

Financial Statements, Supplementary
Information and Reports Required by the
Single Audit Act

2013

Warren County School District

June 30, 2013



Strothman+Co

**WARREN COUNTY SCHOOL DISTRICT
FINANCIAL STATEMENTS
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Independent Auditors' Report



Members of the Board
Warren County School District
Bowling Green, Kentucky

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (Unaudited) on pages 4 through 9 and the budgetary comparison information on pages 44 through 46 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 inquires 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 to provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements on pages 47 through 48 and agency funds financial information on pages 49 through 61 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 the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, agency funds financial information, 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 nonmajor fund financial statements, agency funds financial information, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Stallman & Company PC

Louisville, Kentucky
November 8, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**WARREN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013**

The discussion and analysis of Warren County Board of Education's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ending June 30, 2013. The intent of this discussion and analysis is to review the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis ("MD&A") is an element of the reporting model adopted by the Governmental Accounting Standards Board ("GASB") in their Statement No. 34 Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Government issued in June 1999.

Financial Highlights

- In total, net position increased \$3,515,722. The Net Position of governmental activities increased by \$3,837,587, while the net position of business-type activity decreased by \$321,865. The increase in governmental activities predominately relates to cash from the 4% property tax rate increase, capital outlay transfer and additional property qualifying for the in-lieu property tax.
- General revenues accounted for \$93,135,649 or 75% of all governmental revenues. Program specific revenues in the form of operating grants and contributions accounted for \$31,015,612 or 25% of total governmental revenues of \$124,315,611.
- Total assets, of governmental activities, declined by \$745,013. "Capital Assets" decreased by \$4,302,125. This is a result of depreciation, along with, no major construction projects being booked in 2013. Unlike the previous years, the District did not place a new facility into operation in 2013. However, "Current and Other Assets", increased by \$3,557,112 in 2013. The increase correlates to cash as a result of the property tax rate increase, capital outlay transfer and additional in-lieu property tax.
- The District had \$120,865,501 in expenses relating to governmental activities; of which \$31,179,962, in expenses, were offset by program specific charges for services, grants, and contributions. General revenues (primarily local taxes and the State SEEK allocation), were adequate to provide these programs.

Using this Annual Financial Report (AFR)

This annual report consists of three parts – *management's discussion and analysis* (this part), *the basic financial statements*, and *the required supplementary information*. These statements are organized in a manner so that the reader can understand the District as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The **Statement of Net Position and Statement of Activities** provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's major funds with all other non-major funds presented in total in one column. The major funds for the District are the general fund, special revenue fund, and the capital projects fund.

Reporting on the District as a Whole

One of the most important questions to ask is "how did the District perform financially during 2013?" The **Statement of Net Position** and the **Statement of Activities**, which appear first in the District's financial statements, report information on the District as a whole and is formatted in such a way that will assist a reader in answering this question. These statements include all assets and liabilities using the accrual basis of accounting and economic resources measurement focus, which is similar to the accounting used by most private-sector companies.

**WARREN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013**

These two statements report the District's net position and the changes therein. This change in net position is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or diminished. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the District's property tax base, current property tax laws in Kentucky restricting revenue growth, required educational programs and other factors.

In the **Statement of Net Position** and the **Statements of Activities**, the District is divided into two distinct categories:

- **Government Activities** - most of the District's basic services are included here, such as instructional services (as it relates to elementary, middle and high school educational programs), support services (guidance, attendance, health services, special needs services, etc.), debt service payments, extracurricular activities (sports, band, etc.), operation and maintenance of plant, pupil transportation and other activities.
- **Business-type Activities** - these services are provided on a charge for goods or services basis to recover all of the expenses of the goods provided. The District's business-type activities are the food service and day care operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 12. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's major funds.

Governmental Funds - most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that is available for spending in future periods. These funds are reported using the accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds - proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match.

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

**WARREN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013**

(Table 1)
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and Other Assets	\$ 17,352,419	\$ 13,795,307	\$ 2,097,336	\$ 1,734,518	\$ 19,449,755	\$ 15,529,825
Capital Assets	227,253,413	231,555,538	14,049,111	14,625,158	241,302,524	246,180,696
Total Assets	\$ 244,605,832	\$ 245,350,845	\$ 16,146,447	\$ 16,359,676	\$ 260,752,279	\$ 261,710,521
Deferred Outflows of Resources						
	\$ 564,309				\$ 564,309	
Liabilities						
Long-Term Liabilities	\$ 131,742,688	\$ 135,600,636	\$ 64,697	\$ -	\$ 131,807,385	\$ 135,600,636
Other Liabilities	13,057,535	13,217,878	104,053	60,114	13,161,588	13,277,992
Total Liabilities	\$ 144,800,223	\$ 148,818,514	\$ 168,750	\$ 60,114	\$ 144,968,973	\$ 148,878,628
Net Position						
Invested in Capital Assets, Net of Debt	\$ 92,222,178	\$ 93,692,441	\$ 14,049,111	\$ 14,625,158	\$ 106,271,289	\$ 108,317,599
Restricted	2,340,220	1,966,367	1,928,586	1,674,404	4,268,806	3,640,771
Unrestricted (Deficit)	5,807,520	873,523			5,807,520	873,523
Total Net Position	\$ 100,369,918	\$ 96,532,331	\$ 15,977,697	\$ 16,299,562	\$ 116,347,615	\$ 112,831,893

**WARREN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013**

(Table 2)
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program Revenues:						
Charges for Services	\$ 164,350	\$ 83,575	\$ 2,634,781	\$ 2,911,943	\$ 2,799,131	\$ 2,995,518
Operating Grants/Contribution	31,015,612	31,814,425	5,888,021	5,489,435	36,903,633	37,303,860
Capital Grants/Contributions	-	5,442,183	-	-	-	5,442,183
General Revenues:						
Taxes	43,413,916	39,975,300	-	-	43,413,916	39,975,300
State Aid-Formula Grants	48,992,399	44,131,052	-	-	48,992,399	44,131,052
Investment Earnings	57,646	63,259	5,305	5,655	62,951	68,914
Miscellaneous	671,688	398,576	-	-	671,688	398,576
Capital Contributions - District Support	-	(1,243,958)	43,783	1,243,958	43,783	-
Transfer from Proprietary Funds	387,477	315,537	-	-	387,477	315,537
State On-Behalf Payments	-	-	-	-	-	-
Total Revenue and Transfers	124,703,088	120,979,949	8,571,890	9,650,991	133,274,978	130,630,940
Program Expenses						
Instruction	79,401,348	79,997,758	-	-	79,401,348	79,997,758
Support Services:						
Student	4,885,939	3,403,488	-	-	4,885,939	3,403,488
Instructional Staff	2,424,046	2,902,790	-	-	2,424,046	2,902,790
District Administration	1,342,169	1,179,694	-	-	1,342,169	1,179,694
School Administration	5,299,793	5,315,024	-	-	5,299,793	5,315,024
Business	2,411,799	2,123,127	-	-	2,411,799	2,123,127
Plant Operations/Maintenance	9,027,360	9,978,000	-	-	9,027,360	9,978,000
Student Transportation	8,818,132	8,856,913	-	-	8,818,132	8,856,913
Central Office	-	-	-	-	-	-
Community Services	994,728	1,023,276	-	-	994,728	1,023,276
Other	(22,596)	-	-	-	(22,596)	-
Day Care	-	-	149,517	152,914	149,517	152,914
Interest on Long-Term Debt	5,970,988	6,362,197	-	-	5,970,988	6,362,197
Facilities Acquisition &	73,135	-	-	-	73,135	-
Bond Issuance Costs	143,954	1,378,752	-	-	143,954	1,378,752
Food Service	-	-	8,744,238	8,473,169	8,744,238	8,473,169
Loss on Sale/Disposal of Assets	94,706	40,902	-	-	94,706	40,902
Total Expenses and Transfers	120,865,501	122,561,921	8,893,755	8,626,083	129,759,256	131,188,004
	-	-	-	-	-	-
Increase (Decrease) in Net Position	\$ 3,837,587	\$ (1,581,972)	\$ (321,865)	\$ 1,024,908	\$ 3,515,722	\$ (557,064)

**WARREN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013**

Governmental Activities

Governmental program expenses are broken down as follows: Instruction 66%, Support Services 29%, and 5% Other.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting the program service costs. Table 3 shows, for government activities, the total cost of services and the net cost of services. In other words, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. The total cost of services includes \$18,931,424 that relates to the 2013 State On-Behalf Payments.

(Table 3)
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction	\$ 79,401,348	\$ 79,997,758	\$ 55,502,574	\$ 53,576,204
Support Services	35,203,966	34,782,312	29,275,476	28,809,394
Other	(22,596)	-	(22,596)	-
Facilities Acquisition/Construction	73,135	-	(316,995)	(3,939,811)
P&I on Long-Term Debt	5,970,988	6,362,197	5,008,420	5,356,297
Bond Issuance Costs	143,954	1,378,752	143,954	
Loss on Sale/Disposal of Assets	94,706	40,902	94,706	40,902
Total Expenses	\$ 120,865,501	\$ 122,561,921	\$ 89,685,539	\$ 83,842,986

Business-Type Activities

The business-type activities are food service and day care. These programs had revenues of \$8,571,890 and expenses of \$8,893,755 for fiscal year 2013. Of the revenues, \$2,634,781 related to charges for services, \$5,888,021 was from State and Federal grants, \$5,305 was from investment earnings, and \$43,783 was from capital contributions by the District. Business activities receive no support from tax revenues. The District will continue to monitor the charges and costs of these activities. If it becomes necessary, the District will increase the charges for these activities.

The District's Funds

Information about the District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$129,128,572 and expenditures and other financing uses of \$123,377,156. The net change in fund balances for the year was most significant in Cash and Cash Equivalents, \$5,555,596, of which is primarily due to the increase in the General Fund's cash as referenced previously. Thereby, positively impacting the General Fund's contingency in fiscal year 2013.

General Fund-Budget Highlights

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

A variance comparison is presented between the final budgeted amounts and the actual (GAAP Basis) amounts. Revenues for the General Fund were budgeted at \$75,879,143 with actual amounts totaling \$79,279,799. Budgeted expenditures were \$76,490,583 (not including a contingency budget of \$5,016,905) compared to actual expenditures of \$75,380,695. Budgeted "Other Financing Sources and Uses" reflected a net financing source of

**WARREN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013**

\$91,051 compared to an actual net financing source of \$1,766,424. In total, an expected decrease in the General Fund balance of \$5,537,294 was budgeted compared to an actual net increase of \$5,665,528.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013 the District had \$241,302,524 invested in capital assets (see Table 4 below), \$227,253,413 being in governmental activities. Table 4 shows fiscal year 2013 balances compared to 2012

(Table 4)
Capital Assets at June 30 (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 8,630,928	\$ 8,495,692	\$ -	\$ -	\$ 8,630,928	\$ 8,495,692
Land Improvements	13,622,081	14,405,266	-	-	13,622,081	14,405,266
Buildings and Improvements	190,518,637	191,422,229	11,908,423	12,218,183	202,427,060	203,640,412
Technology	4,012,518	5,080,461	43,554	68,181	4,056,072	5,148,642
Vehicles	3,486,799	4,436,232	-	-	3,486,799	4,436,232
Equipment	6,876,673	7,509,510	2,097,134	2,338,794	8,973,807	9,848,304
Construction in Progress	105,777	206,148	-	-	105,777	206,148
Total	\$ 227,253,413	\$ 231,555,538	\$ 14,049,111	\$ 14,625,158	\$ 241,302,524	\$ 246,180,696

Debt

At June 30, 2013 the District had \$135,031,235 in bonds outstanding, of this amount \$4,900,260 are to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$8,294,000 is due within one year. At June 30, 2012, the District had \$138,796,000 in bonds outstanding, of this amount \$5,287,493 were to be paid from KSFCC funding.

The net change during 2013 fiscal year was due to the structured principal payments.

District Challenges for the Future

The Warren County Public School system (District) is the sixth largest district within the State serving in excess of 14,000 students. The District has grown from a K-12 student membership of 10,923 in 2003 to 13,803 in 2013. This equates to a 26.37% growth in only ten years. The District has prepared for this increase in enrollment by building new schools and by renovating and expanding existing schools. The District remains in good financial condition, however, there are challenges that the District will encounter: increase the level of achievement of our students, Senate Bill 1, English as a Second Language (ESL) population, and adequate funding.

The most essential challenge is to continue to increase student achievement. On the most recent release of test scores, Warren County Schools had three distinguished schools and eight proficient schools. Achievement Gaps continue to exist in many of our schools, but these challenges and opportunities keep us focused on providing a differentiated approach to teaching that serves the individual needs of our students. Prioritizing standards in reading, math and science; providing academic-rich learning environments for our English Learner's and students with disabilities; differentiating instruction for all students; providing good customer service to improve our school climates; analyzing student data using various data points; utilizing interactive, 21st Century technology in our classrooms, and engaging students in learning that is rigorous and relevant to life are all efforts that we have in place to increase student achievement.

**WARREN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013**

It is important for every educator in the District to feel that the students we serve can learn at a high level according to their ability. Teachers must strive to recognize the impact they have on each student that enters their classroom. With the resources available to all educators in Warren County, the ability to meet the needs of all students is not impossible. Providing teachers with up-dated curriculum maps, content guides, and prioritized standards is a process that is revisited routinely throughout our District. We have no choice but to move the students to a higher level in order to ensure their ability to function and thrive in a global, 21st Century marketplace. What the information does not tell us is the level of motivation for learning. It will also not inform us as to the amount of parental/family involvement in the educational process. We will also be unable to discern what happens in the life of a student outside the walls of our educational institutions. This information can be very helpful in serving needs that can affect learning. The WCPS system encourages the building of relationships by all to help remove as many barriers to learning as we possibly can. By providing a team approach to educating our students, we are able to help the students be prepared and willing to learn in our classrooms.

The next challenge relates to the mandates prescribed in Senate Bill 1 otherwise known as Unbridled Learning. The Bill is intended to ensure every student reaches their learning potential and graduates from high school college and/or career ready. The mandates of Unbridled Learning continue to increase putting additional stress and responsibilities on teachers and administrators working to guarantee that students continue on their path to becoming college and career ready.

