ALLEN COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Allen County School District
Scottsville, 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 Allen County Board of Education, Kentucky, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Allen County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Allen County Board of Education, Kentucky, as of

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June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 36 through 37 be presented to supplement the basic financial statements.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Allen County Board of Education's basic financial statements.

The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statements of changes in assets and liabilities – school activity funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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.

These statements and schedule are management's responsibility, and derive from and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements and schedules 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 a report dated November 7, 2014, on our consideration of Allen County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Allen County School District's internal control over financial reporting and compliance.

Goodman & Weber PSC

GOODMAN & WEBER, P.S.C.
Certified Public Accountants
Louisville, Kentucky
November 7, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

ALLEN COUNTY SCHOOL DISTRICT – SCOTTSVILLE KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014

As management of the Allen County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The district maintains 7 schools and education centers, serving approximately 3,000 students. An effort to centralize our schools has provided educational benefits in addition to good physical management. We have a campus of approximately 200 acres of which there is still land available for future construction to meet our long-range educational needs. Allen County is very proud of our facilities and our ability to maintain them; nevertheless, our main purpose is educating kids and providing quality instructional resources and staff which we are able to do with our general fund dollars.

- The beginning fund balance for the District was $6.8 Million.

- The District continues to be concerned about the drain on the General Fund. Concerted efforts were made to curb the declining balance by continuing to provide additional monies into the general fund from local tax revenues.

- The Superintendent and Finance department working in conjunction with other district leadership continues the refinement of the structure of the business and operations areas, while evaluating processes and allocation of resources.

- The Superintendent and Finance department worked with staff to review and implement sound fiscal practices in utilizing school funding.

- A concerted effort was focused on purchasing in the areas of supplies, food, and travel resulting in several economies due to changed management strategies. The District utilizes multi-district cooperative bidding through the Green River Regional Educational Cooperative, Kentucky Educational Development Corporation, as well as, taking advantage of state and federal bidding opportunities for purchasing of supplies and food.

- Local Revenue is divided 65%/35% between the general fund and the building fund respectively. We have no occupational, utility or excise taxes.

- Excluding inter-fund transfers, the General Fund had $19.8 million revenue, which primarily consisted of the state program SEEK (Support Educational Excellence in Kentucky), and local property and motor vehicle taxes. There was $20.7 million in General Fund expenditures.

- The District continues to evaluate policies & procedures dealing with fixed assets and GASB reporting to ensure correct inventories, values, and depreciation to correctly report on the Annual Financial Report.

- Allen County-Scottsville High School renovations are 99% complete. Also, work continues on the new Allen County Career & Technical Center and anticipated completion for this new construction project is December, 2014.

- Because the state has allowed flexible use of Capital Outlay Funds, previously limited to debt service reduction, the District was able to complete several projects that the General Fund could not handle financially. Projects included: payment of property, liability, fleet, worker's compensation insurances and various maintenance projects within the district.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 11 through 18 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-35 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $27.3 million as of June 30, 2014.

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

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

NET POSITION

A summary of the net position for 2014 and 2013 are as follows:

	2014			2013		
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total
Current Assets	$ 11,238,633	$ 598,410	$ 11,837,043	$ 7,149,499	$ 535,556	$ 7,685,055
Noncurrent Assets	55,952,740	394,163	56,346,903	54,227,463	741,089	54,968,552
Total Assets	$ 67,191,373	$ 992,573	$ 68,183,946	$ 61,376,962	$ 1,276,645	$ 62,653,607
Current Liabilities	$ 3,652,175	$ -	$ 3,652,175	$ 3,657,604	$ 148	$ 3,657,752
Noncurrent Liabilities	36,271,067	-	36,271,067	28,205,967	-	28,205,967
Total Liabilities	$ 39,923,242	$ -	$ 39,923,242	$ 31,863,571	$ 148	$ 31,863,719
Net position						
Invested in Capital Assets, Net of Related Debt	$ 17,229,893	$ 394,163	$ 17,624,056	$ 23,642,106	$ 441,089	$ 24,083,195
Restricted	9,207,336	-	9,207,336	4,299,993	-	4,299,993
Committed	-	-	-	237,891	-	237,891
Unrestricted Fund Balance	830,902	598,410	1,429,312	1,333,401	535,408	1,868,809
Total Net position	$ 27,268,131	$ 992,573	$ 28,260,704	$ 29,513,391	$ 976,497	$ 30,489,888

NET POSITION CONTINUED

Comments on Budget Comparisons

- The District's total revenues for the fiscal year ended June 30, 2014, net of interfund transfers, were $28.9 million.
- General fund revenue was $19.8 million or $0.2 million lower due to lower property taxes
- The total cost of all programs and services for the General Fund was $20.7 million or $2.1 million lower than budget.

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2014 and June 30, 2013.

	2014			2013		
	Government Activities	Business Type Activities	Total	Government Activities	Business Type Activities	Total
Program Revenues:						
Charges for services	$ 36,845	471,232	$ 508,077	$ 41,960	504,729	$ 546,689
Operating grants	3,306,548	1,426,920	4,733,468	3,418,189	1,411,385	4,829,574
Capital grants	1,293,296	-	1,293,296	1,020,425	-	1,020,425
General Revenues:						
Taxes	5,343,830	-	5,343,830	5,303,577	-	5,303,577
State aid formula grant	16,940,642	-	16,940,642	17,560,183	-	17,560,183
Investment earnings	44,820	3,392	48,212	49,709	3,461	53,170
Local revenues	-	-	-	-	-	-
Miscellaneous	55,167	-	55,167	167,403	-	167,403
Total Program Revenues	$27,021,148	$1,901,544	$28,922,692	$27,561,446	$1,919,575	$29,481,021
Transfers	70,961	(70,961)	-	70,271	(70,271)	-
Total Revenues	$27,092,109	$1,830,583	$28,922,692	$27,631,717	$1,849,304	$29,481,021
Program Expenses:						
Instruction	$ 16,130,836	-	$ 16,130,836	$ 15,494,789	-	$ 15,494,789
Student support	986,393	-	986,393	965,860	-	965,860
Instruction staff	976,798	-	976,798	1,102,922	-	1,102,922
District administration	754,769	-	754,769	670,880	-	670,880
School administration	1,395,557	-	1,395,557	1,378,704	-	1,378,704
Business support	640,251	-	640,251	532,609	-	532,609
Plant operations	2,335,184	-	2,335,184	2,305,674	-	2,305,674
Student transportation	1,767,639	-	1,767,639	1,716,001	-	1,716,001
Community Support	273,722	-	273,722	241,556	-	241,556
Interest on long-term debt	1,650,120	-	1,650,120	1,213,348	-	1,213,348
Food service	-	1,821,799	1,821,799	-	1,908,436	1,908,436
Total Expenses	$ 26,911,269	$1,821,799	$ 28,733,068	$ 25,622,343	$1,908,436	$ 27,530,779
Net (Decrease)/Increase in Net position	$ 180,840	$ 8,784	$ 189,624	$ 2,009,374	$ (59,132)	$ 1,950,242

Governmental Activities

Instruction comprises 60**%** of governmental program expenses in 2014 and 2013. Support services expenses make up 34% of government expenses in 2014, and 35% in 2013. The remaining expense for interest accounts for 6**%** of total government expense in 2014 and 5% in 2013.

