

ANDERSON COUNTY BOARD OF EDUCATION
Lawrenceburg, Kentucky

FINANCIAL STATEMENTS
June 30, 2014

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**ANDERSON COUNTY SCHOOL DISTRICT
LAWRENCEBURG, KY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

As management of the Anderson 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 beginning cash balance, including activity funds, for the District was \$2,240,833.
The ending cash balance, including activity funds, for the District was \$1,430,414.

The General Fund had \$25,802,609 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding inter-fund transfer, there were \$26,132,420 in General Fund expenditures. This includes on-behalf payments.

The District levied tax rates of 57.0 cents (real estate), 57.0 cents (tangible property) and 51.3 cents (motor vehicles) per \$100 of assessed value, and continued the 3% utility tax.

The Board purchased two school buses to help get back on track with the replacement cycle, The fleet is aging and replacement will need to occur to avoid increasing repair bills.

All staff received a step increase for an additional year's experience for the 2013-2014 school year.

During the course of the FY14 audit, the auditors discovered that there was an old receivable balance in the Special Revenue Fund in the amount of \$380,000. Due to the age of the receivable, it was deemed uncollectible and the related expenses had to be moved the General Fund, which has negatively affected the ending balance of the General Fund. An action plan is being developed by the Finance Director and Superintendent to review Special Revenue Fund accounts on a routine basis to ensure that all reimbursements for expenditures are requested on a timely basis so that such an incidence does not occur in the future.

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.

District-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.

**ANDERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

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

The district-wide financial statements can be found on pages 8 and 9 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 fund is food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10-14 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 16-33 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$2.3 million as of June 30, 2014.

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

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

**ANDERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

Net position for the period ending June 30, 2014 and June 30, 2013

	Governmental Activities	Business-type Activities	Total Primary Government June 30, 2014	Total Primary Government June 30, 2013
Current Assets	\$ 2,621,111	\$ 446,758	\$ 3,067,869	\$ 3,557,599
Noncurrent Assets	50,081,910	112,016	50,193,926	51,894,601
Total Assets	52,703,021	558,774	53,261,795	55,452,200
Current Liabilities	3,562,991	4,710	3,567,701	3,478,199
Noncurrent Liabilities	46,705,181	-	46,705,181	49,171,060
Total Liabilities	50,268,172	4,710	50,272,882	52,649,259
Net invested in capital assets	1,273,066	112,016	1,385,082	1,424,382
Restricted	1,687,468	442,048	2,129,516	2,008,078
Unrestricted Fund Balance	(525,685)	-	(525,685)	(629,519)
Total Net Position	\$ 2,434,849	\$ 554,064	\$ 2,988,913	\$ 2,802,941

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

	Governmental	Business-type	Total Primary Government 2014	Total Primary Government 2013
Revenues				
Local Revenue Sources	\$ 10,824,638	\$ -	\$ 10,824,638	\$ 10,623,210
State Revenue Sources	20,293,050	217,879	20,510,929	21,328,587
Federal Revenue Sources	2,686,519	1,174,762	3,861,281	3,581,807
Investments	39,729	1,406	41,135	34,586
Lunchroom sales	-	618,767	618,767	735,028
Other	-	270,740	270,740	267,612
Total Revenues	33,843,936	2,283,554	36,127,490	36,570,830
Expenses				
Instruction	21,579,908	-	21,579,908	21,551,840
Student Support Services	602,591	-	602,591	614,103
Instructional Support	1,595,478	-	1,595,478	1,743,807
District Administration	918,812	-	918,812	1,033,192
School Administration	1,612,520	-	1,612,520	1,672,724
Business Support	393,688	-	393,688	325,861
Plant Operations	2,571,485	-	2,571,485	2,434,558
Student Transportation	2,138,426	-	2,138,426	2,363,656
Community Services	228,090	-	228,090	276,029
Food Service	-	2,030,768	2,030,768	2,041,076
Day Care	-	386,430	386,430	366,569
Interest	1,883,322	-	1,883,322	2,425,627
Total Expenses	33,524,320	2,417,198	35,941,518	36,849,042
Revenue in Excess (Deficit) of Expenses				
Transfers	15,558	(15,558)	-	-
Gain (Loss) on sale of assets	-	-	-	(262,191)
Change in net position	\$ 335,174	\$ (149,202)	\$ 185,972	\$ (540,403)

The government's overall financial position and results of operations increase as a result of the year's operations as reflected in the increase in net position for the year.

**ANDERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

FUND FINANCIAL ANALYSIS

Analysis of balances and transactions of individual funds

Fund	Beginning	Revenues	Expenses	Transfer	Ending
General Fund	\$ 1,403,821	\$ 25,802,609	\$ 26,132,420	\$ (410,992)	\$ 663,018
Special Revenue	\$ -	\$ 3,533,240	\$ 3,959,790	\$ 426,550	\$ -
Capital Outlay	\$ -	\$ 341,249	\$ -	\$ (330,843)	\$ 10,406
Building	\$ 79,502	\$ 3,616,761	\$ -	\$ (3,616,761)	\$ 79,502
Construction	\$ 228,788	\$ -	\$ 27,545	\$ -	\$ 201,243
Debt Service	\$ 602,694	\$ 550,077	\$ 4,223,111	\$ 3,947,604	\$ 877,264

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget for 2014-2015 with \$706,898 in contingency, which is 3.04 percent.

Comments on Budget Comparisons

The original budget was amended to reflect changes in the site based allocations and anticipated revenues. The changes made were based on more accurate data being available after the first couple of months of the fiscal year.

INFRASTRUCTURE

The District has not reported any infrastructure in the current financial statements.

CAPITAL ASSETS AND LONG-TERM DEBT

Governmental	Beginning	Additions	Deductions	Ending
Capital Assets	\$ 71,082,184	\$ 233,865	\$ 52,844	\$ 71,263,205
Accumulated Depreciation	\$ 19,351,241	\$ 1,882,898	\$ 52,844	\$ 21,181,295
Business-Type				
Capital Assets	\$ 871,955	\$ -	\$ -	\$ 871,955
Accumulated Depreciation	\$ 729,524	\$ 30,415	\$ -	\$ 759,939
Bonds Payable	\$ 50,696,000	\$ -	\$ 2,310,000	\$ 48,386,000
Capital Lease Payable	\$ 364,482	\$ -	\$ 121,494	\$ 242,988
Sick Leave Payable	\$ 230,322	\$ -	\$ 6,296	\$ 224,026
KSBIT	\$ 172,928	\$ -	\$ -	\$ 172,928
Premium on Bonds	\$ 191,568	\$ -	\$ 11,712	\$ 179,856

**ANDERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

CURRENT ISSUES

The District anticipates a reduction in federal funds again this year.

The board approved a 4% tax increase setting real estate and tangible property taxes at 58.5 cents per \$100 of assessed value.

Contacting the District's Financial Management

Questions regarding this report should be directed to Nick Clark, Chief Financial Officer
1160 Bypass North, Lawrenceburg, KY 40342, 502-839-3406.

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives.



Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

To the State Committee for School District Audits and
Members of the Board of Education
Anderson County School District
Lawrenceburg, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Anderson County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Anderson County School District, as of 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.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1–5 and 34–35 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 Anderson County School District's basic financial statements. The combining nonmajor fund financial statements, combining and individual fiduciary financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2014, on our consideration of the Anderson County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Anderson County School District's internal control over financial reporting and compliance.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
November 13, 2014

ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 698,974	\$ 415,501	\$ 1,114,475
Accounts receivable	1,515,097	3,855	1,518,952
Inventory	-	27,402	27,402
Prepaid expenses	407,040	-	407,040
Total current assets	<u>2,621,111</u>	<u>446,758</u>	<u>3,067,869</u>
Noncurrent assets			
Land and construction in progress	2,516,231	-	2,516,231
Other capital assets, net of depreciation	47,565,679	112,016	47,677,695
Total noncurrent assets	<u>50,081,910</u>	<u>112,016</u>	<u>50,193,926</u>
Total assets	<u>\$ 52,703,021</u>	<u>\$ 558,774</u>	<u>\$ 53,261,795</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 155,685	\$ 4,710	\$ 160,395
Accrued salaries and benefits payable	173,026	-	173,026
Unearned revenues	460,967	-	460,967
Interest payable	272,696	-	272,696
KSBIT assessment - current	27,649	-	27,649
Capital lease - current	107,968	-	107,968
Bond obligations - current	2,365,000	-	2,365,000
Total current liabilities	<u>3,562,991</u>	<u>4,710</u>	<u>3,567,701</u>
Noncurrent liabilities			
Compensated absences	224,026	-	224,026
KSBIT assessment - noncurrent	145,279	-	145,279
Capital lease - noncurrent	135,020	-	135,020
Bond obligations	46,200,856	-	46,200,856
Total noncurrent liabilities	<u>46,705,181</u>	<u>-</u>	<u>46,705,181</u>
Total liabilities	<u>50,268,172</u>	<u>4,710</u>	<u>50,272,882</u>
NET POSITION			
Net investment in capital assets	1,273,066	112,016	1,385,082
Restricted for			
Inventories	-	27,402	27,402
Prepays	407,040	-	407,040
Accrued sick leave	112,013	-	112,013
Food service	-	411,271	411,271
Day care	-	3,375	3,375
SFCC	79,502	-	79,502
Other	211,649	-	211,649
Debt service	877,264	-	877,264
Unrestricted	<u>(525,685)</u>	<u>-</u>	<u>(525,685)</u>
Total net position	<u>2,434,849</u>	<u>554,064</u>	<u>2,988,913</u>
Total liabilities and net position	<u>\$ 52,703,021</u>	<u>\$ 558,774</u>	<u>\$ 53,261,795</u>

The accompanying notes are an integral part
of the financial statements.

**ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
for the year ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
Instruction	\$ 21,579,908	\$ -	\$ 2,242,434	\$ -	\$ (19,337,474)	\$ -	\$ (19,337,474)
Support Services:							
Student	602,591	-	-	-	(602,591)	-	(602,591)
Instruction staff	1,595,478	-	876,838	-	(718,640)	-	(718,640)
District administrative	918,812	-	-	-	(918,812)	-	(918,812)
School administrative	1,612,520	-	-	-	(1,612,520)	-	(1,612,520)
Business	393,688	-	61,400	-	(332,288)	-	(332,288)
Plant operation and maintenance	2,571,485	-	-	-	(2,571,485)	-	(2,571,485)
Student transportation	2,138,426	-	127,516	-	(2,010,910)	-	(2,010,910)
Community service activities	228,090	-	225,052	-	(3,038)	-	(3,038)
Interest on long-term debt	1,883,322	-	-	119,056	(1,764,266)	-	(1,764,266)
Total governmental activities	33,524,320	-	3,533,240	119,056	(29,872,024)	-	(29,872,024)
Business-type activities							
Food service	2,030,768	619,337	1,320,722	-	-	(90,709)	(90,709)
Day care	386,430	270,170	71,919	-	-	(44,341)	(44,341)
Total business-type activities	2,417,198	889,507	1,392,641	-	-	(135,050)	(135,050)
Total school district	\$ 35,941,518	\$ 889,507	\$ 4,925,881	\$ 119,056	\$ (29,872,024)	\$ (135,050)	\$ (30,007,074)
General revenues							
Taxes:							
Property taxes					8,264,096	-	8,264,096
Motor Vehicle taxes					777,662	-	777,662
Utility taxes					1,314,547	-	1,314,547
State aid-formula grants					19,550,776	-	19,550,776
Investment earnings					39,729	1,406	41,135
Miscellaneous					244,830	-	244,830
Total general revenues					30,191,640	1,406	30,193,046
Transfers in (out)					15,558	(15,558)	-
Change in Net Position					335,174	(149,202)	185,972
Net position-beginning, as restated					2,099,675	703,266	2,802,941
NET POSITION-ENDING					\$ 2,434,849	\$ 554,064	\$ 2,988,913

The accompanying notes are an integral part
of the financial statements.