The District's growing ESL student population has increased 96.04% since 2005 from 632 to 1,239 in 2013 and thereby the next challenge. 56.44% (or 447 students) of that growth has been within the last five years. The ESL population represents over 11% of the District's student population representing 30 countries and speaking 49 distinct languages and dialects. These students certainly face very significant language and academic content challenges, and our administrators and teachers face the challenges of meeting federal and state accountability targets established under the No Child Left Behind Act (NCLB). The District has responded to these challenges by dramatically increasing the number of certified teaching staff with an ESL endorsement. These investments in staffing allow the District to leverage a great deal of training and experience in our efforts to meet the academic challenges of a large ESL population. However, maintaining and recruiting well-trained staff, providing ongoing professional development and purchasing instructional resources are challenging, expensive endeavors. While the size of the District and ESL student population create some funding streams, we continually face financial challenges in a climate of budgetary constraints and reduced federal and state support.

The final challenge as it relates to funding: Local, State and Federal. The District's predominate local revenue source is the real estate tax rate. In 2013, the District's real estate tax rate ranked as the 145th lowest in the State. The Kentucky revised statute caps the amount of new revenue generated from real estate tax increases 4% a year. The failure of the legislature to adequately fund education has resulted in the Warren County School District and districts across the Commonwealth to make significant cuts to their budgets and to personnel, compelling school boards to increase property taxes in order that districts might continue to operate and serve the students, who are the future of the Commonwealth. Fortunately, the Warren County has experienced positive annual growth in property assessment and thereby property tax revenue. However, the SEEK formula has a negative effect on districts that incur significant growth in assessment.

The net general fund SEEK allocation per average daily attendance is projected to decline from a high of \$3,540 in fiscal year 2009 to \$3,458 in 2014. The dollars allocated by the State for Flexible Focus Funds (Preschool, Extended School Services, Gifted & Talented, Professional Development and Textbooks) have declined from \$2.65 million in 2007 to \$2.14 million in 2013 and projected to decline further to \$2.04 million in 2014. Furthermore, the District too has incurred an additional .50% increase in pension liability due to the mandated increase in KTRS contribution. This percentage will increase another .50% in 2014 thereby reducing the additional resources generated by the 4% property tax increase.

The Federal Sequester is the last funding challenge the District has accommodate for in budgeting. The sequester has the potential of imposing two negative financial impacts on the District. The first being an approximate 5% reduction in federal grant funding. The second being an approximate 8.7% reduction in interest payments on the two Build America Bonds.

**WARREN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013**

With careful planning, gains in efficiencies and monitoring of District finances, Warren County Public Schools' goal is to continue to provide a quality education for our students and a secure financial future for the District.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information contact Willie McElroy, Treasurer at Warren County Board of Education, 303 Lovers Lane, P.O. Box 51810, Bowling Green, KY 42102-6810 or email at willie.mcelroy@warren.kyschools.us

DISTRICT-WIDE FINANCIAL STATEMENTS

WARREN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 15,172,629	\$ 1,395,856	\$ 16,568,485
Accounts and Grants Receivable from Outside Sources, net			
Taxes	815,278	-	815,278
Other	209,828	538,504	748,332
Grants	659,452	-	659,452
Inventory	-	162,976	162,976
Prepaid Expenses	495,232	-	495,232
Nondepreciated Capital Assets	8,736,705	-	8,736,705
Depreciable Capital Assets	299,332,680	19,807,419	319,140,099
Less: Accumulated Depreciation	(80,815,972)	(5,758,308)	(86,574,280)
Total Assets	\$ 244,605,832	\$ 16,146,447	\$ 260,752,279
Deferred Outflows of Resources			
Deferred savings from refunding bonds	\$ 1,232,781		\$ 1,232,781
Less: Accumulated Amortization	(668,472)		(668,472)
Total Deferred Outflows of Resources	\$ 564,309		\$ 564,309
Liabilities			
Accounts Payable	\$ 478,766	\$ 1,150	\$ 479,916
Accrued Liabilities	979,998	-	979,998
Unearned Grant Revenue	1,320,895	59,772	1,380,667
Accrued Interest	1,044,109	-	1,044,109
Long-Term Obligations			
Due Within One Year			
Bond Obligations	8,294,000	-	8,294,000
Estimated Liability to Multi-Employer Insurance Trust	311,829	43,131	354,960
Compensated Absences	627,938	-	627,938
Due Beyond One Year			
Bond Obligations	126,737,235	-	126,737,235
Estimated Liability to Multi-Employer Insurance Trust	467,743	64,697	532,440
Compensated Absences	4,537,710	-	4,537,710
Total Liabilities	\$ 144,800,223	\$ 168,750	\$ 144,968,973
Net Position			
Net investment in Capital Assets	\$ 92,222,178	\$ 14,049,111	\$ 106,271,289
Restricted for			
Capital Projects	171,909	-	171,909
Purchase Obligations	453,181	-	453,181
SBDM	521,748	-	521,748
Technology Purposes	840,503	-	840,503
Debt service	352,879	-	352,879
Day Care	-	3,452	3,452
Food service	-	1,925,134	1,925,134
Unrestricted	5,807,520		5,807,520
Net Position	\$ 100,369,918	\$ 15,977,697	\$ 116,347,615

See Accompanying Notes to Financial Statements

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Program-Specific Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs						
Governmental Activities						
Instruction	\$ 79,401,348	\$ 84,350	\$ 23,814,424	\$ (55,502,574)		\$ (55,502,574)
Support Services						
Student	4,885,939	-	1,080,391	(3,805,548)		(3,805,548)
Instructional Staff	2,424,046	-	554,900	(1,869,146)		(1,869,146)
District Administration	1,342,169	-	331,234	(1,010,935)		(1,010,935)
School Administration	5,299,793	-	1,054,162	(4,245,631)		(4,245,631)
Business	2,411,799	-	385,538	(2,026,261)		(2,026,261)
Plant Operations & Maintenance	9,027,360	80,000	486,455	(8,460,905)		(8,460,905)
Student Transportation	8,818,132	-	961,847	(7,856,285)		(7,856,285)
Community Services	994,728	-	993,963	(765)		(765)
Other	(22,596)	-	-	22,596		22,596
Facilities Acquisition & Construction	73,135	-	390,130	316,995		316,995
Interest on Long-term Debt	5,970,988	-	962,568	(5,008,420)		(5,008,420)
Bond Issuance Cost	143,954	-	-	(143,954)		(143,954)
Loss on Disposal of Assets	94,706	-	-	(94,706)		(94,706)
Total Governmental Activities	120,865,501	164,350	31,015,612	(89,685,539)		(89,685,539)

See Accompanying Notes to Financial Statements

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

	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Program-Specific Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-type Activities					
Food Services	8,744,238	5,869,473	-	(369,774)	(369,774)
Day Care	149,517	18,548	-	(1,179)	(1,179)
Total Business-type Activities	<u>8,893,755</u>	<u>5,888,021</u>	<u>-</u>	<u>(370,953)</u>	<u>(370,953)</u>
Total School District	<u>\$ 2,799,131</u>	<u>\$ 36,903,633</u>	<u>(89,685,539)</u>	<u>(370,953)</u>	<u>(90,056,492)</u>
General Revenues					
Taxes					
Property			27,102,056	-	27,102,056
Motor Vehicle			2,987,807	-	2,987,807
Utilities			5,765,295	-	5,765,295
Occupational			7,327,449	-	7,327,449
Other			231,309	-	231,309
State Aid			48,992,399	-	48,992,399
Investment Earnings			57,646	5,305	62,951
Other			671,688	-	671,688
Total General Revenues			<u>93,135,649</u>	<u>5,305</u>	<u>93,140,954</u>
Transfers					
Capital Contributions - District Support			-	43,783	43,783
From Proprietary Funds			387,477	-	387,477
Total Transfers			<u>387,477</u>	<u>43,783</u>	<u>431,260</u>
Total General Revenues and Transfers			<u>93,523,126</u>	<u>49,088</u>	<u>93,572,214</u>
Change in Net Position			<u>3,837,587</u>	<u>(321,865)</u>	<u>3,515,722</u>
Net Position - Beginning of Year, as restated			<u>96,532,331</u>	<u>16,299,562</u>	<u>112,831,893</u>
Net Position - End of Year			<u>\$ 100,369,918</u>	<u>\$ 15,977,697</u>	<u>\$ 116,347,615</u>

-Continued from Previous Page-

See Accompanying Notes to Financial Statements

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**WARREN COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013**

	General Fund	Major Funds Special Revenue Fund	Capital Project Funds	Nonmajor Funds Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 12,138,798	\$ 1,903,808	\$ 511,967	\$ 618,056	\$ 15,172,629
Accounts and Grants Receivable from Outside Sources, net					
Taxes	815,278	-	-	-	815,278
Other	209,828	-	-	-	209,828
Grants	-	659,452	-	-	659,452
Prepaid Expenses	495,232	-	-	-	495,232
Total Assets	\$ 13,659,136	\$ 2,563,260	\$ 511,967	\$ 618,056	\$ 17,352,419
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 190,027	\$ 37,980	\$ 250,759	-	\$ 478,766
Accrued Liabilities	999,169	-	-	-	999,169
Unearned Grant Revenue	-	1,320,895	-	-	1,320,895
Total Liabilities	\$ 1,189,196	\$ 1,358,875	\$ 250,759	-	\$ 2,798,830
Fund Balances					
Nonspendable					
Prepays	495,232	-	-	-	495,232
Permanent Fund Principal Restricted	-	-	-	265,177	265,177
Capital Projects	-	-	171,909	-	171,909
Technology Purposes	-	840,503	-	-	840,503
Purchase Obligations	-	363,882	89,299	-	453,181
Debt Service	-	-	-	352,879	352,879
Committed					
SBDM Carryforward	521,748	-	-	-	521,748
Sick Leave Payable	608,766	-	-	-	608,766
Estimated Liability to Multi-Employer Insurance Trust	779,572	-	-	-	779,572
Assigned					
Encumbrances	2,292,651	-	-	-	2,292,651
Unassigned	7,771,971	-	-	-	7,771,971
Total Fund Balances	\$ 12,469,940	\$ 1,204,385	\$ 261,208	\$ 618,056	\$ 14,553,589
Total Liabilities and Fund Balances	\$ 13,659,136	\$ 2,563,260	\$ 511,967	\$ 618,056	\$ 17,352,419

See Accompanying Notes to Financial Statements

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

Total Fund Balances - Governmental Funds \$ 14,553,589

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds balance sheet. The cost of the assets is \$308,069,385 and the accumulated depreciation is \$80,815,972 227,253,413

Deferred savings from refunding bonds that are not financial resources and therefore are not reported as assets in the governmental funds balance sheet. 564,309

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet. Long-term liabilities at year-end consist of:

Bonds Payable	(135,031,235)
Accrued Interest	(1,044,109)
Estimated Liability to Multi-Employer Insurance Trust	(779,572)
Compensated Absences	(5,146,477)
	<hr/>

Total Net Position - Governmental Activities **\$ 100,369,918**

See Accompanying Notes to Financial Statements

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

	Major Funds			Nonmajor Funds Other Governmental Funds	Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Project Funds		
Revenues					
From Local Sources					
Taxes					
Property	\$ 16,741,493		\$ 10,360,563		\$ 27,102,056
Motor Vehicle	2,987,807				2,987,807
Utilities	5,765,295				5,765,295
Occupational License	7,327,449				7,327,449
Other	231,309				231,309
Tuition and Fees	84,350				84,350
Earnings on Investments	35,676	\$ 3,492	2,897	\$ 21,970	64,035
Other Local Revenues	500,199	286,960	-	-	787,159
Intergovernmental - State	63,748,787	3,431,293	3,624,150	612,259	71,416,489
Intergovernmental - Federal	237,972	7,560,631	-	737,542	8,536,145
Total Revenues	97,660,337	11,282,376	13,987,610	1,371,771	124,302,094
Expenditures					
Instruction	60,227,137	10,194,259	-	-	70,421,396
Support Services					
Student	4,851,318	-	-	-	4,851,318
Instructional Staff	2,345,914	47,783	-	-	2,393,697
District Administration	1,335,134	-	-	-	1,335,134
School Administration	5,223,272	45,618	-	-	5,268,890
Business	2,311,148	48,120	-	3,849	2,363,117
Plant Operations and Maintenance	10,033,556	-	-	-	10,033,556
Student Transportation	7,433,754	156,482	-	-	7,590,236
Community Services	-	993,963	-	-	993,963
Other	-	-	39,640	-	39,640

See Accompanying Notes to Financial Statements

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

	Major Funds			Nonmajor Funds Other Governmental Funds	Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Project Funds		
Debt Service					
Principal	-	-	-	7,937,000	7,937,000
Interest and Other Charges	-	-	-	5,904,199	5,904,199
Bond Issuance Cost	-	-	67,781	76,173	143,954
Facilities Acquisition and Construction	-	-	4,101,056	-	4,101,056
Total Expenditures	93,761,233	11,486,225	4,208,477	13,921,221	123,377,156
Revenues in Excess of (Less Than) Expenditures	3,899,104	(203,849)	9,779,133	(12,549,450)	924,938
Other Financing Sources (Uses)					
Proceeds from Issuance of Bonds	-	-	4,258,683	5,080,000	9,338,683
Refunded School Building Revenue Bonds	-	-	-	(4,935,000)	(4,935,000)
Premium on Bonds Sold	-	-	-	21,801	21,801
Proceeds from Sale of Equipment	13,517	-	-	-	13,517
Propriety Fund Transfers	387,477	-	-	-	387,477
Operating Transfers	1,365,430	198,204	(13,922,626)	12,358,992	-
Total Other Financing Sources (Uses)	1,766,424	198,204	(9,663,943)	12,525,793	4,826,478
Net Change in Fund Balances	5,665,528	(5,645)	115,190	(23,657)	5,751,416
Fund Balances - July 1, 2012	6,804,412	1,210,030	146,018	641,713	8,802,173
Fund Balances - June 30, 2013	\$ 12,469,940	\$ 1,204,385	\$ 261,208	\$ 618,056	\$ 14,553,589

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See Accompanying Notes to Financial Statements