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

	2014 Governmental Activities		2013 Governmental Activities	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	$ 16,130,836	$ 13,276,620	$ 15,494,789	$ 12,506,687
Support	9,130,313	8,641,136	8,914,206	8,442,159
Interest on long-term debt	1,650,120	356,824	1,213,348	192,923
Total Expenses	$ 26,911,269	$ 22,274,580	$ 25,622,343	$ 21,141,769

Business-Type Activities

The business-type activities include the food service operation. This program had total revenues of $1,901,544 and expenses of $1,821,799 for fiscal year 2014. Of the revenues, $471,232 was charges for services, $1,426,920 was from State and Federal grants, and $3,392 was from investment earnings. Business activities receive no support from local tax revenues.

Capital Assets

At the end of fiscal year 2014 the School District had $56.0 million invested in land, buildings, equipment, and construction in progress. The following table shows fiscal year 2014 and 2013 balances:

Capital Assets at June 30, 2014 and 2013
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land	$ 1,001,750	$ 1,001,750	$ -	$ -	$ 1,001,750	$ 1,001,750
Land Improvements	2,797,106	2,753,539	7,025	7,510	2,804,131	2,761,049
Building & Improvements	27,273,446	28,152,394	255,138	260,893	27,528,584	28,413,287
Technology	299,270	429,493	3,504	5,256	302,774	434,749
Vehicles	354,677	484,185	-	-	354,677	484,185
Equipment	142,549	114,435	128,495	167,430	271,044	281,865
Construction in Progress	24,083,942	18,912,061	-	-	24,083,942	18,912,061
Total Governmental Activities	$ 55,952,740	$ 51,847,857	$ 394,162	$ 441,089	$ 56,346,902	$ 52,288,946

The table below shows the changes in capital assets for the fiscal years 2014 and 2013.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Beginning Balance	$ 51,847,857	$ 49,768,855	$ 441,089	$ 436,358	$ 52,288,946	$ 50,205,213
Additions	5,451,665	3,465,711	-	56,162	5,451,665	3,521,873
Retirements	-	-	-	-	-	-
Depreciation	(1,346,782)	(1,386,709)	(46,927)	(51,431)	(1,393,709)	(1,438,140)
Ending Balance	$ 55,952,740	$ 51,847,857	$ 394,162	$ 441,089	$ 56,346,902	$ 52,288,946

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with $1,239,478 in contingency (5.4%).

The beginning General Fund cash balance for 2014 fiscal year was $2.4 million. There was a 1% pay increase given to all full-time employees for 2013-2014. The district currently participates in approximately 27 state and federal grants. The total budget for these grants is $3.2 million.

KTRS rates will be increasing for 2014-15 from 14.605% to 15.355% on the employer federal matching portion; while the KTRS non-federally funded employees rate will increase from 1.5% to 2.25%. Classified retirement rate will decrease in 2014-15 from 18.89% to 17.67%.

Applying for grant reimbursements and monitoring the grants is something the district must do constantly. While waiting for grants to be reimbursed, the district must maintain a significant cash balance in order to pay these expenses in advance.

Local property tax revenue makes up approximately 17% of the general fund revenue. Property taxes are levied annually usually in October on the assessed value for all real and personal property, as well as motor vehicles in the district as of January 1st of the prior year. However, this revenue is not received until the months of November – February which means that the general fund's beginning balance is used to pay much of the first few months of expenditures. It is very important to have a substantial beginning balance to start the beginning of each year.

Questions regarding this report should be directed by mail to: Superintendent Randall Jackson, Allen County Schools, 570 Oliver Street, Scottsville, KY 42164.

GOVERNMENT–WIDE FINANCIAL STATEMENTS

ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION

June 30, 2014

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
CURRENT ASSETS			
Cash and Cash Equivalents	$ 8,564,554	$ 512,444	$ 9,076,998
Cash - Restricted	2,223,477	-	2,223,477
Inventory	-	51,883	51,883
Receivables			
Taxes - Current	115,563	-	115,563
Intergovernmental - Federal	335,039	34,083	369,122
TOTAL CURRENT ASSETS	$ 11,238,633	$ 598,410	$ 11,837,043
NONCURRENT ASSETS			
Capital Assets(Net of Depreciation)	$ 55,952,740	$ 394,163	$ 56,346,903
TOTAL ASSETS	$ 67,191,373	$ 992,573	$ 68,183,946
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	$ 41,857	$ -	$ 41,857
Accrued Payroll and Related Expenses	-	-	-
Unearned Revenue	331,504	-	331,504
Current Portion of Bond Obligations	1,400,000	-	1,400,000
Current Portion of Accrued Sick Leave	7,455	-	7,455
Retainage Payable	413,512	-	413,512
Bond Interest Payable	1,457,847	-	1,457,847
TOTAL CURRENT LIABILITIES	$ 3,652,175	$ -	$ 3,652,175
NONCURRENT LIABILITIES			
Noncurrent Portion of Bond Obligations	$ 35,865,000	$ -	$ 35,865,000
Noncurrent Portion of Accrued Sick Leave	406,067	-	406,067
TOTAL NONCURRENT LIABILITIES	$ 36,271,067	$ -	$ 36,271,067
TOTAL LIABILITIES	$ 39,923,242	$ -	$ 39,923,242
NET POSITION			
Invested in Capital Assets, Net of Related Debt	$ 17,229,893	$ 394,163	$ 17,624,056
Restricted			
Construction	6,745,547	-	6,745,547
SFCC	238,312	-	238,312
QCSB Escrow	2,223,477	-	2,223,477
Unrestricted	830,902	598,410	1,429,312
TOTAL NET POSITION	$ 27,268,131	$ 992,573	$ 28,260,704

See accompanying notes to financial statements

ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

		PROGRAM REVENUES			CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
FUNCTIONS/PROGRAMS							
Governmental Activities							
Current:							
Instruction:	16,130,836	$ 36,235	$ 2,817,981	$ -	$ (13,276,620)	$ -	$ (13,276,620)
Support Services:				-			
Student	986,393	-	17,038	-	(969,355)	-	(969,355)
Instructional Staff	976,798	-	59,827	-	(916,971)	-	(916,971)
District Administration	754,769	-	-	-	(754,769)	-	(754,769)
School Administration	1,395,557	-	29,005	-	(1,366,552)	-	(1,366,552)
Business	640,251	-	48,234	-	(592,017)	-	(592,017)
Plant Operations and Maintenance	2,335,184	-	56,997	-	(2,278,187)	-	(2,278,187)
Student Transportation	1,767,639	-	43,464	-	(1,724,175)	-	(1,724,175)
Community Services	273,722	610	234,002	-	(39,110)	-	(39,110)
Interest on Long-Term Debt	1,650,120	-	-	1,293,296	(356,824)	-	(356,824)
Total Governmental Activities	$ 26,911,269	$ 36,845	$ 3,306,548	$ 1,293,296	$ (22,274,580)	$ -	$ (22,274,580)
Business-Type Activities							
Food Service	$ 1,821,799	$ 471,232	$ 1,426,920	$ -	$ -	$ 76,353	$ 76,353
Total Primary Government	$ 28,733,068	$ 508,077	$ 4,733,468	$ 1,293,296	$ (22,274,580)	$ 76,353	$ (22,198,227)

