2,292,578</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**TRIMBLE COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE A – BASIS OF PRESENTATION

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

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2013, the District reported food commodities expended in the amount of \$57,296.

**TRIMBLE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SUMMARY OF AUDITORS' RESULTS

1. The Independent Auditors' Report expresses an unmodified opinion on the basic financial statements of the Trimble County School District.
2. No significant deficiencies were disclosed during the audit of the financial statements or reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of the Trimble County School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit or reported in the Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133. No material weaknesses are reported.
5. The Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133 for Trimble County School District expresses an unmodified opinion on all major federal programs.
6. The audit did not disclose any findings required to be reported under section 510 (a) of OMB Circular A-133.
7. The programs tested as major programs were: School Breakfast Program, CFDA #10.553; National School Lunch Program, CFDA #10.555; Summer Food Service Program for Children, CFDA #10.559; National School Lunch Program - Food Donation, CFDA #10.555; School Improvement Grant – Recovery Act, CFDA #84.388; Education Jobs Fund, CFDA #84.410 and Head Start, CFDA #93.600
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Trimble County School District does not qualify as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2012-01: AFR Preparation

Condition: Prior to preparation of the AFR, the District had not recorded significant accounts payable, nor had depreciation been posted for the year and various balance sheet accounts and other accounts had not been properly reconciled during the year and at year end.

Recommendation: The District should develop procedures to monitor the transactions recorded in all balance sheet accounts.

Current Status: The District has addressed these issues and is currently adjusting balances as needed.

**TRIMBLE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONT'D)

Finding 2012-02: Segregation of Duties

- Condition: The District lacks proper segregation of duties over its financial reporting at the school level.
- Recommendation: The District should develop procedures to monitor the financial activities of those schools where personnel are limited
- Current Status: District management has taken an active role in assisting the principals and financial secretaries at the schools with improving controls over the activity funds. While limited personnel are available at the school level, every effort is being made to maintain adequate control over the activity funds.

Finding 2012-03: Financial Statement Preparation

- Condition: The District does not have a system of internal controls that would enable management to conclude that the financial statements and the related disclosures are complete and presented in accordance with accounting principles generally accepted in the United States of America.
- Recommendation: Management needs to re-evaluate the decision to accept the risk resulting from no system of internal controls for financial reporting as referenced in the condition above.
- Current Status: Management takes an active role in the presentation of the District's financial statements and is proactive in consulting with the District's auditors when questions arise.

**TRIMBLE COUNTY SCHOOL DISTRICT
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL
FOR THE YEAR ENDED JUNE 30, 2013**

BOARD MEMBERS

Haley Turner - Chair
Term Expires - December 31, 2014

Kim Temple - Vice Chair
Term Expires - December 31, 2016

Scott Burrows
Term Expires - December 31, 2016

Jill Simmons
Term Expires – December 31, 2014

Tony Walker
Term Expires - December 31, 2014

ADMINISTRATIVE PERSONNEL

Ms. Marcia Dunaway
Superintendent

Jessica Wilcoxson
Assistant Superintendent

Phillip Harmon
Finance Officer

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

To the Members of the Board of Education
Trimble County School District
68 Wentworth Avenue
Trimble, KY 40006

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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Trimble County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Trimble County School District's basic financial statements, and have issued our report thereon dated October 10, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Trimble 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 Trimble County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Trimble County School District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Crestview Hills, Kentucky
October 10, 2013

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

Members of the Board of Education
Trimble County School District
68 Wentworth Avenue
Bedford, Kentucky 40006

Report on Compliance for Each Major Federal Program

We have audited Trimble County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Trimble County School District's major federal programs for the year ended June 30, 2013. Trimble 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 Trimble 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 Trimble County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Trimble 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 Trimble 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 Trimble 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 Trimble 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.



Crestview Hills, Kentucky
October 10, 2013

**TRIMBLE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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

This letter does not affect our report dated October 10, 2013 on the financial statements of the Trimble County School District.

CURRENT YEAR RECOMMENDATIONS

Central Office

Any exceptions noted in testing appeared to be isolated incidents only.

...

ACTIVITY FUNDS

Trimble County High School

Any exceptions noted in testing appeared to be isolated incidents only.

...

Trimble County Middle School

Any exceptions noted in testing appeared to be isolated incidents only.

...

Bedford Elementary School

Any exceptions noted in testing appeared to be isolated incidents only.

...

Milton Elementary School

Condition:	Redbook procedures for check signing are not being consistently followed.
Criteria:	Redbook - Accounting Procedures for Kentucky School Activity Funds requires that all checks contain the signature of the principal, or his/her designee and the signature of the school treasurer.
Cause:	Checks are periodically being issued with only one signature.
Effect:	Expenditures may have been made without proper authorization.
Recommendation:	School employees should be educated on the Redbook policies and procedures for activity fund accounting.
Response:	Superintendent and Finance Officer will meet with the Principal and the bookkeeper to educate them on the Redbook check signing requirements and procedures.

...

**TRIMBLE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

CURRENT YEAR RECOMMENDATIONS (CONT'D)

Milton Elementary School

Condition: Internal controls established in the District are not being followed consistently

Criteria: District policy requires proper authorization for purchase and reimbursements

Cause: The principal authorized reimbursements and co-signed the reimbursement check for her own request.

Effect: Reimbursements may have been made without proper authorization.

Recommendation: It is recommended that reimbursement requests and purchase orders always be approved by one management level above the individual making the request. The District finance officer should approve all requests made by principals. In addition, it is recommended that authorized check signers should never co-sign a check made payable to themselves.

Response: Principals will be informed that all purchase order requests and reimbursement requests made by them must be approved by the District Finance Officer.

STATUS OF PRIOR YEAR RECOMMENDATIONS

Condition: Prior to preparation of the AFR, the District had not recorded significant accounts payable, nor had depreciation been posted for the year and various balance sheet accounts and other accounts had not been properly reconciled during the year and at year end.

Recommendation: The District should develop procedures to monitor the transactions recorded in all balance sheet accounts.

Current Status: The District has addressed these issues and is currently adjusting balances as needed.

Condition: The District does not have a system of internal controls that would enable management to conclude that the financial statements and the related disclosures are complete and presented in accordance with accounting principles generally accepted in the United States of America.

Recommendation: Management needs to re-evaluate the decision to accept the risk resulting from no system of internal controls for financial reporting as referenced in the condition above

Current Status: Management takes an active role in the presentation of the District's financial statements and is proactive in consulting with the District's auditors when questions arise.

**TRIMBLE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013**

STATUS OF PRIOR YEAR RECOMMENDATIONS (CON'TD)

Condition: The District lacks proper segregation of duties over its financial reporting at the school level.

Recommendation: The District should develop procedures to monitor the financial activities of those schools where personnel are limited

Current Status: District management has taken an active role in assisting the principals and financial secretaries at the schools with improving controls over the activity funds. While limited personnel are available at the school level, every effort is being made to maintain adequate control over the activity funds.