PROPRIETARY FUNDS FINANCIAL STATEMENTS

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

	Enterprise Funds		
	Food Services	Day Care	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 1,392,404	\$ 3,452	\$ 1,395,856
Accounts and Grants Receivable	538,504	-	538,504
Inventories for Consumption	162,976	-	162,976
Total Current Assets	2,093,884	3,452	2,097,336
Non-Current Assets			
Capital Assets - Net of Accumulated Depreciation	14,048,558	553	14,049,111
Total Assets	\$ 16,142,442	\$ 4,005	\$ 16,146,447
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable	\$ 1,150		\$ 1,150
Unearned Revenue	59,772		59,772
Estimated Liability to Multi-Employer Insurance Trust	43,131		43,131
Total Current Liabilities	104,053		104,053
Long-Term Liabilities			
Estimated Liability to Multi-Employer Insurance Trust	64,697		64,697
Total Long-Term Liabilities	64,697	-	64,697
Net Position			
Net Investment in Capital Assets	14,048,558	\$ 553	14,049,111
Restricted for Day Care	-	3,452	3,452
Restricted for Food Service	1,925,134		1,925,134
Total Net Position	15,973,692	4,005	15,977,697
Total Liabilities and Net Position	\$ 16,142,442	\$ 4,005	\$ 16,146,447

See Accompanying Notes to Financial Statements

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

	Enterprise Funds		
	Food Services	Day Care	Total
Operating Revenues			
Lunchroom Sales	\$ 2,499,841		\$ 2,499,841
Tuition and Fees	-	\$ 129,790	129,790
Other Operating Revenue	5,150	-	5,150
Total Operating Revenues	<u>2,504,991</u>	<u>129,790</u>	<u>2,634,781</u>
Operating Expenses			
Salaries and Wages	3,686,584	126,486	3,813,070
Contract Services	268,706	-	268,706
Materials and Supplies	3,664,631	14,185	3,678,816
Other Operating Expenses	498,314	8,529	506,843
Depreciation Expense	625,549	317	625,866
Total Operating Expenses	<u>8,743,784</u>	<u>149,517</u>	<u>8,893,301</u>
Operating Loss	<u>(6,238,793)</u>	<u>(19,727)</u>	<u>(6,258,520)</u>
Non-Operating Revenues (Expenses)			
State Grants	532,338	18,548	550,886
Federal Grants	5,017,169	-	5,017,169
Donated Commodities	312,441	-	312,441
Interest Revenue	5,305	-	5,305
Loss on Disposal of Assets	(454)	-	(454)
Capital Contributions - District Support	43,783	-	43,783
Transfers From Governmental Funds	7,525	-	7,525
Total Non-Operating Revenues (Expenses)	<u>5,918,107</u>	<u>18,548</u>	<u>5,936,655</u>
Change in Net Position	(320,686)	(1,179)	(321,865)
Total Net Position - July 1, 2012	<u>16,294,378</u>	<u>5,184</u>	<u>16,299,562</u>
Total Net Position - June 30, 2013	<u>\$ 15,973,692</u>	<u>\$ 4,005</u>	<u>\$ 15,977,697</u>

See Accompanying Notes to Financial Statements

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

	<u>Enterprise Funds</u>		
	<u>Food Services</u>	<u>Day Care</u>	<u>Total</u>
Cash Flows from Operating Activities			
Cash Received from User Charges	\$ 2,018,414	\$ 129,790	\$ 2,148,204
Cash Received from Other Operating Revenues	5,150	-	5,150
Cash Payments to Employees for Services	(3,046,418)	(107,938)	(3,154,356)
Cash Payments for Contract Services	(268,706)	-	(268,706)
Cash Payments to Suppliers for Goods and Services	(3,343,359)	(14,185)	(3,357,544)
Cash Payments for Other Operating Expenses	(498,314)	(8,529)	(506,843)
Net Cash Used in Operating Activities	<u>(5,133,233)</u>	<u>(862)</u>	<u>(5,134,095)</u>
Cash Flows from Noncapital Financing Activities			
Grants Received	<u>5,017,169</u>	<u>-</u>	<u>5,017,169</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(6,490)	-	(6,490)
Transfers from Governmental Funds	7,525	-	7,525
Net Cash Provided by Capital and Related Financing Activities	<u>1,035</u>	<u>-</u>	<u>1,035</u>
Cash Flows from Investing Activities			
Interest on Investments	<u>5,305</u>	<u>-</u>	<u>5,305</u>
Net Decrease in Cash and Cash Equivalents	(109,724)	(862)	(110,586)
Cash and Cash Equivalents - July 1, 2012	<u>1,502,128</u>	<u>4,314</u>	<u>1,506,442</u>
Cash and Cash Equivalents - June 30, 2013	<u>\$ 1,392,404</u>	<u>\$ 3,452</u>	<u>\$ 1,395,856</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities			
Operating Loss	\$ (6,238,793)	\$ (19,727)	\$ (6,258,520)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:			
Depreciation	625,549	317	625,866
Commodities Used	312,441	-	312,441
On-Behalf Payments Received	532,338	18,548	550,886
Changes in Assets and Liabilities:			
Receivables	(484,887)	-	(484,887)
Inventories	11,483	-	11,483
Accounts Payable	(2,652)	-	(2,652)
Unearned Revenue	3,460	-	3,460
Accrued benefits	107,828	-	107,828
Net Cash Used in Operating Activities	<u>\$ (5,133,233)</u>	<u>\$ (862)</u>	<u>\$ (5,134,095)</u>

Noncash Activities:

The Food Service Fund received \$312,441 of donated commodities from the federal government.

The Proprietary Funds recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$550,886 provided by state government.

The Food Service Fund received \$43,783 in Contributed Capital from the District's governmental funds relating to the construction costs of the kitchen and cafeteria in new schools and the related food service equipment.

See Accompanying Notes to Financial Statements

FIDUCIARY FUNDS FINANCIAL STATEMENTS

**WARREN COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013**

	<u>Private Purpose Trust Fund</u>	<u>Agency Funds</u>
Assets		
Cash and Cash Equivalents	\$ 7,976	\$ 1,050,614
Investments	44,093	-
Accounts Receivable	-	2,983
	<u>52,069</u>	<u>1,053,597</u>
Total Assets	\$ 52,069	\$ 1,053,597
Liabilities		
Accounts Payable		\$ 12,738
Due to Student Groups		1,040,859
		<u>1,053,597</u>
Total Liabilities		1,053,597
Net Position		
Held in Trust for Other Purposes	<u>\$ 52,069</u>	<u>-</u>
Total Liabilities and Net Position	\$ 52,069	\$ 1,053,597

See Accompanying Notes to Financial Statements

WARREN COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2013

	<u>Private Purpose Trust Funds</u>
Additions	
Earnings on Investments	\$ 76
Deductions	
Account Maintenance Fee	267
Change in Net Position	(191)
Net Position, July 1, 2012	52,260
Net Position, June 30, 2013	<u>\$ 52,069</u>

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE A – REPORTING ENTITY

The Warren County Board of Education (the “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 Warren County School District (the “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*, as 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 Warren County School District. 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 District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, is not responsible for any debt of the organizations, and has no influence over the operation of these organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent upon the District. 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:

Warren County School District Finance Corporation – The Warren County, Kentucky, Board of Education has established the Warren County School District Finance Corporation (the “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 Warren County Board of Education also comprise the Corporation’s Board of Directors.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

▪ **BASIS OF PRESENTATION**

District-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the District as a whole. They include all funds of the District except for the fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The District-Wide Financial 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 a reconciliation with brief explanations to better identify the relationship between the District-Wide Financial Statements and the statements for governmental funds.

The District-Wide Statement of Activities presents a comparison between direct expense 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 therefore clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program and charges paid by the recipient of the goods or services offered by the function or program. Revenues not classified as program revenues are presented as general revenues of the District, with certain

WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function or program is self-financing or draws from the general revenues of the District. The District allocates certain indirect costs to be included in the function or program expenses reported for individual governmental activities in the District-Wide Statement of Activities.

In the District-Wide Statement of Net Position and Statement of Activities both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.
- c) Funds may be reported as a major fund if the District considers them significant to the users of the financial statements.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a 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 sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on an economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the current financial resources measurement focus. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities.

Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when paid.

WARREN COUNTY SCHOOL DISTRICT
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All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used.

The funds of the financial reporting entity are described below:

I. Governmental Funds

Major Funds

- A. The General Fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. This is a budgeted fund and any unrestricted fund balance is considered to be resources available for use. Reservations have been placed on the fund balance for outstanding encumbrances, allocation to the schools' site based decision making councils, and accrued sick leave and estimated insurance liability.
- 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 assistance 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. The Kentucky Department of Education has deemed this fund always be classified as a major fund.
- C. Capital Project Fund is classified as a major fund and is used to account for financial resources restricted for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds). The District's Capital Project Fund includes:
 - 1. The Support Education Excellence in Kentucky ("SEEK") Capital Outlay Fund – This fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky ("FSPK") Fund – This fund accounts for funds generated by the building tax levy and also participates in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 - 3. The Construction Fund – This fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

Nonmajor Funds

- A. The Debt Service Fund accounts for the accumulation of financial resources for the payment of principal, interest, and related costs on the general long-term debt of the District, including the payment of interest on general obligation notes payable, as required by Kentucky law.
- B. The Permanent Fund accounts for assets held by the District pursuant to a trust agreement. The principal portion of this fund must remain intact, but the earnings may be used to achieve the objectives of the fund.

II. Proprietary Funds

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods and services. The District's enterprise funds are the School Food Service Fund and the Day Care operated out of Greenwood High School and are major funds. The School Food Service Fund is used to account for the financial transactions related to the food service operations of the District.

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III. Fiduciary Funds

Agency Funds

Agency funds account for assets held by the District in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

- A. The School Activity Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Kentucky Department of Education Publication *Uniform Program of Accounting for School Activity Funds*.

Private-Purpose Trust Funds

The Private-Purpose Trust Funds can only be used to purchase textbooks for needy students and for the award of scholarships.

▪ **BASIS OF ACCOUNTING**

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The GASB is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

▪ **CASH AND CASH EQUIVALENTS**

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

▪ **ACCOUNTS RECEIVABLE**

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances include federal and state funding and taxes. Amounts on the District-Wide Statement of Net Position and the Governmental Funds Balance Sheet are net of an allowance for doubtful accounts.

▪ **INVESTMENTS**

Investments on the Fiduciary Funds Statement of Net Position consist of non-brokered certificates of deposits recorded at fair value and are restricted at June 30, 2013.

▪ **INVENTORIES**

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

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CAPITAL ASSETS

District-Wide Financial Statements

In the District-Wide Financial Statements, capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. The District maintains a capitalization threshold of \$5,000, with the exception of land, computers and technology equipment for which there is no threshold.

The cost of normal maintenance and repairs that do not add value or materially extend an asset's life are expensed.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the District-Wide Statement of Activities, with accumulated depreciation reflected in the District-Wide Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	50 years
Building Improvements.....	25 years
Technology Improvements.....	5 years
School Buses.....	10 years
Vehicles	5 years
Food Service Equipment.....	12 years
Audio-Visual Equipment.....	15 years
Other General Equipment	10 years

Fund Financial Statements

In the fund financial statements, capital assets used in Governmental Fund operations are accounted for as expenditures of the general fund. Capital assets used in Proprietary Fund operations are accounted for the same as in the District-Wide Financial Statements.

▪ **LONG-TERM DEBT**

District-Wide Financial Statements

All long-term debt to be repaid from governmental resources is reported as liabilities in the District-Wide Statement of Net Position. The long-term debt consists primarily of bond obligations and compensated absences.

Fund Financial Statements

Long-term debt is not reported as liabilities in the Governmental Funds Balance Sheet. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. There are no long-term debt obligations recorded in the Proprietary Funds as these funds are not responsible for paying the debt.

▪ **ACCRUED SICK LEAVE**

The District's policies regarding sick leave permit employees to accumulate earned but unused sick leave.

The entire compensated absence liability is reported on the District-Wide Statement of Net Position. The current portion of this debt is estimated based on employees who have twenty-seven years of service as of June 30, 2013 and is calculated at thirty percent of their total accumulated sick leave.

WARREN COUNTY SCHOOL DISTRICT
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In the Governmental Funds Balance Sheet, the current portion of unpaid compensated absences is the amount expected to be paid using current financial resources. The noncurrent portion of the liability is not reported. No liability is accrued in the Proprietary Fund.

▪ **EQUITY CLASSIFICATIONS**

District-Wide Financial Statements

Equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Position – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, or laws or regulations, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets”.

Fund Financial Statements

Under GASB No. 54, fund balance is separated into five categories, as follows:

Nonspendable – Permanently nonspendable by decree of the donor, such as an endowment, or items which may not be used for another purpose, such as amounts used to prepay future expenses or already-purchased inventory on hand

Restricted – Legally restricted under federal or state law, bond authority, or grantor contract

Committed – Commitments passed by the Board

Assigned – Funds assigned to management priority including issued encumbrances

Unassigned – Funds available for future operations

It is the District’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.

WARREN COUNTY SCHOOL DISTRICT
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▪ **ENCUMBRANCE ACCOUNTING**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying Required Supplementary Information. Encumbrances are considered a managerial assignment of fund balance at June 30, 2013, in the Governmental Funds Balance Sheet.

▪ **REVENUES – EXCHANGE AND NON-EXCHANGE TRANSACTIONS**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become 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 fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, occupational taxes, grants, entitlements and donations.

In addition, the District levies an occupational license tax of 0.5% on salaries, wages, commissions, and other compensation by residents of the Warren County School District for services performed or rendered within Warren County and on the net profits of all resident businesses, professions, or occupations from activities conducted within the Warren County School District. Occupational tax revenues are not susceptible to accrual because generally they are not measurable until received in cash.

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, revenue from non-exchange transactions must also be available before it can be recognized.

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

▪ **UNEARNED GRANT REVENUE**

Unearned grant revenue arises when assets are recognized before a revenue recognition criterion has been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned grant revenue.

In order to present the Special Revenue Fund on the accrual basis of accounting, and because the awards are not yet available as assets, cash awards received in advance for the 2013-2014 school year have been classified as unearned grant revenues. Likewise, all awards requested as a result of 2012-2013 expenditures have been classified as receivables. Revenues of the Special Revenue Fund are considered earned when reimbursable expenditures are made or obligations are incurred, and of an equal amount.

▪ **OPERATING AND NONOPERATING REVENUES**

Operating revenues are those revenues that are generated directly from the primary activity of the Proprietary Funds. Those revenues are primarily charges for meals provided by the various schools and for childcare services provided. Nonoperating revenues of the Proprietary Funds included grants, donations, and interest income.

WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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▪ **DONATED COMMODITIES**

The fair value of donated commodities received during the year is reported in the Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position as an expense and as donated commodities revenue (nonoperating revenue).

▪ **PROPERTY TAXES**

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

The property tax rates assessed for the year ended June 30, 2013 were \$0.406 per \$100 valuation for real property and \$0.395 per \$100 valuation for tangible personal property. Motor vehicle tax was \$0.545 for \$100 valuation of motor vehicles.