GENERAL REVENUES			
From Local Services:			
Taxes:			
Property Taxes	$ 4,661,909	$ -	$ 4,661,909
Motor Vehicles Taxes	494,690	-	494,690
Unmined Minerals Taxes	16,456	-	16,456
Other Taxes	30,335	-	30,335
Revenue in Lieu of Taxes	140,440	-	140,440
Investment Earnings	44,820	3,392	48,212
State Aid Formula Grants	16,940,642	-	16,940,642
Miscellaneous	55,167	-	55,167
Total General Revenues	$ 22,384,459	$ 3,392	$ 22,387,851
Transfers to Other Funds	$ 70,961	$ (70,961)	$ -
Change in Net Position	$ 180,840	$ 8,784	$ 189,624
Net Position - Beginning	29,513,391	983,789	30,497,180
Net Position Adjustment See Note R	(2,426,100)		(2,426,100)
Net Position - Ending	$ 27,268,131	$ 992,573	$ 28,260,704

See accompanying notes to financial statements

FUND FINANCIAL STATEMENTS

ALLEN COUNTY SCHOOL DISTRICT
BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

	GENERAL FUND	SPECIAL REVENUE FUND	CONSTRUCTION FUND	FSPK FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Cash and Cash Equivalents	$ 1,810,269	$ 9,616	$ 6,453,111	$ 291,086	$ 472	$ 8,564,554
Accrued Interest Receivable	-	-	-	-	-	-
Cash - Restricted	-	-	-	-	2,223,477	2,223,477
Receivables						
Taxes - Current	115,563	-	-	-	-	115,563
Intergovernmental - Federal	-	322,537	-	12,502	-	335,039
TOTAL ASSETS:	$ 1,925,832	$ 332,153	$ 6,453,111	$ 303,588	$ 2,223,949	$ 11,238,633
LIABILITIES AND FUND BALANCE:						
LIABILITIES:						
Accounts Payable	$ 41,208	$ 649	$ -	$ -	$ -	$ 41,857
Accrued Payroll and Related Expenses	-	331,504	-	-	-	331,504
Unearned Revenues						-
TOTAL LIABILITIES	$ 41,208	$ 332,153	$ -	$ -	$ -	$ 373,361
FUND BALANCES:						
Restricted:						
Construction	$ -	$ -	$ 6,453,111	$ 292,436	$ -	$ 6,745,547
SFCC		-	-	11,152	472	11,624
Bond Escrow	-	-	-	-	2,223,477	2,223,477
Committed:						
Site-Based Carryforward	226,688	-	-	-	-	226,688
Unassigned:	1,657,936	-	-	-	-	1,657,936
TOTAL FUND BALANCES:	$ 1,884,624	$ -	$ 6,453,111	$ 303,588	$ 2,223,949	$ 10,865,272
TOTAL LIABILITIES AND FUND BALANCES	$ 1,925,832	$ 332,153	$ 6,453,111	$ 303,588	$ 2,223,949	$ 11,238,633

See accompanying notes to financial statements

ALLEN COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2014

Total fund balance per fund financial statement	$ 10,865,272
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. The cost of the assets is $73,989,902 and the accumulated depreciation is $20,131,651.	55,952,740
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in the fund financial statements because they are not due and payable, but they are presented in the statement of net position.	
Bond Obligations	(37,265,000)
Accrued Sick Leave	(413,522)
Bond Interest Payable	(1,457,847)
Retainage Payable	(413,512)
Net position for Governmental Activities	$ 27,268,131

See accompanying notes to financial statements

ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUND	CONSTRUCTION FUND	FSPK FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
From Local Sources:						
Taxes:						
Property	$ 2,989,518	$ -	$ -	$ 1,425,616	$ -	$ 4,415,134
Motor Vehicle	321,549	-	-	173,142	-	494,691
Unmined Minerals	10,696	-	-	5,760	-	16,456
Tuition & Fees	36,235	-	-	-	-	36,235
Earnings on Investments	21,445	877	22,498	-	-	44,820
Other Local Revenues	193,082	276,844	3,400	-	-	473,326
Intergovernmental - State	16,127,000	984,317		1,030,994	543,341	18,685,652
Intergovernmental- Indirect Federal	86,750	2,002,622	-	-	-	2,089,372
TOTAL REVENUES	$19,786,275	$ 3,264,660	$ 25,898	$ 2,635,512	$ 543,341	$ 26,255,686
EXPENDITURES:						
Current:						
Instruction:	$12,293,971	$ 2,817,981	$ -	$ -	$ -	$ 15,111,952
Support Services:						
Student	969,038	17,038	-	-	-	986,076
Instructional Staff	916,970	59,827	-	-	-	976,797
District Administration	700,285	-	-	-	-	700,285
School Administration	1,366,552	29,005	-	-	-	1,395,557
Business	592,017	48,234	-	-	-	640,251
Plant Operations and Maintenance	2,179,993	56,997	-	-	-	2,236,990
Student Transportation	1,595,233	43,464	-	-	-	1,638,697
Community Services	39,281	234,002	-	-	-	273,283
Facility Acquisition and Construction	-	-	5,815,315	-	-	5,815,315
Building Improvements	-	-	11,052	-	-	11,052
Debt Service:						
Principal	-	-	-	-	1,270,000	1,270,000
Interest	-	-	-	-	612,956	612,956
TOTAL EXPENDITURES	$20,653,340	$ 3,306,548	$ 5,826,367	$ -	$ 1,882,956	$ 31,669,211
Excess (deficit) of Revenues over Expenditures	$ (867,065)	$ (41,888)	$ (5,800,469)	$ 2,635,512	$ (1,339,615)	$ (5,413,525)
OTHER FINANCING SOURCES (USES):						
Proceeds from Bonds	$ -	$ -	$ 9,447,529	$ -	$ -	$ 9,447,529
Transfers In	333,263	41,888	-	-	2,343,076	2,718,227
Transfers Out	(41,888)	-	-	(2,343,076)	(262,302)	(2,647,266)
TOTAL OTHER FINANCING SOURCES (USES):	$ 291,375	$ 41,888	$ 9,447,529	$ (2,343,076)	$ 2,080,774	$ 9,518,490
Net Change in Fund Balance	$ (575,690)	$ -	$ 3,647,060	$ 292,436	$ 741,159	$ 4,104,965
Fund Balance, July 1, 2013	2,460,314	-	2,806,051	11,152	1,482,790	6,760,307
Fund Balance, June 30, 2014	$ 1,884,624	$ -	$ 6,453,111	$ 303,588	$ 2,223,949	$ 10,865,272