The following is the District's property tax calendar:

Date Event	
January 1, year of levy	Assessment date
October 1, year of levy	Taxes levied
October 31, year of levy	2% discount allowed
December 31, year of levy	Gross amount due
January 1, following year	Delinquent date, 5% penalty added
February 1, following year	21% penalty added

The District levies a 3.0% utility tax on all businesses and households within Warren County School District.

▪ **ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

▪ **RECLASSIFICATIONS**

Certain reclassifications were made to the 2012 financial statements to conform with the 2013 presentation. Such classifications had no effect on net position or fund balance.

▪ **BUDGETARY PRINCIPLES**

The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis are:

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

Expenditures are recorded when paid in cash (budgetary) as opposed to when the obligation is incurred (GAAP).

WARREN COUNTY SCHOOL DISTRICT
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▪ **INTERFUND RECEIVABLES AND PAYABLES**

Each fund is a separate fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. Interfund receivables and payables for the District arise generally from two types of transactions: 1) all funds are initially received into the General Fund, thus a payable and receivable are established in the appropriate funds; and 2) payments are from the General Fund checking account, which may not have the legal liability for the expenditure, thus a payable from the fund having the legal liability is established at such time. Typically, interfund receivables and liabilities are resolved monthly, and all of these balances should be resolved within a year. All interfund receivables and payables have been eliminated on the District-Wide Statement of Net Position.

▪ **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.

Payables and accrued liabilities that will be paid from governmental funds are reported on the governmental balance sheets regardless of whether they will be liquidated with current resources. However, claims and judgments, capital leases, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the governmental funds balance sheet only to the extent that they will be paid with current, financial resources. In general, payments made within sixty days after year-end are considered to have been made with current financial resources. School building revenue bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund until paid.

▪ **RECENTLY ISSUED ACCOUNTING STANDARDS**

Effective for the fiscal year ending June 30, 2013, the District implemented the new requirements for the following GASB Statements:

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, effective for periods beginning after December 15, 2011, incorporates into GASB's authoritative literature certain accounting and financial reporting guidance included in FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants ("AICPA") Committee on Accounting Procedure, which do not conflict with or contradict GASB pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, effective for periods beginning after December 15, 2011, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012, established accounting and financial reporting standards that recognizes, as deferred outflows of resources and or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE C – CASH AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits for safekeeping with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At June 30, 2013, the carrying amount of the District's total cash and cash equivalents was \$17,671,168. Of the total cash balance, \$250,000 was covered by Federal depository insurance, with the remainder covered by a collateral agreement and collateral held by the pledging banks' trust departments in the District's name. (Government Funds \$15,172,629, Proprietary Funds \$1,395,856, Private Purpose Trust \$52,069, and Agency Funds \$1,050,614)

Cash accounts of the School Construction Fund, Bond Proceeds Fund, and the Debt Service Fund are held in trust by local financial institutions with normally insignificant amounts in non-trust accounts.

Kentucky Revised Statutes authorize the District to invest in direct obligations of the United States government; obligations backed by the full faith and credit of the United States government; certificates of deposit or other interest bearing accounts issued by any bank or savings and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States government obligations; bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities; securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency; certain mutual funds; commercial paper rated in the highest category by a nationally recognized rating agency; or bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, FSPK Fund, Technology Fund (accounted for within the Special Revenue Fund), Special Revenue Fund, Debt Service Fund, Bond Proceeds Fund, School Construction Fund, School Food Service Fund, and School Activity Funds.

Generally accepted accounting principles require the District to address the following risks related to its investments:

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. More specifically, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk. All investments held by the District are insured or collateralized with securities held by the District or by the financial institution in the District's name.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or approaching maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Concentration of Credit Risk – The District's investment policy places no limit on the amount the District may invest in any one issuer.

WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE D – RECEIVABLES

The District recognizes revenues as receivable when they are measurable and receipt is certain. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. While the District receives revenues from many different sources throughout the year, the accounts and grants receivable from outside sources may be grouped into the following categories:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
Accounts and Grants Receivable:			
Other Receivable	\$ 209,828	\$ 557,961	\$ 767,789
Taxes Receivable	815,278	-	815,278
Grant Receivable	659,452	-	659,452
Gross Receivables	<u>1,684,558</u>	<u>557,961</u>	<u>2,242,519</u>
Less: Allowance for Doubtful Accounts	<u>-</u>	<u>19,457</u>	<u>19,457</u>
Net Receivables	<u><u>\$ 1,684,558</u></u>	<u><u>\$ 538,504</u></u>	<u><u>\$ 2,223,062</u></u>

Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables when qualifying expenditures are incurred.

NOTE E – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets that are not depreciated:				
Land	\$ 8,495,692	\$ 73,000	\$ (62,236)	\$ 8,630,928
Construction in Progress	206,148	4,027,921	4,128,292	105,777
Total Nondepreciable Historical Cost	<u>8,701,840</u>	<u>4,100,921</u>	<u>4,066,056</u>	<u>8,736,705</u>
Capital assets that are depreciated:				
Land Improvement	16,426,799	-	-	16,426,799
Buildings and Improvements	236,187,657	4,092,221	-	240,279,878
Technology Equipment	15,184,902	684,296	392,160	15,477,038
Vehicles	15,192,310	42,930	56,182	15,179,058
Other Machinery & Equipment	11,873,166	295,282	198,541	11,969,907
Total Depreciable Historical Cost	<u>294,864,834</u>	<u>5,114,729</u>	<u>646,883</u>	<u>299,332,680</u>
Less accumulated depreciation for:				
Land improvements	2,021,533	783,185	-	2,804,718
Buildings and Improvements	44,765,428	4,995,813	-	49,761,241
Technology Equipment	10,104,441	1,737,515	377,436	11,464,520
Vehicles	10,756,078	992,362	56,181	11,692,259
Other Machinery & Equipment	4,363,656	848,138	118,560	5,093,234
Total Accumulated Depreciation	<u>72,011,136</u>	<u>9,357,013</u>	<u>552,177</u>	<u>80,815,972</u>
Total Depreciable Historical Cost, Net	<u>222,853,698</u>	<u>(4,242,284)</u>	<u>94,706</u>	<u>218,516,708</u>
Governmental Activities, Capital Assets, Net	<u><u>\$ 231,555,538</u></u>	<u><u>\$ (141,363)</u></u>	<u><u>\$ 4,160,762</u></u>	<u><u>\$ 227,253,413</u></u>

**WARREN COUNTY SCHOOL DISTRICT
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets that are depreciated:				
Buildings and Improvements	\$ 15,127,597			\$ 15,127,597
Technology Equipment	170,352		\$ 6,968	163,384
Other Machinery & Equipment	4,509,340	\$ 50,273	43,175	4,516,438
Total Depreciable Historical Cost	<u>19,807,289</u>	<u>50,273</u>	<u>50,143</u>	<u>19,807,419</u>
Less accumulated depreciation for:				
Buildings and Improvements	2,909,414	309,760		3,219,174
Technology Equipment	102,171	24,577	6,918	119,830
Other Machinery & Equipment	2,170,546	291,529	42,771	2,419,304
Total Accumulated Depreciation	<u>5,182,131</u>	<u>625,866</u>	<u>49,689</u>	<u>5,758,308</u>
Total Depreciable Historical Cost, Net	<u>14,625,158</u>	<u>(575,593)</u>	<u>454</u>	<u>14,049,111</u>
Business-Type Activities, Capital Assets, Net	<u><u>\$ 14,625,158</u></u>	<u><u>\$ (575,593)</u></u>	<u><u>\$ 454</u></u>	<u><u>\$ 14,049,111</u></u>

Depreciation expense was charged to functions/programs governmental activities as follows:

Instruction	\$ 7,319,032
Support Services:	
Student	9,295
Instructional Staff	19,148
District Administration	1,813
School Administration	714
Business	43,322
Facilities Operations and Maintenance	939,108
Student Transportation	1,018,240
Community Service	6,341
Total Depreciation Expense	<u><u>\$ 9,357,013</u></u>

NOTE F – SUBSEQUENT EVENTS

In preparing these financial statements, management of the Board has evaluated events and transactions for potential recognition or disclosure through November 8, 2013, the date the financial statements were available to be issued.

Kentucky Supreme Court Ruling on Property Taxes

A recent Kentucky Supreme Court Case (Case Number 2010-SC-000376-DG) involved an industrial foundation ruling which could affect the collection of property taxes by school districts. As a result of this ruling, it is conceivable that the District will identify additional revenue for future periods. At this point in time however, there is no way to quantify the possible future revenue stream.

WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE G – GENERAL LONG-TERM OBLIGATIONS

The amount shown in the accompanying District-Wide statement of net position as bond obligations represents the District's future obligations to make lease payments relating to school building revenue bonds issued by the Warren County Fiscal Court (the "Fiscal Court") and the Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the governmental funds balance sheet.

The General Fund, SEEK Capital Outlay Fund, and the FSPK Building Fund are obligated to make lease payments. The lease agreements provide, among other things, for lease payments sufficient to satisfy debt service requirements on bonds issued by the Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises will become the property of the District. The District must generally make sinking fund payments by the fifteenth day of the month prior to scheduled bond and interest payment dates. The District is also obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security to the holders of the bonds.

In connection with the school building revenue bonds issued after May 1, 1996, the District entered into "participation agreements" with the Kentucky School Facilities Construction Commission (the "Commission"). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The Commission will remit a stated amount of bond principal and interest payments annually, subject to biennial approval by the Kentucky General Assembly. Approval has been received for the biennial fiscal period ended June 30, 2014. Should approval not be received in future periods, the District remains obligated for the full amount of the bond principal and interest payments. Therefore, the liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the District-wide financial statements.

The District has issued two Build America Bond Series which require the US Treasury to subsidize the District for 35% of the interest cost relating to the outstanding debt. The 2009 Series Build America Bonds have interest rates that range from 2.25% to 6.25% and a principal balance of \$27,245,000 at June 30, 2013. The 2010 Series Build America Bonds have interest rates that range from 0.80% to 5.63% and a principal balance of \$12,185,000 at June 30, 2013.

On November 1, 2012, the District issued \$5,080,000 in School Building Revenue Bonds with an average interest rate of 1.46% to refund \$4,935,000 of outstanding 2003 Series Bonds with an average interest rate of 3.65%. The refunding reduced total debt service payments over the next 10 years by \$562,000, with a net present value savings 10.61%. This results in an economic gain (the difference between the present values of the old and the new debt service payments) of \$514,000. The refunding of the Series 2003 Bonds did not result in a deferred loss on refunding.

WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Following is a schedule of obligations existing at June 30, 2013:

<u>Issue Date</u>	<u>Series</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
January 1, 2004	XXXIII	2.00%-3.35%	March 1, 2014	\$ 135,000
December 1, 2004	XXXIII	3.75%-4.00%	December 1, 2024	6,750,000
August 1, 2005	XXXIV	3.00%-4.00%	December 1, 2019	9,040,000
February 1, 2006	XXXV	4.00%-4.25%	February 1, 2026	10,275,000
April 1, 2008	XXXVIII	2.00%-4.65%	April 1, 2028	47,320,000
June 1, 2009	MMIX	2.25%-6.25%	June 1, 2029	27,245,000
December 30, 2009	MMIX	2.09%	December 15, 2025	5,149,000
July 1, 2010	MMX	2.00%-3.13%	February 1, 2019	3,085,000
August 1, 2010	MMX	0.80%-5.63%	August 1, 2030	12,185,000
November 1, 2011	MMXI	1.50%-2.63%	April 1, 2022	4,750,000
October 1, 2012	MMXII	1.10%-2.50%	October 1, 2032	4,265,000
November 1, 2012	MMXII	0.40%-1.75%	June 1, 2023	5,070,000
				<u>135,269,000</u>
Less Unamortized Deferred Discounts				237,765
Total School Building Revenue Bonds				<u>\$ 135,031,235</u>

Following are aggregate obligations existing at June 30, 2013:

<u>Year Ending June 30,</u>	<u>School Building Revenue Bonds</u>		<u>Kentucky School Facility Construction Commission</u>		<u>US Treasury Build America Bonds</u>	<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Tax Credits</u>	
2014	\$ 7,892,575	\$ 5,325,985	\$ 401,425	\$ 214,031	\$ 753,903	\$ 13,080,113
2015	8,149,615	5,060,623	301,385	201,753	744,129	12,969,247
2016	8,408,046	4,792,874	304,954	192,445	733,383	12,964,936
2017	8,381,483	4,510,847	294,517	182,404	717,803	12,651,448
2018	8,648,767	4,209,983	305,233	171,690	686,443	12,649,230
2019	8,945,064	3,880,233	316,936	159,986	652,526	12,649,693
2020	9,248,659	3,531,901	297,341	147,225	615,496	12,609,630
2021	8,479,973	3,197,695	259,027	135,468	574,339	11,497,824
2022	8,602,415	2,853,522	270,585	123,906	524,514	11,325,914
2023	8,342,414	2,493,336	248,586	111,565	472,202	10,723,699
2024	8,070,111	2,131,847	260,889	99,262	417,449	10,144,660
2025	8,385,800	1,759,923	274,200	85,951	360,002	10,145,872
2026	7,970,616	1,387,642	288,384	71,766	300,103	9,418,305
2027	7,093,195	1,016,816	271,805	56,581	236,807	8,201,590
2028	7,378,268	665,144	286,732	41,654	170,629	8,201,169
2029	3,449,987	296,042	245,013	25,590	100,708	3,915,924
2030	1,111,133	96,539	153,867	11,043	28,153	1,344,429
2031	1,145,619	43,530	119,381	3,358	9,352	1,302,536
2032	325,000	12,563	-	-	-	337,563
2033	340,000	4,250	-	-	-	344,250
	<u>\$ 130,368,740</u>	<u>\$ 47,271,295</u>	<u>\$ 4,900,260</u>	<u>\$ 2,035,678</u>	<u>\$ 8,097,941</u>	<u>\$ 176,478,032</u>

**WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

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

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities					
Bonds Payable					
General Obligation Debt	\$ 138,796,000	\$ 9,345,000	\$ 12,872,000	\$ 135,269,000	\$ 8,294,000
Less Deferred Discounts and Premiums	265,994	(15,484)	12,745	237,765	
Total Bonds Payable	<u>139,061,994</u>	<u>9,329,516</u>	<u>12,884,745</u>	<u>135,031,235</u>	<u>8,294,000</u>
Other Liabilities					
Compensated Absences	4,940,378	577,801	352,531	5,165,648	627,938
Insurance		887,400		887,400	354,960
Total Other Liabilities	<u>4,940,378</u>	<u>1,465,201</u>	<u>352,531</u>	<u>6,053,048</u>	<u>982,898</u>
Total Long-Term Obligations	<u>\$ 144,002,372</u>	<u>\$ 10,794,717</u>	<u>\$ 13,237,276</u>	<u>\$ 141,084,283</u>	<u>\$ 9,276,898</u>

NOTE H – ACCUMULATED UNPAID SICK LEAVE BENEFITS

Accrued sick leave, which has no maximum accumulation, is payable upon retirement at 30% of the value of accumulated sick leave. In accordance with GAAP, the District has recorded approximately \$5.2 million in accrued sick leave as a liability in the District-Wide Statement of Net Position since the majority of these liabilities are not expected to be liquidated with expendable available financial resources. Of the \$5.2 million, \$627,938 is reflected as a current liability on the District-Wide Statement of Net Position, as this amount is for those certified employees with twenty-seven or more years of experience. Additionally, the Governmental Fund Balance Sheet reflects the current portion of accrued sick leave of \$19,171. This is the amount anticipated to be funded with current financial resources.

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 past experience of making termination payments.

NOTE I – RETIREMENT PLANS

▪ **KENTUCKY TEACHERS' RETIREMENT:**

The District contributes to the Kentucky Teachers' Retirement System ("KTRS"), a cost sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to certified employees and beneficiaries of certified employees of the public school systems and other public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes ("KRS"). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601.

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

WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Medical Insurance Plan

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

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

Funding Policy – The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefit, the employer and employee are responsible for an additional one percent (1%) contribution. The additional contribution is based on gross annual payroll of all members for the employer and on the gross wages of each employee. The premiums collected from retirees as described in the Plan description and investment interest help meet the medical expenses of the Plan.

The District's total payroll for the year was \$67,809,403. The payroll for employees covered under KTRS was \$51,883,872. For the year ended June 30, 2013, the Commonwealth contributed \$6,189,506 to KTRS for the benefit of participating employees, which is recorded in the accompanying financial statements as both revenues and expenses/expenditures. The District's contributions to KTRS for the year ended June 30, 2013 were \$884,805, which represents those employees covered by federal programs. The District's contributions were \$814,814 and \$486,714 for the years ended June 30, 2012 and June 30, 2011, respectively.

▪ **COUNTY EMPLOYEES' RETIREMENT SYSTEM:**

Classified employees (substantially all full-time District employees other than certified employees) are covered by the County Employees' Retirement System ("CERS"), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky Retirement System. CERS provides for retirement, disability, and death benefits to Plan members and beneficiaries. Cost of living adjustments are provided at the discretion of the State legislature. Under the provisions of the KRS Section 61.645, the Board of Trustees of Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions.

Plan members are required to contribute 5% of their annual salary through payroll deductions and the District is required to contribute at an actuarially determined rate. All new members hired after August 31, 2008 are required to contribute 6% at an actuarially determined rate. The current actuarially determined rate is 19.55% of the employee's total covered compensation. The District's contributions to CERS for the year ended June 30, 2013 were \$2,952,280, equal to the required contribution for that year. The District's contributions were \$3,109,862 and \$2,789,518 for the years ended June 30, 2012 and June 30, 2011, respectively.

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

NOTE J – ON-BEHALF PAYMENTS

For the year ended June 30, 2013, the Commonwealth of Kentucky contributed estimated payments on-behalf of the District's employees of \$18.9 million to the health insurance carriers and the flexible spending account vendors. Generally accepted accounting principles establishes accounting and reporting standards for on-behalf payments, which requires the District to recognize an expense/expenditure and revenue for these on-behalf payments on the District's financial statements. These revenues and expenses/expenditures are not budgeted by the District.

WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE K – CONTINGENCIES

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

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress or the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional burden to comply with a change.

NOTE L – INSURANCE AND RISK MANAGEMENT

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

In prior years, the District obtained workers' compensation and general liability insurance through the Kentucky School Boards Insurance Trust ("KSBIT"), a public entity risk pool for school districts. To address actuarial deficits, KSBIT is issuing all former members assessments for prior years and is ceasing to operate after June 30, 2013. Warren County School District has an estimated KSBIT assessment of \$877,400 and is recorded in the District-Wide Statement of Net Position. These numbers are based on the novation which is the highest runoff method and at the high end of the actuarial range.

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 M – LITIGATION

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

WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE N – RECONCILIATION OF FINANCIAL STATEMENTS TO ANNUAL FINANCIAL REPORT FILED WITH THE KENTUCKY DEPARTMENT OF EDUCATION

In order for the District-Wide Statement of Net Position to conform to generally accepted accounting principles, the Annual Financial Report (submitted to the Kentucky Department of Education) had to be adjusted. Below are reconciliations of the total assets and liabilities of the District-Wide Statement of Net Position to the Annual Financial Report.

Total Assets per District-Wide Statement of Net Position	
Less: Transactions/Funds not Recorded on the Annual Financial Report	\$ 260,752,279
Occupational Tax Office "Total Assets" from Governmental Funds Balance Sheet	(81,039)
Other Governmental Funds "Total Assets" from Governmental Funds Balance Sheet	<u>(618,056)</u>
Total Assets per Annual Financial Report filed with the Kentucky Department of Education	<u>\$ 260,053,184</u>
General Fund (1)	\$ 13,578,097
Special Revenue (2)	2,563,260
Construction Fund (360)	509,650
Capital Outlay (310)	2,317
Food Service Fund (51)	2,093,884
Day Care (52)	3,452
Governmental Assets (8)	227,253,413
Food Service Assets (81)	14,048,558
Day Care Assets (82)	<u>553</u>
Total Assets from the Annual Financial Report filed with the Kentucky Department of Education	<u>\$ 260,053,184</u>
Total Liabilities per District-Wide Statement of Net Position	
Less: Transactions/Funds not Recorded on the Annual Financial Report	\$ 144,968,973
Occupational Tax Office "Total Liabilities" from Governmental Funds Balance Sheet	(2,358)
Bond Payable Discounts Less Amortization	237,765
Insurance Liability Related to KSBIT	(887,400)
Additional Current Portion of Compensated Absences not Recorded on the Governmental Funds Balance Sheet	(608,766)
Accrued Interest not Recorded on the Governmental Funds Balance Sheet	<u>(1,044,109)</u>
Total Liabilities per Annual Financial Report filed with the Kentucky Department of Education	<u>\$ 142,664,105</u>
General Fund (1)	\$ 1,186,838
Special Revenue (2)	1,358,875
Construction Fund (360)	250,759
Food Service Fund (51)	60,922
Long Term Debt Account Group (9)	<u>139,806,711</u>
Total Liabilities per Annual Financial Report filed with the Kentucky Department of Education	<u>\$ 142,664,105</u>

WARREN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE O – TRANSFER OF FUNDS

Although each fund is its own distinct reporting entity, periodically, funds have cause to transfer their revenues to other funds. The most common reasons necessitating interfund transfers are for debt service payments and grant matching funds. Debt service payments may be paid from revenues in the Capital Outlay Fund, Building Fund, or Construction Fund, but the expenditures are recorded in the Debt Service Fund with transfers recorded to keep the funds in balance. At times, the Board receives grants which require an amount of matching funds. Usually, General Fund supplies this match offset by operating transfers to the Special Revenue Fund.

Interfund transfers are eliminated in the governmental and business-type activities columns of the District-Wide Statement of Net Position. As reflected on the governmental fund financial statements, the following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Special Revenue	Technology Match	\$ 199,644
FSPK Fund	Construction Fund	Construction Project Transfers	8,861
FSPK Fund	Construction Fund	Construction Project Transfers	50,908
FSPK Fund	General Fund	Capital Funds Request	279,151
FSPK Fund	Debt Service	Debt Service	12,369,284
SEEK Fund	General Fund	Capital Funds Request	1,274,191
General Fund	Proprietary Fund – Food Services	Contributed Capital	7,525
Proprietary Fund – Food Services	General Fund	Indirect Cost	387,237
Special Revenue	General Fund	Indirect Cost	1,440
Permanent Fund	General Fund	Earnings	10,292
Proprietary Fund – Day Care	General Fund	Expense Reimbursement	7,767
			<u>\$ 14,596,300</u>

NOTE P – COBRA

Under *Consolidated Omnibus Budget Reconciliation Act* (“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.

NOTE Q – PRIOR PERIOD ADJUSTMENT

GASB Statements No. 63 and No. 65 required changes to the beginning balances of the District-Wide Statement of Net Position. Beginning net position of the governmental activities was decreased \$1,378,752 to eliminate bond issuance costs, which had been capitalized and amortized on previous statements.

Net Position, Beginning of Year, As Originally Stated	\$ 97,911,083
Adjustment for Prior Period: Implementation of GASB No. 63 and GASB No. 65	<u>(1,378,752)</u>
Net Position, Beginning of Year, As Restated	<u><u>\$ 96,532,331</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

WARREN COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances- Favorable (Unfavorable)
	Original	Final		Final to Actual
Revenues				
Local and Intermediate Sources	\$ 28,805,485	\$ 31,056,358	\$ 33,673,578	\$ 2,617,220
State Programs	42,670,414	44,697,785	45,368,249	670,464
Federal Programs	90,000	125,000	237,972	112,972
Total Revenues	71,565,899	75,879,143	79,279,799	3,400,656
Expenditures				
Instruction	46,054,954	47,368,766	46,403,123	965,643
Support Services				
Student	2,482,758	3,811,292	3,770,927	40,365
Instructional Staff	2,309,173	1,853,551	1,838,797	14,754
District Administration	1,059,628	1,050,329	1,003,900	46,429
School Administration	4,471,223	4,478,193	4,214,728	263,465
Business	1,698,428	1,884,797	1,973,730	(88,933)
Plant Operations and Maintenance	8,984,159	9,490,170	9,547,101	(56,931)
Student Transportation	6,345,474	6,553,485	6,628,389	(74,904)
New Building Construction	400,000	-	-	-
Contingency	4,927,576	5,016,905	-	5,016,905
Total Expenditures	78,733,373	81,507,488	75,380,695	6,126,793
Revenues in Excess of (Less Than) Expenditures	(7,167,474)	(5,628,345)	3,899,104	9,527,449
Other Financing Sources (Uses)				
Proceeds from Sale of Fixed Assets	12,200	15,000	13,517	(1,483)
Transfers from Proprietary Funds	256,841	322,611	387,477	64,866
Operating Transfers	(154,230)	(246,560)	1,365,430	1,611,990
Total Other Financing Sources (Uses)	114,811	91,051	1,766,424	1,675,373
Revenues and Other Financing Sources in Excess of (Less Than) Expenditures and Other Financing Uses	(7,052,663)	(5,537,294)	5,665,528	11,202,822
Fund Balance-July 1, 2012	-	-	6,804,412	6,804,412
Fund Balance-June 30, 2013	\$ (7,052,663)	\$ (5,537,294)	\$ 12,469,940	\$ 18,007,234

WARREN COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For the Year Ended June 30, 2013

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND ACTUAL REVENUES AND EXPENDITURES

Inflows/Revenues:	
Actual Amounts (Budgetary Basis)	\$ 79,279,799
Differences - Budget to GAAP:	
On-behalf payments recorded under GAAP basis not included in budget amounts.	<u>18,380,538</u>
Total Revenues as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 97,660,337</u>
Outflows/Expenditures:	
Actual Amounts (Budgetary Basis)	\$ 75,380,695
Differences - Budget to GAAP:	
On-behalf payments recorded under GAAP basis not included in budget amounts.	<u>18,380,538</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 93,761,233</u>

See Accompanying Notes to Financial Statements

WARREN COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL REVENUE FUND
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
Revenues				
Local and Intermediate Sources	\$ 249,615	\$ 270,907	\$ 290,452	\$ 19,545
State Programs	3,280,680	3,327,386	3,431,293	103,907
Federal Programs	7,124,947	7,237,654	7,560,631	322,977
Total Revenues	<u>10,655,242</u>	<u>10,835,947</u>	<u>11,282,376</u>	<u>446,429</u>
Expenditures				
Instruction	9,156,449	9,570,746	10,194,259	(623,513)
Support Services				
Student	(10,984)	-	-	-
Instructional Staff	98,685	54,528	47,783	6,745
School Administration	102,632	45,618	45,618	-
Business	-	-	48,120	(48,120)
Plant Operations and Maintenance	500	-	-	-
Student Transportation	406,147	446,122	156,482	289,640
Community Service	963,658	965,529	993,963	(28,434)
Total Expenditures	<u>10,717,087</u>	<u>11,082,543</u>	<u>11,486,225</u>	<u>(403,682)</u>
Revenues Less Than Expenditures	<u>(61,845)</u>	<u>(246,596)</u>	<u>(203,849)</u>	<u>42,747</u>
Other Financing Sources				
Operating transfers	154,230	246,596	198,204	(48,392)
Revenues and Other Financing Sources in Excess of (Less Than) Expenditures	92,385	-	(5,645)	(5,645)
Fund Balance-July 1, 2012	<u>-</u>	<u>-</u>	<u>1,210,030</u>	<u>1,210,030</u>
Fund Balance-June 30, 2013	<u>92,385</u>	<u>\$ -</u>	<u>\$ 1,204,385</u>	<u>\$ 1,204,385</u>

See Accompanying Notes to Financial Statements

OTHER SUPPLEMENTARY INFORMATION

COMBINING NONMAJOR FUND FINANCIAL STATEMENTS

**WARREN COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013**

	<u>Debt Service Fund</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and Cash Equivalents	\$ 352,879	\$ 265,177	\$ 618,056
Total Assets	<u>\$ 352,879</u>	<u>\$ 265,177</u>	<u>\$ 618,056</u>
Fund Balances			
Nonspendable			
Permanent Fund Principal		\$ 265,177	\$ 265,177
Restricted			
Debt Service	\$ 352,879	-	352,879
Total Fund Balances	<u>352,879</u>	<u>265,177</u>	<u>618,056</u>
Total Liabilities and Fund Balances	<u>\$ 352,879</u>	<u>\$ 265,177</u>	<u>\$ 618,056</u>