See accompanying notes to financial statements

ALLEN COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2014

Net change in total fund balances per fund financial statements	$ 4,104,965
Amounts reported for governmental activities in the statement of activities are different because:	
Bond proceeds are reported as revenues in this fund financial statement	(9,447,529)
Capital outlays are reported as expenditures in this fund financial statement	4,104,883
Bond and capital lease payments are recognized as expenditures of current	1,270,000
Bond Interest Payments	205,018
Sick Leave	(56,497)
Change in Net position of Governmental Activities	$ 180,840

See accompanying notes to financial statements

ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2014

		FOOD SERVICE FUND
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	512,444
Inventory		51,883
Receivable		
Intergovernmental - Federal		34,083
TOTAL CURRENT ASSETS	$	598,410
NONCURRENT ASSETS		
Capital Assets (Net of Depreciation)	$	394,163
TOTAL ASSETS	$	992,573
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	$	-
TOTAL CURRENT LIABILITIES	$	-
NET POSITION		
Invested in Capital Assets	$	394,163
Unrestricted		598,410
TOTAL NET POSITION	$	992,573

See accompanying notes to financial statements

ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

		FOOD SERVICE
REVENUE:		
Revenue from Local Sources		
Lunchroom Sales	$	471,232
OPERATING EXPENSES:		
Salaries Personnel Services	$	588,381
Employee Benefits		291,256
Professional & Technical Services		6,545
Purchased Property Services		21,667
Depreciation		46,926
Other Purchased Services		12,566
Supplies & Material		839,809
Property		13,710
Miscellaneous		939
TOTAL OPERATING EXPENSES	$	1,821,799
OPERATING LOSS	$	(1,350,567)
NON-OPERATING REVENUES (EXPENSES)		
Federal Grants	$	1,165,332
Donated Commodities		113,148
State Grants		18,107
State on-behalf Payments		130,333
Interest Income		3,392
TOTAL NON-OPERATING REVENUES AND (EXPENSES)	$	1,430,312
TRANSFERS TO/FROM OTHER FUNDS		(70,961)
CHANGE IN NET POSITION	$	8,784
Net Position, July 1, 2013		983,789
Net Position, June 30, 2014	$	992,573

See accompanying notes to the financial statements

ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	FOOD SERVICE FUND
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received From:	
Lunchroom Sales	$ 471,232
Other Activities	
Cash Paid to/for:	
Employees	(749,306)
Supplies	(726,809)
Other Activities	(55,427)
Net Cash Used by Operating Activities	$ (1,060,310)
Cash Flows from Non-Capital and Related Financing Activities	
Federal Grants	$ 1,142,263
State Grants	18,107
Net Cash Provided by Non-Capital and Related Financing Activities	$ 1,160,370
Cash Flows from Capital and Related Financing Activities	
Transfer to General Fund	(70,961)
Net Cash Used by Capital and Related Financing Activities	$ (70,961)
Cash Flows from Investing Activities	
Receipt of Interest Income	3,392
Net Increase in Cash and Cash Equivalents	$ 32,491
Balances - Beginning of Year	479,953
Balances - End of Year	$ 512,444
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	$ (1,350,567)
Adjustments to Reconcile Operating Income to Net Cash Provided (used) by Operating Activities:	
Depreciation	46,926
Donated Commodities	130,333
On-Behalf Payments	113,146
Changes in Assets and Liabilities	
Inventory	-
Accounts Payable	(148)
Net Cash used by Operating Activities	$ (1,060,310)
Schedule of Non-cash Transactions:	
Donated Commodities Received from Federal Government	$ 113,148
State On-behalf Payments	130,333

See accompanying notes to financial statements

ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Agency Funds
ASSETS	
Cash	$ 442,017
Accounts Receivable	-
TOTAL ASSETS	$ 442,017
LIABILITIES	
Accounts Payable	$ -
Due to Student Groups	442,017
TOTAL LIABILITIES	$ 442,017

See accompanying notes to financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Allen County Board of Education (Board), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Allen County School 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.

During the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definintions."* The standard established the fund balance categories of nonspendable, restricted, committed, assigned and unassigned. Information concerning the District's fund balances can be found in Note C.

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

The financial statements of the Board also include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing Board. Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Allen County School District Finance Corporation – In July 1985, the Allen County, Kentucky, Board of Education resolved to authorize the establishment of the Allen County School District Finance Corporation (a non-profit, non-stock, public, and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The board members of the Allen County Board of Education also comprise the Corporation's board of directors.

Basis of Presentation

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

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

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

The District has the following funds:

I. <u>Governmental Fund Types</u>

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

(B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 42. This is a major fund of the District.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. The FSPK Fund is a major fund.

3. The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction. The Construction Fund is a major fund.

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

II. Proprietary Fund Types (Enterprise Fund)

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

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

III. Fiduciary Fund Type

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Basis of Accounting

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

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

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

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2014, to finance the General Fund operations were $.574 per $100 valuation for real property, $.574 per $100 valuation for business personal property and $.518 per $100 valuation for motor vehicles.

Capital Assets

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Interfund Balances

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

Budgetary Process

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

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

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

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than $50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

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

Inventories

On government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2014 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Accrued Liabilities and Long-Term Obligations

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

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

Net position

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

Operating Revenues and Expenses

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

Contributions of Capital

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

Interfund Activity

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

NOTE B - ESTIMATES

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

NOTE C – FUND BALANCES

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2014, there were no nonspendable fund balances.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2014, the district had $6,453,111 restricted for capital projects in the Construction Fund, $292,436 restricted for capital projects in the FSPK Fund, $11,152 restricted for SFCC in the FSPK Fund, $2,223,477 for bond escrow in the Debt Service Fund and $472 restricted for SFCC in the SEEK Capital Outlay Fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. At June 30, 2014 the district had $226,688 for Site-Based Carryforward in the General Fund.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. At June 30, 2014 there were no assigned fund balances.

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

NOTE D – CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. At June 30, 2014, $7,814,554 of the District's bank balance of $8,929,777 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

NOTE E – LONG-TERM OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the Board's future obligations to make payments relating to the bonds issued by the Allen County School District Finance Corporation.