See Accompanying Notes to Financial Statements

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

	<u>Debt Service Fund</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Earnings on Investments		\$ 21,970	\$ 21,970
Intergovernmental - State	\$ 612,259	-	612,259
Intergovernmental - Federal	737,542		737,542
Total Revenues	<u>1,349,801</u>	<u>21,970</u>	<u>1,371,771</u>
Expenditures			
Support Services			
Business	-	3,849	3,849
Debt Service			
Principal	7,937,000	-	7,937,000
Interest	5,904,199	-	5,904,199
Bond Issuance Cost	76,173	-	76,173
Total Expenditures	<u>13,917,372</u>	<u>3,849</u>	<u>13,921,221</u>
Revenues in Excess of (Less Than) Expenditures	(12,567,571)	18,121	(12,549,450)
Other Financing Sources (Uses)			
Proceeds from Issuance of Bonds	5,080,000	-	5,080,000
Refunded School Building Revenue Bonds	(4,935,000)	-	(4,935,000)
Premium on Bonds Sold	21,801	-	21,801
Transfers In	12,369,284	-	12,369,284
Transfers Out	-	(10,292)	(10,292)
Total Other Financing Sources (Uses)	<u>12,536,085</u>	<u>(10,292)</u>	<u>12,525,793</u>
Net Changes in Fund Balances	(31,486)	7,829	(23,657)
Fund Balances July 1, 2012	<u>384,365</u>	<u>257,348</u>	<u>641,713</u>
Fund Balances June 30, 2013	<u>\$ 352,879</u>	<u>\$ 265,177</u>	<u>\$ 618,056</u>

See Accompanying Notes to Financial Statements

**WARREN COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL FUND-CAPITAL PROJECT FUNDS
June 30, 2013**

	<u>SEEK Fund</u>	<u>Construction Fund</u>	<u>Total Capital Project Funds</u>
Assets			
Cash and Cash Equivalents	<u>\$ 2,317</u>	<u>\$ 509,650</u>	<u>\$ 511,967</u>
Total Assets	<u><u>\$ 2,317</u></u>	<u><u>\$ 509,650</u></u>	<u><u>\$ 511,967</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable		<u>\$ 250,759</u>	<u>\$ 250,759</u>
Fund Balances			
Restricted			
Capital Projects	<u>\$ 2,317</u>	<u>169,592</u>	<u>171,909</u>
Purchase Obligations		<u>89,299</u>	<u>89,299</u>
Total Fund Balances	<u><u>2,317</u></u>	<u><u>258,891</u></u>	<u><u>261,208</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 2,317</u></u>	<u><u>\$ 509,650</u></u>	<u><u>\$ 511,967</u></u>

See Accompanying Notes to Financial Statements

WARREN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND-CAPITAL PROJECT FUNDS
For the Year Ended June 30, 2013

	<u>FSPK Fund</u>	<u>SEEK Fund</u>	<u>Construction Fund</u>	<u>Total Capital Project Funds</u>
Revenues				
From Local Sources				
Taxes				
Property	\$ 10,360,563			\$ 10,360,563
Earnings on Investments	-		\$ 2,897	2,897
Intergovernmental-State	2,347,642	\$ 1,276,508	-	3,624,150
Total Revenues	<u>12,708,205</u>	<u>1,276,508</u>	<u>2,897</u>	<u>13,987,610</u>
Expenditures				
Other	-	-	39,640	39,640
Bond Issuance Cost	-	-	67,781	67,781
Facilities Acquisitions and Construction	-	-	4,101,056	4,101,056
Total Expenditures	<u>-</u>	<u>-</u>	<u>4,208,477</u>	<u>4,208,477</u>
Revenues in Excess of (Less Than) Expenditures	12,708,205	1,276,508	(4,205,580)	9,779,133
Other Financing Sources (Uses)				
Proceeds from Issuance of Bonds	-	-	4,258,683	4,258,683
Operating Transfers In	-	-	59,770	59,770
Operating Transfers Out	(12,708,205)	(1,274,191)	-	(13,982,396)
Total Other Financing Sources (Uses)	<u>(12,708,205)</u>	<u>(1,274,191)</u>	<u>4,318,453</u>	<u>(9,663,943)</u>
Net Changes in Fund Balances	-	2,317	112,873	115,190
Fund Balances July 1, 2012	<u>-</u>	<u>-</u>	<u>146,018</u>	<u>146,018</u>
Fund Balances June 30, 2013	<u>\$ -</u>	<u>\$ 2,317</u>	<u>\$ 258,891</u>	<u>\$ 261,208</u>

See Accompanying Notes to Financial Statements

WARREN COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 GOVERNMENTAL FUND-CAPITAL PROJECT FUNDS
 CONSTRUCTION FUNDS
 June 30, 2013

	South Warren Construction	Cumberland Trace Construction	Warren East Construction	Middle School Construction	Briarwood Addition Construction	Total Construction Funds
Assets						
Cash and Cash Equivalents	\$ 34,497	\$ 57,281	\$ 157,392	\$ 6,569	\$ 253,911	\$ 509,650
Total Assets	\$ 34,497	\$ 57,281	\$ 157,392	\$ 6,569	\$ 253,911	\$ 509,650
Liabilities and Fund Balances						
Liabilities						
Accounts Payable		\$ 20,000	\$ 1,365		\$ 229,394	\$ 250,759
Fund Balances						
Restricted						
Capital Projects	\$ 34,497	37,281	156,027	\$ 6,569	(64,782)	169,592
Purchase Obligations					89,299	89,299
Total Fund Balances	\$ 34,497	\$ 37,281	\$ 156,027	\$ 6,569	\$ 24,517	\$ 258,891
Total Liabilities and Fund Balances	\$ 34,497	\$ 57,281	\$ 157,392	\$ 6,569	\$ 253,911	\$ 509,650

See Accompanying Notes to Financial Statements

WARREN COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUND-CAPITAL PROJECT FUNDS
 CONSTRUCTION FUNDS
 For the Year Ended June 30, 2013

	South Warren Construction	Cumberland Trace Construction	Jody Richards Construction	Richardsville Construction	Warren East Construction	Middle School Construction	Briarwood Addition Construction	Total Construction Fund
Revenues								
Earnings on Investments	\$ 226	\$ 172	\$ 50	\$ 30	\$ 426	\$ 45	\$ 1,948	\$ 2,897
Total Revenues	226	172	50	30	426	45	1,948	2,897
Expenditures								
Other	-	-	25,251	14,389	-	-	-	39,640
Facilities Acquisition & Construction	(24,342)	-	114,040	-	1,730,305	2,826	2,278,227	4,101,056
Bond Issuance Cost	-	-	-	-	30,501	-	37,280	67,781
Total Expenditures	(24,342)	-	139,291	14,389	1,760,806	2,826	2,315,507	4,208,477
Revenues in Excess of (Less Than) Expenditures	24,568	172	(139,241)	(14,359)	(1,760,380)	(2,781)	(2,313,559)	(4,205,580)
Other Financing Sources								
Proceeds from Issuance of Bonds	-	-	-	-	1,916,407	-	2,342,276	4,258,683
Operating Transfers In	-	-	50,909	8,861	-	-	-	59,770
Total Other Financing Sources	-	-	50,909	8,861	1,916,407	-	2,342,276	4,318,453
Net Changes in Fund Balances	24,568	172	(88,332)	(5,498)	156,027	(2,781)	28,717	112,873
Fund Balances July 1, 2012	9,929	37,109	88,332	5,498	-	9,350	(4,200)	146,018
Fund Balances June 30, 2013	\$ 34,497	\$ 37,281	\$ -	\$ -	\$ 156,027	\$ 6,569	\$ 24,517	\$ 258,891

See Accompanying Notes to Financial Statements

AGENCY FUND FINANCIAL INFORMATION

WARREN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENTS
SCHOOL ACTIVITY FUNDS (AGENCY FUNDS)
For the Year Ended June 30, 2013

	Cash Balance 7/1/2012	Total Receipts	Total Disburse- ments	Cash Balance 6/30/2013	A/R 6/30/2013	A/P 6/30/2013	Due To Students & Others 6/30/2013
High Schools							
Greenwood	\$ 246,072	\$ 372,905	\$ 388,525	\$ 230,452			\$ 230,452
South Warren	73,106	347,987	315,590	105,503	\$ 2,037		107,540
Warren Central	116,689	263,959	233,604	147,044	175	\$ 1,273	145,946
Warren East	104,420	258,653	264,647	98,426	-	4,123	94,303
Middle Schools							
Drakes Creek	52,940	102,948	102,628	53,260	-	2,000	51,260
Henry F. Moss	42,118	76,162	86,959	31,321	-	2,360	28,961
South Warren	37,224	79,149	68,372	48,001	-	-	48,001
Warren East	45,452	77,455	73,419	49,488	-	-	49,488
Elementary Schools							
Alvaton	18,041	9,945	11,795	16,191	-	-	16,191
Briarwood	23,325	73,888	74,431	22,782	-	1,196	21,586
Bristow	8,016	6,319	8,840	5,495	-	-	5,495
Cumberland Trace	14,160	29,270	30,445	12,985	-	-	12,985
Jody Richards	-	32,270	18,309	13,961	-	-	13,961
Lost River	32,550	38,240	39,956	30,834	140	100	30,874
North Warren	14,454	15,118	12,399	17,173	-	1,686	15,487
Oakland	9,469	15,208	14,847	9,830	-	-	9,830
Plano	8,911	37,463	31,893	14,481	581	-	15,062
Rich Pond	25,616	28,574	32,341	21,849	-	-	21,849
Richardsville	46,157	62,259	51,048	57,368	-	-	57,368
Rockfield	12,952	47,620	44,468	16,104	-	-	16,104
Warren Elem.	32,390	20,031	25,376	27,045	-	-	27,045
William H. Natcher	26,695	23,870	29,544	21,021	50	-	21,071
Total	\$ 990,757	\$ 2,019,293	\$ 1,959,436	\$ 1,050,614	\$ 2,983	\$ 12,738	\$ 1,040,859

See Accompanying Notes to Financial Statements

**WARREN COUNTY SCHOOL DISTRICT
GREENWOOD HIGH SCHOOL ACTIVITY FUNDS
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENTS
For the Year Ended June 30, 2013**

	Cash Balance 7/1/2012	Total Receipts	Total Disburse- ments	Transfers	Cash Balance 6/30/2013	A/R 6/30/2013	A/P 6/30/2013	Due To Students & Others 6/30/2013
General Fund	\$ 2,359	\$ 233	\$ 633	\$ -	\$ 1,959	\$ -	\$ -	\$ 1,959
Interest Income	-	645	-	-	645	-	-	645
Cash on Hand	-	6,000	6,000	-	-	-	-	-
AP Test	6,147	18,319	17,330	-	7,136	-	-	7,136
Co-op	415	-	-	-	415	-	-	415
Credit Recovery	1,723	260	-	-	1,983	-	-	1,983
Faculty Vending	263	3,428	3,379	-	312	-	-	312
Field Trips	8,187	505	535	(275)	7,882	-	-	7,882
Musical	8,663	13,615	15,498	-	6,780	-	-	6,780
Parking Tickets	3,064	1,000	908	-	3,156	-	-	3,156
PBIS	604	917	1,275	-	246	-	-	246
Prom	5,326	6,295	7,133	-	4,488	-	-	4,488
Student Council	607	2,648	2,392	-	863	-	-	863
Student Fees	3,651	413	577	-	3,487	-	-	3,487
Student Vending	6,398	4,786	5,047	-	6,137	-	-	6,137
Textbooks	1,606	1,825	1,775	-	1,656	-	-	1,656
Travel	2,337	1,050	300	-	3,087	-	-	3,087
Yearbooks	44,007	30,046	33,086	530	41,497	-	-	41,497
Academic Team Club	-	300	80	-	220	-	-	220
Anthology Club	987	-	-	-	987	-	-	987
Art Club	429	-	385	-	44	-	-	44
Band Club	-	-	-	1,250	1,250	-	-	1,250
BETA Club	4,910	5,060	4,052	-	5,918	-	-	5,918
Black History	123	-	-	-	123	-	-	123
Chess Club	216	65	188	-	93	-	-	93
Choir Club	951	9,089	8,113	146	2,073	-	-	2,073
Computer Club	2,064	-	2,064	-	-	-	-	-
Design Club	1,008	7,554	8,529	-	33	-	-	33
Drama Club	10	1,250	254	-	1,006	-	-	1,006
FBLA Club	958	11,756	12,930	216	-	-	-	-
FCA Club	161	1,290	1,334	-	117	-	-	117
FCCLA Club	983	1,353	1,741	(200)	395	-	-	395
FEA Club	939	106	33	-	1,012	-	-	1,012
FFA Club	1,843	26,358	27,670	40	571	-	-	571
GAPP Club	2,419	14,039	16,479	221	200	-	-	200
HOSA Club	-	591	645	54	-	-	-	-
International Club	562	3,958	3,609	(200)	711	-	-	711
Invisible Children Club	334	-	-	-	334	-	-	334
Jr. BETA Club	3,561	801	72	-	4,290	-	-	4,290
Literature Club	4	-	-	-	4	-	-	4
NHS Club	292	3,071	2,917	(350)	96	-	-	96
OAR Club	1,940	9,536	8,692	(216)	2,568	-	-	2,568
Orchestra	644	1,072	1,001	(146)	569	-	-	569
PEP Club	400	-	-	-	400	-	-	400
Philosophy Club	156	-	-	-	156	-	-	156
S.C.E.C. Club	326	211	216	-	321	-	-	321
Science Club	66	1,018	893	200	391	-	-	391
Spanish Club	-	508	335	-	173	-	-	173

See Accompanying Notes to Financial Statements

**WARREN COUNTY SCHOOL DISTRICT
GREENWOOD HIGH SCHOOL ACTIVITY FUNDS
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENTS
For the Year Ended June 30, 2013**