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

ISSUE		
2003 R	$ 2,190,000	1.85%
2004	1,320,000	4.14%
2005 R	5,650,000	3.48%
2005	4,020,000	3.95%
2006	565,000	4.10%
2007	690,000	3.94%
2010	16,115,000	4.75%
2012	4,970,000	2.40%
2013	9,505,000	3.53%
Total	$ 45,025,000	

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

The District has "participation agreements" with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The following table sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to scheduled maturity, the minimum obligations of the funds at June 30, 2014 for debt service (principal and interest) are as follows:

	ALLEN COUNTY			STATE			
	Principal	Interest	Total	Principal	Interest	Total	Total
6/30/2015	$ 1,142,797	$ 548,686	$ 1,691,483	$ 257,203	$ 909,161	$ 1,166,364	$ 2,857,847
6/30/2016	1,174,912	515,241	1,690,153	265,088	901,276	1,166,364	2,856,517
6/30/2017	1,216,744	479,991	1,696,735	273,256	893,109	1,166,365	2,863,100
6/30/2018	1,074,471	437,007	1,511,478	255,529	884,479	1,140,008	2,651,486
6/30/19-23	5,834,814	1,725,970	7,560,784	1,410,186	4,289,859	5,700,045	13,260,829
6/30/24-28	3,179,227	883,229	4,062,456	17,060,773	3,669,462	20,730,235	24,792,692
6/30/29-33	2,754,547	404,536	3,159,083	640,453	89,245	729,698	3,888,781
6/30/2034	607,485	12,150	619,635	117,515	2,350	119,865	739,500
Grand Total	$ 16,984,997	$ 5,006,810	$ 21,991,807	$20,280,003	$11,638,941	$ 31,837,374	$ 53,910,752

NOTE E – LONG-TERM OBLIGATIONS CONTINUED

Accumulated Unpaid Sick Leave Benefits

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

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

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

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

Long-term liability for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Revenue bonds payable	$29,030,000	$9,505,000	$ 1,270,000	$ 37,265,000	$ 1,400,000
Accrued sick leave	470,019	126,031	182,528	413,522	7,455
Governmental Activities:					
Long-term liabilities	$29,500,019	$9,631,031	$ 1,452,528	$ 37,678,522	$ 1,407,455

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

NOTE F – RETIREMENT PLANS

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

KTRS 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 publically 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 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members before July 1, 2008 and 14.105% of salaries for members after July 1, 2008. The federal program for any salaries paid by that program pays the matching contribution of 14.605%. Effective July 1, 2008, employer contribution for non-federal funded employee salaries is 1.5%

NOTE F – RETIREMENT PLANS CONTINUED

KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

The Allen County Public School District's total payroll for the year was $15,731,883. The following table shows the salaries and contributions for employees covered under KTRS:

	KTRS Salaries	Commonwealth Contributions	School District Contributions
2014	$11,807,767	$1,442,648	$134,942
2013	$11,606,461	$1,406,685	$119,133
2012	$11,887,609	$1,387,649	$189,592

The School District's contribution represents employees covered by federal programs.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS). Funding for the Plan is provided through payroll withholdings of 5% for those employees participating in CERS before September 1, 2008 and 6% for those employees participating in CERS on or after September 1, 2008 and a District contribution for the years ended June 30, 2014, 2013, 2012, of ,18.89%, 19.55% and 18.96% of the employee's total compensation subject to contribution. The contribution rate is actuarially determined. The following table shows the salaries and contributions for employees covered under CERS:

	CERS Salaries	District Contributions	Employee Contributions
2014	$ 3,712,950	$ 701,352	$ 201,038
2013	$ 3,728,926	$ 729,332	$ 202,008
2012	$ 3,936,943	$ 746,449	$ 202,912

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

Additional information and historical trend information can be obtained from the separately issued Teacher Retirement System of Kentucky Comprehensive Annual Financial Report.

Deferred Compensation

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

NOTE G - CONTINGENCIES

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

NOTE H- LITIGATION

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

NOTE I – INSURANCE AND RELATED ACTIVITIES

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

NOTE J – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notices. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

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

NOTE K – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	* BALANCE JULY 1, 2013	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2014
Governmental Activities:				
Non-Depreciable Assets				
Land	$ 1,001,750	$ -	$ -	$ 1,001,750
Land improvements	4,196,182	230,540	-	4,426,722
Buildings and building improvements	41,060,209	-	-	41,060,209
Technology equipment	2,751,719	-	-	2,751,719
Vehicles	3,231,766	-	-	3,231,766
General equipment	831,310	49,244	(6,755)	873,799
Construction in Progress	18,912,061	5,402,421	(230,540)	24,083,942
Totals at historical cost:	$71,984,997	$ 5,682,205	$ (237,295)	$77,429,907
Less Accumulated Depreciation For:				
Land improvements	$ 1,442,643	$ 186,973	$ -	$ 1,629,616
Buildings and building improvements	12,907,815	878,948	-	13,786,763
Technology equipment	2,322,226	130,223	-	2,452,449
Vehicles	2,747,581	129,508	-	2,877,089
General equipment	716,875	21,130	(6,755)	731,250
Total accumulated depreciation:	$20,137,140	$ 1,346,782	$ (6,755)	$21,477,167
Governmental Activities Capital Assets Net	$51,847,857	$ 4,335,423	$ (230,540)	$55,952,740

DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:

Instructional	$ 1,075,383
Student support services	317
District administration	54,484
Plant operation & maintenance	98,194
Student transportation	128,942
Community service operations	439
Total	$ 1,346,782

Business Type Activities:				
Land improvements	$ 9,690	$ -	$ -	$ 9,690
Buildings and building improvements	287,750	-	-	287,750
Technology equipment	23,815	-	-	23,815
General equipment	827,809	-	(2,650)	825,249
Totals at historical cost:	$ 1,149,064	$ -	$ (2,650)	$ 1,146,414
Less Accumulated Depreciation For:				
Land improvements	$ 2,180	$ 485	$ -	$ 2,665
Buildings and building improvements	26,857	5,755	-	32,612
Technology equipment	18,559	1,752	-	20,311
General equipment	660,379	38,935	2,650	696,754
Total accumulated depreciation:	$ 707,975	$ 46,927	$ 2,650	$ 752,342
Proprietary Activities Capital Assets Net	$ 441,089	$ (46,927)	$ -	$ 394,162

*See Note R

NOTE L – DEFICIT OPERATING BALANCES

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

General Fund	$ 575,690

NOTE M - COBRA

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

NOTE N - TRANSFER OF FUNDS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	Transfer	$ 41,888
Seek Capital Outlay	General	Transfer	262,302
FSPK	Debt Service	Bond Payment	2,343,076
Food Service	General	Transfer	70,961
			$ 2,718,227

NOTE O – CAPITAL LEASES

The District is party to numerous small operating leases for office equipment such as copiers, postage machines and fax machines, which represent an insignificant obligation.

NOTE P – INTERFUND RECEIVABLE AND PAYABLES

There were no interfund receivables and payables at June 30, 2014

NOTE Q – ON-BEHALF PAYMENTS

For the year ended June 30, 2014, the Commonwealth of Kentucky contributed estimated payments on-behalf of the District's employees of $4,693,885 to the health insurance carriers, flexible spending account vendors and KTRS. GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, establishes accounting and reporting standards for on-behalf payments. In accordance with the standard, the District recognized an expense and revenue for this payment on the District-Wide Financial Statements.

NOTE R – NET POSITION ADJUSTMENT

For the year ended June 30, 2014, the District adopted GASB 65 *Items Previously Reported as Assets and Liabilities.* As a result of this adoption, the beginning net assets of the governmental fund activities have been decreased by $426,683. Additionally, beginning fixed assets were adjusted by $1,999,417 for an accounting error. The governmental funds had a balance at June 30, 2013 of $29,513,391. The balance should have been $27,087,291. The changes are the result of write off of the amortized costs associated with the deferred loss on a bond's refunding. The net effect of these restatements was $2,426,100.