	Cash Balance 7/1/2012	Total Receipts	Total Disburse- ments	Transfers	Cash Balance 6/30/2013	A/R 6/30/2013	A/P 6/30/2013	Due To Students & Others 6/30/2013
STLP Club	3,071	-	320	-	2,751	-	-	2,751
TARS Club	1,340	15,680	14,667	-	2,353	-	-	2,353
YADS	124	-	-	-	124	-	-	124
YELP Club	265	390	335	-	320	-	-	320
Athletic Director	-	785	200	-	585	-	-	585
Athletic Special	-	4,127	4,453	389	63	-	-	63
Baseball	13	6,873	5,953	243	1,176	-	-	1,176
Tournament	-	388	-	-	388	-	-	388
Basketball -Boys	10,762	14,821	8,992	(1,346)	15,245	-	-	15,245
Basketball District Tourn.	-	25,069	21,653	(3,416)	-	-	-	-
Basketball - Girls	4,387	10,286	12,428	1,708	3,953	-	-	3,953
Bowling - Boys	-	-	500	500	-	-	-	-
Bowling - Girls	-	-	478	478	-	-	-	-
Cheerleading	-	-	1,388	1,388	-	-	-	-
Cross Country - Boys	3,452	-	910	-	2,542	-	-	2,542
Cross Country - Girls	3,467	-	900	-	2,567	-	-	2,567
Football	58,454	30,889	41,039	(7,220)	41,084	-	-	41,084
Golf - Boys	-	-	1,000	1,000	-	-	-	-
Golf - Girls	-	-	1,000	1,000	-	-	-	-
Hall of Fame	29	-	-	-	29	-	-	29
Lacrosse	120	-	-	-	120	-	-	120
Rivals Bowl	5,001	5,355	5,356	-	5,000	-	-	5,000
Soccer - Boys	-	6,674	6,408	-	266	-	-	266
Soccer - Girls	3,386	3,768	3,200	-	3,954	-	-	3,954
Softball	-	8,726	8,811	598	513	-	-	513
Swimming - Boys	-	100	1,220	1,120	-	-	-	-
Swimming - Girls	-	100	1,305	1,205	-	-	-	-
Tennis - Boys	-	-	141	141	-	-	-	-
Tennis - Girls	-	-	137	137	-	-	-	-
Track - Boys	687	168	1,216	361	-	-	-	-
Track - Girls	745	-	1,209	464	-	-	-	-
Volleyball	3,406	8,525	8,832	-	3,099	-	-	3,099
ESL	1	-	-	-	1	-	-	1
Guidance Dept.	2,227	2,724	3,086	(20)	1,845	-	-	1,845
JROTC Dept	914	5,175	4,285	-	1,804	-	-	1,804
JROTC Spec Dept	1,120	-	-	-	1,120	-	-	1,120
Library Dept.	4,879	388	3,100	-	2,167	-	-	2,167
Newspaper Dept	498	-	-	-	498	-	-	498
Photography Dept	179	-	1	-	178	-	-	178
Science Dept	-	1,148	72	-	1,076	-	-	1,076
Social Studies Dept	-	4,099	1,744	-	2,355	-	-	2,355
Voc. Ag. Dept	15,810	24,349	23,395	-	16,764	-	-	16,764
Donations	92	1,327	691	-	728	-	-	728
Total	\$ 246,072	\$ 372,905	\$ 388,525	\$ -	\$ 230,452	\$ -	\$ -	\$230,452

See Accompanying Notes to Financial Statements

WARREN COUNTY SCHOOL DISTRICT
SOUTH WARREN HIGH SCHOOL ACTIVITY FUNDS
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENTS
For the Year Ended June 30, 2013

	Cash Balance 7/1/2012	Total Receipts	Total Disburse- ments	Transfers	Cash Balance 6/30/2013	A/R 6/30/2013	A/P 6/30/2013	Due To Students & Others 6/30/2013
General Fund	\$ 2,385	\$ 11,116	\$ 10,684	\$ 11,550	\$ 14,367	\$ 107	\$ -	\$ 14,474
Interest Income	-	271	-	(271)	-	-	-	-
AP Test	2,260	28,224	28,281	10	2,213	-	-	2,213
Environmental Club	15	-	-	(15)	-	-	-	-
Faculty Vending	1,140	797	1,382	52	607	37	-	644
Musical	4,590	45,696	37,090	(55)	13,141	-	-	13,141
Novel Star	605	190	755	-	40	-	-	40
Prom	1,829	7,466	7,509	(65)	1,721	-	-	1,721
Student Council	2,433	6,108	5,384	130	3,287	-	-	3,287
Student Vending	3,367	7,308	3,864	(1,545)	5,266	82	-	5,348
Sunshine Fund	486	615	387	(52)	662	-	-	662
Textbooks	1,343	524	-	19	1,886	-	-	1,886
Yearbooks	9,689	27,100	14,682	(16,805)	5,302	-	-	5,302
Academic Team Club	-	230	220	-	10	-	-	10
Art Club	821	841	859	11	814	-	-	814
BETA Club	2,036	9,065	8,532	(1,400)	1,169	-	-	1,169
Choir Club	1,189	10,418	10,014	(300)	1,293	-	-	1,293
Drama Club	230	120	-	-	350	-	-	350
Fashion Club	656	4,982	8,045	3,534	1,127	-	-	1,127
FBLA Club	682	2,050	1,841	(711)	180	-	-	180
FCA Club	87	463	169	(143)	238	-	-	238
FCCLA Club	262	5,970	5,801	(344)	87	-	-	87
FEA Club	80	110	-	(55)	135	-	-	135
FFA Club	4,609	19,173	22,842	136	1,076	-	-	1,076
History Club	-	24,725	22,116	(484)	2,125	-	-	2,125
International Club	162	-	146	-	16	-	-	16
Jr. BETA Club	824	-	-	-	824	-	-	824
NHS Club	2	1,063	882	(22)	161	-	-	161
Orchestra	200	-	-	-	200	-	-	200
Ping Pong Club	200	-	-	(200)	-	-	-	-
Quidditch Club	-	488	353	-	135	-	-	135
SCEC Club	240	175	219	-	196	-	-	196
Science Club	-	6,398	6,655	945	688	-	-	688
Spear-It	245	1,440	1,104	-	581	-	-	581
Speech Club	608	95	566	-	137	-	-	137
STLP Club	161	642	545	228	486	-	-	486
Athletic Special	1,272	10,941	6,568	1,919	7,564	1,811	-	9,375
Baseball	-	14,045	5,931	(1,778)	6,336	-	-	6,336
Basketball - Boys	1,751	18,328	17,036	(600)	2,443	-	-	2,443
Basketball - Girls	2,910	8,187	7,400	(600)	3,097	-	-	3,097
Bowling - Boys	-	1,983	1,637	110	456	-	-	456
Bowling - Girls	-	-	-	250	250	-	-	250
Cheerleading	1,070	1,180	2,250	-	-	-	-	-
Cross Country	-	-	1,610	3,610	2,000	-	-	2,000
Football	12,491	26,212	25,301	(7,416)	5,986	-	-	5,986
Golf - Boys	-	-	1,627	2,827	1,200	-	-	1,200
Golf - Girls	-	-	1,120	2,320	1,200	-	-	1,200
Soccer - Boys	775	2,394	1,410	-	1,759	-	-	1,759
Soccer - Girls	889	2,262	1,719	-	1,432	-	-	1,432
Softball	632	3,520	2,468	-	1,684	-	-	1,684
Swimming	-	-	500	1,000	500	-	-	500

See Accompanying Notes to Financial Statements

WARREN COUNTY SCHOOL DISTRICT
SOUTH WARREN HIGH SCHOOL ACTIVITY FUNDS
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENTS
For the Year Ended June 30, 2013

	Cash Balance	Total	Total		Cash			Due To
	7/1/2012	Receipts	Disburse-	Transfers	Balance	A/R	A/P	Students
			ments		6/30/2013	6/30/2013	6/30/2013	& Others
								6/30/2013
Tennis - Boys	-	-	688	1,188	500	-	-	500
Tennis - Girls	-	-	-	500	500	-	-	500
Track	-	140	1,110	2,970	2,000	-	-	2,000
Volleyball	419	5,593	4,940	-	1,072	-	-	1,072
Family Consumer Science	104	-	152	68	20	-	-	20
GAT Dept	32	1,580	1,176	(336)	100	-	-	100
Guidance Dept.	-	43	405	500	138	-	-	138
Library Dept.	1,070	767	185	(387)	1,265	-	-	1,265
The Spartan Spoon	806	1,569	1,268	28	1,135	-	-	1,135
Voc. Ag. Dept	5,449	25,231	28,162	(321)	2,197	-	-	2,197
Donations	-	149	-	-	149	-	-	149
Total	\$ 73,106	\$ 347,987	\$ 315,590	\$ -	\$ 105,503	\$ 2,037	\$ -	\$107,540

See Accompanying Notes to Financial Statements

**WARREN COUNTY SCHOOL DISTRICT
WARREN CENTRAL HIGH SCHOOL ACTIVITY FUNDS
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENTS
For the Year Ended June 30, 2013**

	<u>Cash Balance 7/1/2012</u>	<u>Total Receipts</u>	<u>Total Disburse- ments</u>	<u>Transfers</u>	<u>Cash Balance 6/30/2013</u>	<u>A/R 6/30/2013</u>	<u>A/P 6/30/2013</u>	<u>Due To Students & Others 6/30/2013</u>
General Fund	\$ 1,602	\$ 6,625	\$ 9,892	\$ 1,774	\$ 109	\$ -	\$ -	\$ 109
Due to Student Body	334	-	-	(334)	-	-	-	-
Interest Income	-	327	-	(327)	-	-	-	-
AP Test	5,111	15,564	546	832	20,961	-	-	20,961
Bookstore	775	-	840	65	-	-	-	-
Facility Rental	750	2,300	-	-	3,050	-	-	3,050
Faculty Vending	340	4,147	2,622	-	1,865	75	-	1,940
Field Trips	4,481	1,423	872	-	5,032	-	-	5,032
KYCID	130	-	104	-	26	-	-	26
Prom	9,150	4,845	8,159	-	5,836	-	-	5,836
Student Council	442	-	63	-	379	-	-	379
Student Vending	2,079	2,354	2,540	-	1,893	100	-	1,993
Sunshine Fund	310	550	467	-	393	-	-	393
Textbooks	1,702	369	-	-	2,071	-	-	2,071
Warren Central College Academy	-	2,354	1,510	-	844	-	-	844
Yearbooks	5,756	10,125	13,695	-	2,186	-	-	2,186
Afro American Club	219	-	-	-	219	-	-	219
Band Club	57	200	32	300	525	-	-	525
BETA Club	2,959	2,908	3,173	-	2,694	-	-	2,694
Biology Club	71	635	545	-	161	-	-	161
Bosnian Amer. Club	484	36	-	-	520	-	-	520
Chemistry Club	-	4,805	2,782	(495)	1,528	-	-	1,528
Chess Club	25	-	-	-	25	-	-	25
Computer Club	1,792	1,085	803	-	2,074	-	-	2,074
Drama Club	792	9,318	6,538	-	3,572	-	-	3,572
FBLA Club	228	3,056	2,993	(65)	226	-	-	226
FCA Club	1,956	866	782	-	2,040	-	-	2,040
FCCLA Club	900	4,066	4,246	-	720	-	-	720
FFA Club	4,644	27,642	23,565	-	8,721	-	-	8,721
French Club	3	-	-	(3)	-	-	-	-
Friends of Rachel Club	10	-	-	(10)	-	-	-	-
Literary Club	18	-	-	-	18	-	-	18
Natl Sch. Sportsman	2,345	1,390	1,103	-	2,632	-	-	2,632
Physics Un-Club	384	746	636	(150)	344	-	-	344
Power Lifting Club	1,598	5,540	3,194	-	3,944	-	-	3,944
SCEC Club	47	-	1	-	46	-	-	46
Spanish Club	1,199	784	1,091	(337)	555	-	-	555
STLP Club	23	1,934	669	-	1,288	-	-	1,288
Writer's Ink Club	768	1	-	-	769	-	-	769
Young Democrats	406	35	-	-	441	-	-	441
Men of Distinction	20	-	-	-	20	-	-	20
Young Republicans	471	25	-	-	496	-	-	496
Athletics Hall of Fame	284	1,350	820	-	814	-	-	814
Athletic Special	3,127	4,137	4,471	(300)	2,493	-	-	2,493
Baseball	3,520	7,052	5,585	(1,500)	3,487	-	1,273	2,214

See Accompanying Notes to Financial Statements

**WARREN COUNTY SCHOOL DISTRICT
WARREN CENTRAL HIGH SCHOOL ACTIVITY FUNDS
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENTS
For the Year Ended June 30, 2013**

	Cash Balance 7/1/2012	Total Receipts	Total Disburse- ments	Transfers	Cash Balance 6/30/2013	A/R 6/30/2013	A/P 6/30/2013	Due To Students & Others 6/30/2013
Basketball - Boys	15,701	31,661	34,418	(1,335)	11,609	-	-	11,609
Basketball - Girls	4,131	11,262	9,661	-	5,732	-	-	5,732
Bass Fishing	61	250	99	-	212	-	-	212
Bowling - Boys	42	-	240	364	166	-	-	166
Bowling - Girls	42	-	173	364	233	-	-	233
Cheerleading	622	-	560	-	62	-	-	62
Cross Country	235	-	30	727	932	-	-	932
Football	5,120	42,940	38,648	(803)	8,609	-	-	8,609
Golf	1	-	-	728	729	-	-	729
Rivals Bowl	-	13,241	9,693	(50)	3,498	-	-	3,498
Soccer - Boys	544	3,980	2,573	-	1,951	-	-	1,951
Soccer - Girls	411	2,483	2,788	50	156	-	-	156
Softball	2,098	2,808	4,440	-	466	-	-	466
Tennis - Boys	1	1	-	364	366	-	-	366
Tennis - Girls	-	-	-	364	364	-	-	364
Track	405	-	120	727	1,012	-	-	1,012
Volleyball	1,879	3,075	2,311	-	2,643	-	-	2,643
Art Dept.	565	107	-	50	722	-	-	722
Family Science Dept.	309	730	784	-	255	-	-	255
Freshman Acad Dept.	22	501	453	-	70	-	-	70
Global Learning Acad	500	-	-	-	500	-	-	500
JROTC Dept.	4,764	9,393	11,550	(1,000)	1,607	-	-	1,607
Library Dept.	2,785	2,170	1,130	-	3,825	-	-	3,825
Music Dept.	1,661	105	60	-	1,706	-	-	1,706
Voc. Ag. Dept	11,109	8,557	6,745	-	12,921	-	-	12,921
Habitat for Humanity Chapter	-	100	33	-	67	-	-	67
Renaissance	1,435	1,713	2,756	-	392	-	-	392
Target	934	288	-	-	1,222	-	-	1,222
Total	\$ 116,689	\$ 263,959	\$ 233,604	\$ -	\$ 147,044	\$ 175	\$ 1,273	\$ 145,946

See Accompanying Notes to Financial Statements

**WARREN COUNTY SCHOOL DISTRICT
WARREN EAST HIGH SCHOOL ACTIVITY FUNDS
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENTS
For the Year Ended June 30, 2013**