NOTE S – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 7, 2014, the date the financial statements were available to be issued.

NOTE T – IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPALS

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

In June 2010, the GASB issued Statement 59, *Financial Instruments Omnibus.* GASB 59 updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The requirements of this Statement will improve financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards. This Statement is effective for financial statements for periods beginning after June 15, 2010. The District adopted GASB Statement 59 in fiscal year 2012. The adoption of GASB 59 did not have any impact on the District's financial statements.

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

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

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

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

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

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities.* GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012 and the District adopted GASB 65 in fiscal year 2014 which resulted in a restatement of beginning net position of $426,683 for bond issuance costs previously being amortized.

In March 2012, the GASB issued Statement 66, *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62.* GASB 66 was issued to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This statement is effective for periods beginning after December 15, 2012 and the District adopted GASB 65 in fiscal year 2014. There was no effect on the financial statements.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27.* GASB 68, as amended by GASB 71 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

ALLEN COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL- GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2014

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET FAVORABLE
	ORIGINAL	FINAL	ACTUAL	(UNFAVORABLE)
REVENUES:				
From local sources:				
Taxes:				
Property	$ 3,120,374	$ 3,175,695	$ 2,989,518	$ (186,177)
Motor Vehicle	323,781	333,269	321,549	(11,720)
Unmined Minerals	-	-	10,696	10,696
Tuition & Fees	45,298	39,340	36,235	(3,105)
Earnings on Investments	25,000	16,875	21,445	4,570
Other Local Revenues	175,415	110,600	193,082	82,482
Intergovernmental - State	12,258,872	16,251,052	16,127,000	(124,052)
Intergovernmental - Indirect Federal	100,000	100,000	86,750	(13,250)
TOTAL REVENUES	$ 16,048,740	$ 20,026,831	$ 19,786,275	$ (240,556)
EXPENDITURES:				
Current:				
Instruction:	$ 9,487,899	$ 12,661,226	$ 12,293,971	$ 367,255
Support Services:				
Student	706,194	964,231	969,038	(4,807)
Instructional Staff	803,053	956,157	916,970	39,187
District Administration	683,356	727,849	700,285	27,564
School Administration	1,050,882	1,363,381	1,366,552	(3,171)
Business	361,268	574,511	592,017	(17,506)
Plant Operations and Maintenance	2,158,679	2,143,570	2,179,993	(36,423)
Student Transportation	1,528,014	1,596,383	1,595,233	1,150
Community Services	38,582	39,400	39,281	119
Contingency	1,289,763	1,751,168	-	1,751,168
TOTAL EXPENDITURES	$ 18,107,690	$ 22,777,876	$ 20,653,340	$ 2,124,536
Excess (deficit) of revenues over expenditures	$ (2,058,950)	$ (2,751,045)	$ (867,065)	$ 1,883,980
OTHER FINANCING SOURCES (USES):				
Transfers In	$ 355,468	$ 334,980	$ 333,263	$ (1,717)
Transfers Out	(23,500)	(44,250)	(41,888)	2,362
TOTAL OTHER FINANCING SOURCES (USES):	$ 331,968	$ 290,730	$ 291,375	$ 645
Net Changes In Fund Balances	$ (1,726,982)	$ (2,460,315)	$ (575,690)	$ 1,884,625
Fund Balance July 1, 2013	1,726,982	2,460,315	2,460,314	(1)
Fund Balance June 30, 2014	$ -	$ -	$ 1,884,624	$ 1,884,624

ALLEN COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL- SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2014

	BUDGETED AMOUNTS			VARIANCE FAVORABLE
	ORIGINAL	FINAL	ACTUAL	(UNFAVORABLE)
REVENUES:				
From local sources:				
Earnings on investments	$ -	$ -	$ 877	$ 877
Other local revenues	118,042	127,000	276,844	149,844
Intergovernmental - State	1,007,891	1,034,438	984,317	(50,121)
Intergovernmental - Federal	1,669,621	1,762,707	2,002,622	239,915
TOTAL REVENUES	$2,795,554	$ 2,924,145	$ 3,264,660	$ 340,515
EXPENDITURES:				
Current:				
Instruction:	$2,409,164	$ 2,518,572	$ 2,817,981	$ (299,409)
Support Services:				
Student	18,252	14,764	17,038	(2,274)
Instructional Staff	59,540	57,050	59,827	(2,777)
School Administration	28,536	28,666	29,005	(339)
Business	48,466	43,834	48,234	(4,400)
Plant Operations and Maintenance	62,402	60,466	56,997	3,469
Student Transportation	12,877	41,969	43,464	(1,495)
Community Services	198,317	203,074	234,002	(30,928)
TOTAL EXPENDITURES	$2,837,554	$ 2,968,395	$ 3,306,548	$ (338,153)
Excess (deficit) of Revenues over Expenditures	$ (42,000)	$ (44,250)	$ (41,888)	$ 2,362
OTHER FINANCING SOURCES (USES):				
Transfers In	$ 42,000	$ 44,250	$ 41,888	$ (2,362)
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES):	$ 42,000	$ 44,250	$ 41,888	$ (2,362)
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	$ -	$ -	$ -	$ -
Fund Balance July 1, 2013	-	-	-	-
Fund Balance June 30, 2014	$ -	$ -	$ -	$ -

SUPPLEMENTARY INFORMATION

ALLEN COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS

June 30, 2014

	SEEK CAPITAL OUTLAY FUND	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS:			
Cash and Cash Equivalents	$ 472	$ -	$ 472
Cash - Restricted	-	2,223,477	2,223,477
Receivables			-
TOTAL ASSETS:	$ 472	$ 2,223,477	$ 2,223,949
LIABILITIES AND FUND BALANCE:			
LIABILITIES:			
Accounts Payable	$ -	$ -	$ -
TOTAL LIABILITIES	$ -	$ -	$ -
FUND BALANCES			
Restricted:			
SFCC	$ 472	$ -	$ 472
Bond Escrow	-	2,223,477	2,223,477
TOTAL FUND BALANCES:	$ 472	$ 2,223,477	$ 2,223,949
TOTAL LIABILITIES AND FUND BALANCES	$ 472	$ 2,223,477	$ 2,223,949