	Cash Balance 7/1/2012	Total Receipts	Total Disburse- ments	Transfers	Cash Balance 6/30/2013	A/R 6/30/2013	A/P 6/30/2013	Due To Students & Others 6/30/2013
General Fund	\$ 5,935	\$ 5,669	\$ 3,724	\$ (2,303)	\$ 5,577	\$ -	\$ -	\$ 5,577
Interest Income	-	248	-	-	248	-	-	248
AP Test	29	9,186	8,478	-	737	-	-	737
Costa Rica Trip	-	1,403	1,018	-	385	-	-	385
Enrichment	-	2,840	2,840	-	-	-	-	-
Faculty Vending	1,721	3,137	2,503	-	2,355	-	-	2,355
Field Trips	667	-	-	-	667	-	-	667
Flower Fund	54	-	-	-	54	-	-	54
Jessae "Sean" Ingram	282	-	-	-	282	-	-	282
Musical	370	11,492	8,668	(155)	3,039	-	-	3,039
Novel Star	1,885	-	-	500	2,385	-	-	2,385
Smart Cards	96	858	930	-	24	-	-	24
Student Rewards	-	1,090	121	-	969	-	-	969
Textbooks	434	315	73	-	676	-	-	676
WKU Graduation Video	265	-	-	-	265	-	-	265
Yearbooks	33,956	26,727	44,366	100	16,417	-	-	16,417
Academic Team Club	16	20	34	-	2	-	-	2
Afro American Club	162	-	-	-	162	-	-	162
Art Club	140	751	809	155	237	-	-	237
Band Club	68	38	600	507	13	-	-	13
BETA Club	1,277	5,756	6,067	-	966	-	-	966
CEC Club	687	-	497	-	190	-	-	190
Choir Club	158	1,007	726	100	539	-	-	539
FBLA Club	1,068	4,662	4,166	1,080	2,644	-	-	2,644
FCA Club	316	-	-	-	316	-	-	316
FCCLA Club	386	67	1,002	945	396	-	-	396
FEA Club	2,308	1,039	1,206	(75)	2,066	-	-	2,066
FFA Club	2,233	33,438	36,670	1,175	176	-	32	144
International Club	3,299	2,079	1,406	(9)	3,963	-	-	3,963
Jr. BETA Club	547	1,302	1,638	-	211	-	-	211
KEY Club	-	166	-	-	166	-	-	166
Math Club	3,641	281	294	-	3,628	-	-	3,628
NHS Club	753	456	504	-	705	-	-	705
PEP Club	430	1,105	1,243	(290)	2	-	-	2
PRIDE Club	551	15	-	-	566	-	-	566
Raider Graffiti	878	16	189	(705)	-	-	-	-
Science Club	743	330	204	(370)	499	-	-	499
TSA Club	34	1,317	1,430	80	1	-	-	1
Athletic Special	3,700	5,155	7,490	1,844	3,209	-	20	3,189
Athletic Uniforms	180	-	-	(180)	-	-	-	-
Baseball	1,600	4,682	5,555	(90)	637	-	-	637
Basketball - Boys	3	13,224	10,542	(558)	2,127	-	-	2,127
Basketball - Girls	4,629	11,282	13,198	(633)	2,080	-	-	2,080
Bass Fishing	69	824	807	-	86	-	-	86
Bowling - Boys	264	4,645	5,321	676	264	-	-	264
Cheerleading	743	382	2,030	1,392	487	-	-	487

See Accompanying Notes to Financial Statements

**WARREN COUNTY SCHOOL DISTRICT
WARREN EAST HIGH SCHOOL ACTIVITY FUNDS
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENTS
For the Year Ended June 30, 2013**

	Cash Balance 7/1/2012	Total Receipts	Total Disburse- ments	Transfers	Cash Balance 6/30/2013	A/R 6/30/2013	A/P 6/30/2013	Due To Students & Others 6/30/2013
Cross Country	22	409	150	(280)	1	-	-	1
Drill Team	315	750	725	(60)	280	-	-	280
Football	1	21,007	23,642	7,280	4,646	-	4,071	575
Football Playoffs	-	18,618	10,405	(8,213)	-	-	-	-
Golf	40	88	-	(128)	-	-	-	-
Soccer - Boys	-	1,887	1,738	(30)	119	-	-	119
Soccer - Girls	-	4,512	4,653	547	406	-	-	406
Softball	-	6,752	6,026	(268)	458	-	-	458
Softball - 4th Reg Tourn	-	11,070	11,070	-	-	-	-	-
Tennis	2,141	2,648	2,420	(60)	2,309	-	-	2,309
Track	11	205	-	(200)	16	-	-	16
Volleyball	1,352	3,043	2,521	(90)	1,784	-	-	1,784
Class Officers	995	-	-	-	995	-	-	995
Class of 2012	2,676	-	-	(2,676)	-	-	-	-
Class of 2013	3,693	-	81	51	3,663	-	-	3,663
Class of 2014	-	6,922	5,768	2,676	3,830	-	-	3,830
Business Dept.	200	-	185	-	15	-	-	15
Drama Dept.	616	842	1,020	-	438	-	-	438
Freshman Acad Dept.	886	93	208	(500)	271	-	-	271
GAT Dept.	253	307	395	-	165	-	-	165
Global Learning Acad.	149	55	-	-	204	-	-	204
Horticulture Dept.	5,045	9,262	6,048	(1,625)	6,634	-	-	6,634
JROTC Dept.	5,428	10,084	9,453	-	6,059	-	-	6,059
Language Arts Dept	143	2	-	-	145	-	-	145
Library Dept.	1,780	614	20	-	2,374	-	-	2,374
Science Dept.	35	-	-	370	405	-	-	405
Special Educ. Dept.	313	264	119	-	458	-	-	458
Speech Dept.	164	406	295	-	275	-	-	275
Renaissance-Donations	1,585	1,809	1,356	20	2,058	-	-	2,058
Total	\$ 104,420	\$ 258,653	\$ 264,647	\$ -	\$ 98,426	\$ -	\$ 4,123	\$ 94,303

See Accompanying Notes to Financial Statements

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

WARREN COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
As of June 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>US Department of Agriculture:</u>			
Pass-through programs from:			
KY Dept of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	57505-02-Z, 57506-02-Z, 57506-08-Z	\$ 3,664,996
School Breakfast Program	10.553	57605-05-Z, 57606-02-Z	1,221,393
Summer Food Service Program for Children	10.559	57405-23-Z, 56905-24-Z	99,052
Total Child Nutrition Cluster			<u>4,985,441</u>
Fresh Fruit and Vegetable Program	10.582	Grant #2153	<u>31,728</u>
Total Department of Education			<u>5,017,169</u>
<u>US Department of Agriculture:</u>			
Pass-through programs from:			
KY Dept of Agriculture:			
Commodity Supplemental Food Program	10.565	N/A	312,441
Total US Department of Agriculture			<u>5,329,610</u>
<u>Department of Education</u>			
Pass-through programs from:			
KY Dept of Education:			
Education Jobs Fund	84.410	Grant# 4411	33,691
Race To The Top	84.413A	Grant# 4521	85,982
Adult Education - Basic Grants to States	84.002	Grant# 3711	1,815
Adult Education - Basic Grants to States	84.002	Grant# 3712	838
Adult Education - Basic Grants to States	84.002	Grant# 3713	36,738
Total Adult Education - Basic Grants to States	84.002		<u>39,391</u>
Special Education - Grants to States (IDEA, Part B)	84.027	58104-02-Z, 58105-02-Z, 58106-02-Z	353,753
Special Education - Grants to States (IDEA, Part B)	84.027	58104-02-Z, 58105-02-Z, 58106-02-Z	2,131,900
Special Education - Preschool Grants (IDEA Preschool)	84.173	58705-02-Z, 58706-02-Z	11,141
Special Education - Preschool Grants (IDEA Preschool)	84.173	58705-02-Z, 58706-02-Z	73,715
Total Special Education (IDEA) Cluster			<u>2,570,509</u>
Title I Grants to Local Educational Agencies (LEAs)	84.010	35104-09-Z,35105-09-Z,35106-09-Z	844,107
Title I Grants to Local Educational Agencies (LEAs)	84.010	35104-09-Z,35105-09-Z,35106-09-Z	2,219,896
Title I-Delinquent Children in LEA Operated Institutes	84.010	Grant #3142	160,815
Title I-Delinquent Children in LEA Operated Institutes	84.010	Grant #3143	172,728
Title I-School Improvement Funds	84.010	Grant# 3202	37,831
Total Title I Grants to Local Educational Agencies (LEAs)			<u>3,435,377</u>
Personnel MOA - Edu Recovery Specialist - Sheri Brittenham	84.010	Grant #3203E	91,205
Title I-State Agency Program for Neglected and Delinquent Children and Youth	84.013	Grant #3132	2,144
Title I-State Agency Program for Neglected and Delinquent Children and Youth	84.013	Grant #3133	20,480
			<u>22,624</u>
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048	46206-10-Z, 46205-32-Z, 46206-32-Z	4,074
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048	46206-10-Z, 46205-32-Z, 46206-32-Z	127,150
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048	46206-10-Z, 46205-32-Z, 46206-32-Z	1,200
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048	46206-10-Z, 46205-32-Z, 46206-32-Z	101
Total Career and Technical Education - Basic Grants to States (Perkins IV)			<u>132,525</u>

WARREN COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
As of June 30, 2013

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
Title III - English Language Acquisition State Grants	84.365A	52005-02-Z, 52006-02-Z	94,088
Title III - English Language Acquisition State Grants - Immigrant	84.365A	52005-02-Z, 52006-02-Z	68,680
Title III - English Language Acquisition State Grants	84.365A	52005-02-Z, 52006-02-Z	126,016
Title III - English Language Acquisition State Grants - Immigrant	84.365A	52005-02-Z, 52006-02-Z	7,698
Total Title III - English Language Acquisition State Grants			<u>296,482</u>
Title II - Improving Teacher Quality State Grants	84.367	71005-02-Z, 71006-02-Z, 71004-03-Z	264,073
Title II - Improving Teacher Quality State Grants	84.367	71005-02-Z, 71006-02-Z, 71004-03-Z	371,996
Total Title II - Improving Teacher Quality State Grants			<u>636,069</u>
Grants for Enhanced Assessment Instruments	84.368A	Grant #4872	300
Green River Regional Education Cooperative Fund for the Improvement of Education	84.215L	Grant #5181	7,448
Western Kentucky University: Jacob K. Javitis Gifted and Talented Students Education Program	84.206A	WKURF #524404-09-01	<u>27,727</u>
Total Department of Education			<u>7,379,330</u>
<u>Department of Health and Human Services</u>			
Pass-through programs from:			
Catholic Charities of Louisville			
Refugee and Entrant Assistance_Discretionary Grants	93.576	90ZE0126	8,030
Refugee and Entrant Assistance_Discretionary Grants	93.576	90ZE0126	38,980
Total Department of Health and Human Services			<u>47,010</u>
<u>Tourism, Arts & Heritage Cabinet, Kentucky Arts Council</u>			
Pass-through programs from:			
Kentucky Arts Council:			
Promotion of the Arts_Grants to Organizations and Individuals	45.024	App# 9002	245
Total Kentucky Arts Council			
<u>Corporation for National and Community Service:</u>			
US Department of Defense:			
ROTC Language and Culture Training Grants	12.357	Grant# 5043	<u>134,049</u>
Total Expenditures of Federal Awards			<u><u>\$ 12,890,244</u></u>

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

NOTE A – BASIS OF ACCOUNTING

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

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair value of the commodities received and disbursed. During the fiscal year ended June 30, 2013, the District received \$312,441 in donated food commodities. During the year the District consumed \$210,594 in donated food commodities, leaving a remaining amount of donated food commodities in inventory, valued at \$101,847.

REPORTS REQUIRED BY THE SINGLE AUDIT ACT

**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***



**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**

Members of the Board
Warren County School District
Bowling Green, Kentucky

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, each major fund, and the aggregate remaining fund information of the Warren County School District (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

In addition, the results of our tests disclosed no material instances of noncompliance with specific statutes or regulations identified in the *Kentucky Public School District's Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits.

Purpose of this Report

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


Louisville, Kentucky
November 8, 2013

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

Strothman and Company
Certified Public Accountants and Advisors
1600 Waterfront Plaza
325 West Main Street
Louisville, KY 40202
502 585 1600



**Independent Auditors' Report on Compliance
for Each Major Program and on Internal Control
Over Compliance Required by OMB Circular A-133**

Members of the Board
Warren County School District
Bowling Green, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Warren County School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the Summary of Audit Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

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

Our consideration of 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.

Stutman + Cooper PSC
Louisville, Kentucky
November 8, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Schedule of Findings and Questioned Costs

Warren County School District

Year Ended June 30, 2013

Section I – Summary of Audit Results

1. The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the Warren County School District (the "District").
2. No significant deficiencies relating to the audit of the financial statements were reported.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. No significant deficiencies in internal control relating to the audit of the major federal award programs are reported.
5. The auditors' report on compliance for the major federal programs of the District expresses an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>
US Department of Agriculture:	
Passed Through Kentucky Department of Education:	
Child Nutrition Cluster:	
National School Lunch Program	10.555
School Breakfast Program	10.553
Summer Food Service Program for Children	10.559
U.S. Department of Education:	
Passed Through Kentucky Department of Education:	
Title I, Part A Cluster:	
Title I Grants to Local Educational Agencies	84.010
Special Education Cluster (IDEA):	
Special Education Grants - Grants to States (IDEA, Part B)	84.027
Special Education - Preschool Grants (IDEA Preschool)	84.173
Title II - Improving Teacher Quality State Grants	84.367

8. The threshold used for distinguishing Types A and B programs was \$386,707
9. The District qualified to be audited as a low-risk auditee.

Schedule of Findings and Questioned Costs--Continued

Warren County School District

Year Ended June 30, 2013

Section II--Findings – Financial Statement Audit

There are no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Section III--Findings and Questioned Costs – Major Federal Programs Audit

There are no findings or questioned costs related to the major federal programs which are required to be reported in accordance with OMB Circular A-133.

SCHEDULE OF PRIOR AUDIT FINDINGS

Schedule of Prior Audit Findings

Warren County School District

Year Ended June 30, 2012

Section II--Findings – Financial Statement Audit

There are no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Section III--Findings and Questioned Costs – Major Federal Programs Audit

There are no findings or questioned costs related to the major federal programs which are required to be reported in accordance with OMB Circular A-133.