ALLEN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	SEEK CAPITAL OUTLAY FUND	DEBT SERVICE FUND	TOTAL NON-MAJOR FUNDS
REVENUES:			
From Local Sources:			
Taxes:			
Property	$ -	$ -	$ -
Earnings on Investments	-	-	-
Other Local Revenues	-	-	-
Intergovernmental - State	262,302	281,039	543,341
TOTAL REVENUES	$ 262,302	$ 281,039	$ 543,341
EXPENDITURES:			
Current:			
Instruction:	$ -	$ -	$ -
Faculity Acquisition and Construction	-	-	-
Plant Operations & Maintenance	-	-	-
Debt Service:			
Principal	-	1,270,000	1,270,000
Interest	-	612,956	612,956
Other	-	-	-
TOTAL EXPENDITURES	$ -	$ 1,882,956	$ 1,882,956
Excess (deficit) of Revenues over Expenditures	$ 262,302	$ (1,601,917)	$ (1,339,615)
OTHER FINANCING SOURCES (USES):			
Transfers In	$ -	$ 2,343,076	$ 2,343,076
Transfers Out	(262,302)	-	(262,302)
TOTAL OTHER FINANCING SOURCES (USES):	$ (262,302)	$ 2,343,076	$ 2,080,774
Net Changes in Fund Balances	$ -	$ 741,159	$ 741,159
Fund Balance, July 1, 2013	472	1,482,318	1,482,790
Fund Balance, June 30, 2014	$ 472	$ 2,223,477	$ 2,223,949

ALLEN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION- AGENCY FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	Allen County High School	Allen County Middle School	Allen County Primary Center	Allen County Intermediate Center	Allen County Vocational Center	Allen County Family Resource Center	Allen County Community Resource Center	Total
ASSETS								
Cash	$ 162,492	$ 134,220	$ 41,038	$ 34,275	$ 25,056	$ 4,355	$ 40,581	$ 442,017
TOTAL ASSETS	$ 162,492	$ 134,220	$ 41,038	$ 34,275	$ 25,056	$ 4,355	$ 40,581	$ 442,017
LIABILITIES								
Due to Student Groups	$ 162,492	$ 134,220	$ 41,038	$ 34,275	$ 25,056	$ 4,355	$ 40,581	$ 442,017
TOTAL LIABILITIES	$ 162,492	$ 134,220	$ 41,038	$ 34,275	$ 25,056	$ 4,355	$ 40,581	$ 442,017

ALLEN COUNTY SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Allen County High School	Allen County Middle School	Allen County Primary Center	Allen County Intermediate Center	Allen County Vocational Center	Allen County Family Resource Center	Allen County Community Resource Center	Total
Cash Balances, July 1, 2013	$ 159,565	$ 124,756	$ 33,206	$ 30,874	$ 15,154	$ 7,344	$ 41,027	$ 411,926
Receipts	256,497	82,847	52,222	50,044	90,441	93,347	18,751	644,149
Disbursements	253,570	73,383	44,390	46,643	80,539	96,336	19,197	614,058
Cash Balances, June 30, 2014	$ 162,492	$ 134,220	$ 41,038	$ 34,275	$ 25,056	$ 4,355	$ 40,581	$ 442,017
Due To Student Groups, June 30, 2014	$ 162,492	$ 134,220	$ 41,038	$ 34,275	$ 25,056	$ 4,355	$ 40,581	$ 442,017

ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
ALLEN COUNTY HIGH SCHOOL ACTIVITY FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

ACCOUNTS:	Cash Balance 07/01/13	Receipts	Disbursements	Cash Balance 06/30/14	Due To Student Groups 06/30/14
General	$ 6,721	$ 4,526	$ 4,226	$ 7,021	$ 7,021
Boys Basketball	1,581	10,613	10,028	2,166	2,166
Girls Basketball	4,026	10,508	9,828	4,706	4,706
Football	12,729	31,283	42,610	1,402	1,402
Baseball	2,665	2,075	4,446	294	294
Agriculture	90	-	-	90	90
Annual	28,086	34,767	35,012	27,841	27,841
Art	49	-	19	30	30
Academic Team	141	-	135	6	6
Band	3	45	45	3	3
Beta	963	10,770	9,262	2,471	2,471
Black Heritage	1,999	260	-	2,259	2,259
Cheerleaders	1,330	4,323	5,294	359	359
Chess	315	-	315	-	-
Chorus	320	724	418	626	626
Co-Ed-Y	91	2,955	2,706	340	340
Class Fees	60	-	-	60	60
English	2,415	-	23	2,392	2,392
Faculty Concessions	1,141	1,643	2,768	16	16
FFA	22,047	36,923	31,372	27,598	27,598
FHA	798	7,374	6,905	1,267	1,267
Home Economics	755	737	811	681	681
Library	915	359	85	1,189	1,189
Library Club	4	-	-	4	4
Math	126	-	45	81	81
Pep Club	1,512	2,164	2,893	783	783
P.E.	94	-	-	94	94
Prom	12,485	6,400	4,965	13,920	13,920
Retailing	107	-	-	107	107
Science	565	575	588	552	552
Seniors	118	2,573	2,120	571	571
Social Studies	496	-	-	496	496
Sophomores	116	-	-	116	116
Spanish Club	853	90	-	943	943
Spanish	241	-	-	241	241
Student Council	25	580	587	18	18
Special Education	379	-	-	379	379
Track	27	214	204	37	37
Drivers Ed	242	-	-	242	242
Soda/YOU Club	349	1,000	-	1,349	1,349
Sub Total	$ 106,979	$ 173,481	$ 177,710	$ 102,750	$ 102,750

ALLEN COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
ALLEN COUNTY HIGH SCHOOL ACTIVITY FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

ACCOUNTS	Cash Balance 06/30/13	Receipts	Disbursements	Cash Balance 06/30/14	Due To Student Groups 06/30/14
Preceding Page	$ 106,979	$ 173,481	$ 177,710	$ 102,750	$ 102,750
Cross Country	1,604	1,718	2,020	1,302	1,302
FCA	264	2,387	2,388	263	263
Youth Service	954	-	-	954	954
Softball	1,459	3,944	4,833	570	570
Golf	7	1,151	-	1,158	1,158
Tennis	1,473	2,178	1,992	1,659	1,659
Literary Club	1,311	1,440	1,089	1,662	1,662
Health	503	-	25	478	478
Regional Tournament	-	18,332	18,332	-	-
Concessions	6,764	3,216	1,763	8,217	8,217
Renaissance	43	-	-	43	43
District Tournament	-	-	-	-	-
Speech Club	-	465	255	210	
Art Club	44	188	150	82	82
Humanities	192	-	-	192	192
Computer Science	279	-	-	279	279
Attendance Incentivies	4,826	250	-	5,076	5,076
Athletic Hold Money	-	400	400	-	-
Volleyball	89	3,926	3,762	253	253
Athletic Director	2,285	80	425	1,940	1,940
Guidance	1,729	21,961	22,196	1,494	1,494
Newspaper	274	-	-	274	274
Information Technology	561	-	-	561	561
History Club	415	85	-	500	500
Gary Shelton Memorial Scholars	499	-	499	-	-
Associate Athletic Account	18,990	9,091	4,870	23,211	23,211
Drama	1,624	2,455	1,289	2,790	2,790
FEA	133	-	-	133	133
Science Olympiad	224	480	630	74	74
Boys Region 3 Golf	2,373	850	942	2,281	2,281
Broadcasting	114	-	110	4	4
FMD	20	-	-	20	20
Faculty Flower Fund	596	-	235	361	361
NSSP	957	-	-	957	957
Swim	11	1,706	138	1,579	1,579
Chess Club	110	558	73	595	595
ROTC	1,200	10,193	10,823	570	570
ACS Regional FFA	659	500	1,159	-	-
SAF - Fishing Team	-	320	320	-	-
Total	$ 159,565	$ 261,355	$ 258,428	$ 162,492	$ 162,282

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ALLEN COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Passthrough Grantor/Program Title	Federal CFDA number	Pass through grantor's number	Expenditures
U.S. Department of Agriculture			
Passed through State Department of Education:			
Child Nutrition Cluster-Cash Assistance:			
School Breakfast Program	10.553	002-005-03	$ 291,109
National School Lunch Program	10.555	002-005-03	852,623
Summer Food Service Program For Children	10.559	002-005-23	21,600
			$ 1,165,332
Other U.S. Department of Agriculture Programs:			
Passed Through State Dept of Agric.:			
Non Cash Assistance-In-kind commodities	10.555	002-005-03	113,148
Total U.S. Department of Agriculture			$ 1,278,480
U.S. Department of Education			
Passed through the State Department of Education:			
Title I			
Title I Grant to Local Educational Agencies	84.010	3104	$ 748,896
Title I Grant to Local Educational Agencies	84.010	3104M	2,058
Title I Grant to Local Educational Agencies	84.010	3103	289,558
Title I Grant to Local Educational Agencies	84.010A	3103M	9,184
Title I Grant to Local Educational Agencies	84.010	3102M	867
			$ 1,050,563
Total Title I			$ 1,050,563
Special Education Cluster(IDEA)			
Special Education-Grants to States	84.027	3374	$ 488,232
Special Education-Grants to States	84.027	3373	124,512
			$ 612,744
Special Education-Preschool Grants	84.173	3434	20,292
Special Education-Preschool Grants	84.173	3433	2,891
			$ 23,183
Improving Teacher Quality State Grants	84.367	4014	$ 90,112
Improving Teacher Quality State Grants	84.367	4013	19,413
			$ 109,525
Career and Technical Education-Basic Grants To States	84.048	3484	$ 40,288
Career and Technical Education-Basic Grants To States	84.048	3484S	2,112
Career and Technical Education-Basic Grants To States	84.048	3483	1,899
Career and Technical Education-Basic Grants To States	84.048	3483A	2,190
			$ 46,489
Early Reading First	84.359B	3504	$ 1,198
Early Reading First	84.359B	3503	56,735
Early Reading First	84.359B	3502	24,351
			$ 82,284
Adult Education- State Grant Programs	84.002	3654	$ 9,267
Adult Education- State Grant Programs	84.002	3733	299
Adult Education- State Grant Programs	84.002	3734S	585
			$ 10,151
Race To the Top	84.413A	4521	$ 13,663
Total Department of Education			$ 1,948,602
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 3,227,082

The accompanying notes are an integral part of the schedule

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ALLEN COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Allen 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 disbursed. At June 30, 2014, the District received commodities totaling $113,148 for the year.

NOTE C – SUBRECIPIENTS

The District has no subrecipients for the fiscal year ended June 30, 2014.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ALLEN COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued (unmodified):

Internal control over financial reporting:

- Material weakness(es) identified? _____yes __X_no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____yes __X none reported

Noncompliance material to financial statements noted? _____yes __X_no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____yes __X_no
- Significant deficiency(ies) identified that is not considered to be material weakness(es)? _____yes __X_none reported

Type of auditor's report issued on compliance for major programs (unmodified):

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____yes __X_no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555, & 10.559	Child Nutrition Cluster
84.010	Title I Cluster

Dollar threshold used to distinguish Between type A and type B programs: $___300,000

Auditee qualified as low-risk auditee? ___X__yes _____no

ALLEN COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

ALLEN COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2014

There were no prior year audit findings.

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*

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

Members of the Board of Education
Allen County School District
Scottsville, 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 Allen County Board of Education, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Allen County Board of Education's basic financial statements, and have issued our report thereon dated November 7, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Allen County Board of Education'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

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accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Independent Auditor's Contract*.

We noted certain matters that we reported to management of Allen County Board of Education in a separate letter dated November 7, 2014.

Purpose of this Report

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

Goodman & Weber PSC

GOODMAN & WEBER, P.S.C.
Certified Public Accountants
Louisville, Kentucky
November 7, 2014

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

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

Members of the Board of Education
Allen County School District
Scottsville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Allen County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Allen County Board of Education's major federal programs for the year ended June 30, 2014. Allen County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Allen County Board of Education'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 Allen County Board of Education'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 Allen County Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, Allen County Board of Education, 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, 2014.

Report on Internal Control Over Compliance

Management of Allen County Board of Education, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to

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above. In planning and performing our audit of compliance, we considered Allen County Board of Education'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 Allen County Board of Education'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.

Goodman & Weber PSC

GOODMAN & WEBER, P.S.C.
Certified Public Accountants
Louisville, Kentucky
November 7, 2014

COMMUNICATION WITH DISTRICT BOARD

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In planning and performing our audit of the basic financial statements of Allen County School District for the year ended June 30, 2014, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated November 7, 2014 contains our report on the District's internal control. This letter does not affect our report dated November 7, 2014, on the financial statements of Allen County Board of Education.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and their implementation is currently being reviewed. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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

Goodman + Weber PSC

GOODMAN & WEBER, P.S.C
Certified Public Accountants
Louisville, Kentucky
November 7, 2014

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COMMENTS

Fiduciary Funds – School Activity Funds

1. **Condition** – During the audit, we noted that in several activity funds, there were no purchase orders completed for some expenditures.
   Criteria – The *Accounting Procedures for School Activity Funds* (Red Book) states that all expenditures must be accompanied by an approved purchase order prior to payment.
   Cause – Oversight by district employees caused the violation of the requirement.
   Recommendations – Reinforce education to all school personnel about the policy and monitor that it is enforced.
   Response – Management agrees with the finding and recommendations will be adopted.

2. **Condition** – During the audit, we noted that in several activity funds, receipts are not submitted to the school treasurer on a timely basis.
   Criteria – The *Accounting Procedures for School Activity Funds* (Red Book) states that activity sponsors must submit receipts daily, regardless of amount.
   Cause – Oversight by school employees caused the violation of the requirement.
   Recommendations – Reinforce education to all school personnel about the policy and monitor that it is enforced.
   Response – Management agrees with the finding and recommendations will be adopted.

3. **Condition** – During the audit, we noted that in one activity fund, the Monthly/Annual Financial Report was not being completed properly.
   Criteria – The *Accounting Procedures for School Activity Funds* (Red Book) states that the Monthly/Annual Financial report (Form F-SA-15A) requires that each activity account be separately listed, with beginning balance, receipts, expenditures and ending balances for each activity be shown.
   Cause – Oversight by school employees caused the violation of the requirement.
   Recommendations – Reinforce education to all school personnel about the policy and monitor that it is enforced.
   Response – Management agrees with the finding and recommendations will be adopted.