**ANDERSON COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 128,170	\$ (597,611)	\$ 877,264	\$ 291,151	\$ 698,974
Other receivables	421,671	1,093,426	-	-	1,515,097
Prepaid expenses	<u>407,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>407,040</u>
Total assets	<u>\$ 956,881</u>	<u>\$ 495,815</u>	<u>\$ 877,264</u>	<u>\$ 291,151</u>	<u>\$ 2,621,111</u>
LIABILITIES					
Accounts payable	\$ 120,837	\$ 34,848	\$ -	\$ -	\$ 155,685
Accrued salaries and benefits payable	173,026	-	-	-	173,026
Unearned revenues	<u>-</u>	<u>460,967</u>	<u>-</u>	<u>-</u>	<u>460,967</u>
Total liabilities	<u>293,863</u>	<u>495,815</u>	<u>-</u>	<u>-</u>	<u>789,678</u>
FUND BALANCES					
Nonspendable					
Prepays	407,040	-	-	-	407,040
Restricted					
Sick Leave Payable	112,013	-	-		112,013
SFCC	-	-	-	79,502	79,502
Other	-	-	-	211,649	211,649
Debt Service	-	-	877,264	-	877,264
Assigned - Site Base Carryforward	57,334	-	-	-	57,334
Unassigned	<u>86,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,631</u>
Total fund balances	<u>663,018</u>	<u>-</u>	<u>877,264</u>	<u>291,151</u>	<u>1,831,433</u>
Total liabilities and fund balances	<u>\$ 956,881</u>	<u>\$ 495,815</u>	<u>\$ 877,264</u>	<u>\$ 291,151</u>	<u>\$ 2,621,111</u>

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

Fund balances reported above	\$ 1,831,433
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	50,081,910
Interest accrued on general long term debt is not a current expenditure and is not reported in the funds.	(272,696)
Long-term liabilities, including bond obligations, KSBIT assessment, capital leases and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(49,205,798)</u>
Net position of governmental activities	<u>\$ 2,434,849</u>

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
for the year ended June 30, 2014

	General	Special Revenue Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
From local sources					
Property taxes	\$ 5,848,577	\$ -	\$ -	\$ 2,415,519	\$ 8,264,096
Motor vehicle taxes	777,662	-	-	-	777,662
Utility taxes	1,314,547	-	-	-	1,314,547
Earnings on investments	8,849	-	30,880	-	39,729
Other local revenues	244,830	223,503	-	-	468,333
Intergovernmental - State	17,608,144	960,748	519,197	1,204,961	20,293,050
Intergovernmental - Federal	-	2,348,989	-	337,530	2,686,519
	25,802,609	3,533,240	550,077	3,958,010	33,843,936
EXPENDITURES					
Instruction	17,255,003	2,729,416	-	-	19,984,419
Support services					
Student	545,816	-	-	-	545,816
Instruction staff	805,530	788,737	-	-	1,594,267
District administration	906,507	-	-	-	906,507
School administration	1,599,102	-	-	-	1,599,102
Business	332,162	61,399	-	-	393,561
Plant operation and maintenance	2,547,616	-	-	-	2,547,616
Student transportation	1,840,540	127,515	-	-	1,968,055
Community service activities	-	225,053	-	-	225,053
Capital outlay	178,650	27,670	-	27,545	233,865
Debt service	121,494	-	4,223,111	-	4,344,605
	26,132,420	3,959,790	4,223,111	27,545	34,342,866
Excess (deficiency) of revenues over expenditures	(329,811)	(426,550)	(3,673,034)	3,930,465	(498,930)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	110,657	473,933	3,947,604	-	4,532,194
Operating transfers out	(521,649)	(47,383)	-	(3,947,604)	(4,516,636)
	(410,992)	426,550	3,947,604	(3,947,604)	15,558
Net change in fund balances	(740,803)	-	274,570	(17,139)	(483,372)
Fund balances-beginning	1,403,821	-	602,694	308,290	2,314,805
Fund balances-ending	\$ 663,018	\$ -	\$ 877,264	\$ 291,151	\$ 1,831,433
Reconciliation to government-wide change in net position:					
Net change in fund balances					\$ (483,372)
add: capital outlay expenditures capitalized					233,865
add: debt service expenditures					4,344,605
change in long term compensated absences					6,296
less: depreciation on governmental activities assets					(1,882,898)
less: interest on long term debt					(1,883,322)
Change in net position Governmental Activities					\$ 335,174

The accompanying notes are an integral part
of the financial statements.

**ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2014**

	Food Service Fund	Day Care Fund	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 415,501	\$ -	\$ 415,501
Accounts receivable	-	3,855	3,855
Inventory	27,402	-	27,402
Capital assets, net of depreciation	111,985	31	112,016
Total assets	\$ 554,888	\$ 3,886	\$ 558,774
LIABILITIES			
Accounts payable	4,230	480	4,710
Total liabilities	4,230	480	4,710
NET POSITION			
Net investment in capital assets	111,985	31	112,016
Nonspendable-inventories	27,402	-	27,402
Restricted net position	411,271	3,375	414,646
Total net position	550,658	3,406	554,064
Total liabilities and net position	\$ 554,888	\$ 3,886	\$ 558,774

The accompanying notes are an integral part
of the financial statements.

**ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
for the year ended June 30, 2014**

	Food Service Fund	Day Care Fund	Totals
Operating revenues			
Lunchroom sales	\$ 618,767	\$ -	\$ 618,767
Other revenues	570	270,170	270,740
Total operating revenues	<u>619,337</u>	<u>270,170</u>	<u>889,507</u>
Operating expenses			
Salaries and wages	769,556	373,163	1,142,719
Contract services	99,871	1,800	101,671
Materials and supplies	1,124,111	11,411	1,135,522
Other expenses	6,815	56	6,871
Depreciation	30,415	-	30,415
Total operating expenses	<u>2,030,768</u>	<u>386,430</u>	<u>2,417,198</u>
Operating income (loss)	<u>(1,411,431)</u>	<u>(116,260)</u>	<u>(1,527,691)</u>
Nonoperating revenues (expenses)			
Federal grants	1,050,398	-	1,050,398
Commodities received	124,364	-	124,364
State grants	20,471	-	20,471
State on-behalf payments	125,489	71,919	197,408
Interest income	1,406	-	1,406
Total nonoperating revenue (expense)	<u>1,322,128</u>	<u>71,919</u>	<u>1,394,047</u>
Income (loss) before transfers	<u>(89,303)</u>	<u>(44,341)</u>	<u>(133,644)</u>
Transfer from general fund to cover deficit	-	47,716	47,716
Indirect cost transfer from general fund	<u>(63,274)</u>	<u>-</u>	<u>(63,274)</u>
Change in net position	<u>(152,577)</u>	<u>3,375</u>	<u>(149,202)</u>
Total net position-beginning	<u>703,235</u>	<u>31</u>	<u>703,266</u>
TOTAL NET POSITION-ENDING	<u>\$ 550,658</u>	<u>\$ 3,406</u>	<u>\$ 554,064</u>

The accompanying notes are an integral part
of the financial statements.

ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2014

	Food Service Fund	Day Care Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 619,337	\$ 269,533	\$ 888,870
Cash paid to employees, including benefits	(644,067)	(301,244)	(945,311)
Cash paid to suppliers	<u>(1,111,214)</u>	<u>(12,787)</u>	<u>(1,124,001)</u>
Net cash provided (used) by operating activities	<u>(1,135,944)</u>	<u>(44,498)</u>	<u>(1,180,442)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from government funding	1,070,869	-	1,070,869
Transfer from general fund to cover deficit	-	47,716	47,716
Indirect cost transfer to general fund	<u>(63,274)</u>	<u>-</u>	<u>(63,274)</u>
Net cash provided (used) by noncapital financing activities	<u>1,007,595</u>	<u>47,716</u>	<u>1,055,311</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest Income	<u>1,406</u>	<u>-</u>	<u>1,406</u>
Net cash provided (used) by capital and related financing activities	<u>1,406</u>	<u>-</u>	<u>1,406</u>
Net increase (decrease) in cash and cash equivalents	(126,943)	3,218	(123,725)
Balances-beginning of the year	<u>542,444</u>	<u>(3,218)</u>	<u>539,226</u>
BALANCES-END OF THE YEAR	<u><u>\$ 415,501</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 415,501</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,411,431)	\$ (116,260)	\$ (1,527,691)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	30,415	-	30,415
Donated commodities	124,364	-	124,364
On-behalf payments	125,489	71,919	197,408
(Increase) decrease in inventory	(9,011)	-	(9,011)
(Increase) decrease in accounts receivable	-	(637)	(637)
Increase (decrease) in accounts payable	<u>4,230</u>	<u>480</u>	<u>4,710</u>
Net cash provided by operating activities	<u><u>\$ (1,135,944)</u></u>	<u><u>\$ (44,498)</u></u>	<u><u>\$ (1,180,442)</u></u>

The accompanying notes are an integral part
of the financial statements.

**ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
SCHOOL ACTIVITY FUNDS
June 30, 2014**

	SCHOOL ACTIVITY FUNDS
ASSETS	
Cash and cash equivalents	\$ 315,939
Total assets	<u>\$ 315,939</u>
LIABILITIES	
Accounts payable	\$ 9,771
Due to student groups	<u>306,168</u>
Total liabilities	<u>\$ 315,939</u>

The accompanying notes are an integral part
of the financial statements.

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

Anderson County School District Finance Corporation (the Corporation)

The Anderson County Board of Education has established the Anderson 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 Anderson County Board of Education also comprise the Corporation's Board of Directors.

B. Basis of Presentation

District-wide Financial Statements

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

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

ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, continued

District-wide Financial Statements, continued

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

Fund Financial Statements

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

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

The District has the following funds:

Governmental Fund Types:

General Fund – The primary operating fund of the District. It accounts for and reports all financial resources not accounted for and reported in another fund. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.

Special Revenue Fund – The Special Revenue Fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, continued

Capital Project Funds – Capital Project Funds are used to account for and report financial resource that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

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.

The Facility Support Program of Kentucky (FSPK) Fund 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 Construction Fund accounts for activities arising from authorized construction and/or renovation projects.

Debt Service Fund – The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on long-term debt. Debt service funds are used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years are reported in debt service funds. This is a major fund for the District.

Proprietary Funds (Enterprise Fund):

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). This is a major fund for the District.

The Day Care Fund is used to account for day care revenues and related expenses.

Fiduciary Fund Type (Agency Funds):

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 Uniform Program of Accounting for School Activity Funds.

C. Basis of Accounting

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

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting, continued

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

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

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met, are recorded as unearned 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. 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.

D. 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.

E. Prepaid Assets

Payments made that will benefit periods beyond June 30, 2014 are recorded as prepaid items using the consumption method. Prepaid assets are only recorded if material to the financial statements.

F. Inventories

On district-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 an 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.

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. 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.

The property tax rates assessed for the year ended June 30, 2014, to finance operations were \$.570 per \$100 valuation for real property, \$.570 per \$100 valuation for business personal property and \$.513 per \$100 valuation for motor vehicles.

Utility Tax Revenues

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the District, of telephonic and telegraphic communications services cablevision services, electric power, water, and natural, artificial and mixed gas.

H. Fund Balance Classification Policies and Procedures

The Board intends that accounting practices follow state and federal laws and regulations and generally accepted accounting policies.

Nonspendable Fund Balance – Amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact will be classified as Nonspendable Fund Balance.

Restricted Fund Balance - Fund Balance will be reported as restricted when constraints placed on the use of resources are either; (a) externally imposed by creditors, grantors, contributors, or laws or regulations or other governments; or (b) imposed by law through constitutional provisions or enabling legislation. .

Committed Fund Balance – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education will be reported as committed fund balance.

Assigned Fund Balance – Amounts that have been assigned for a specific purpose by formal resolution of the Board of Education will be reported as assigned fund balance for a specific purpose.

Unassigned Fund Balance – The residual classification for the general fund.

When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used, the funds will first be spent from restricted, then committed, then assigned, and then finally unassigned.

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. 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.

J. 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 does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

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

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

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. 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.

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Position

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

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools and collections for services such as child care. All other revenues are considered to be non-operating.

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. 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.

P. Interfund Activity

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.

Q. Budgetary Process

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. 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 finance officer at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

R. Uses of Estimates

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

S. Management's Review of Subsequent Events

The District has evaluated and considered the need to recognize or disclose subsequent events through November 13, 2014, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2014, have not been evaluated by the District.

2. PROPERTY TAX CALENDAR

Property taxes for fiscal year 2014 were levied on the assessed valuation of property located in the School District as of January 1, 2013 lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	Date per KRS 134.015
Due date for payment of taxes	Upon receipt
Face value amount payment date	December 31
Delinquent date, 5% penalty	January 1
Delinquent date, 10% penalty	February 1

Vehicle taxes are collected by the County Clerk and are due and collected in the birth month of the vehicle's licensee.

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

3. CASH AND CASH EQUIVALENTS

Interest rate risk – In accordance with the District's investment policy, interest rate risk is limited by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

Credit risk – The District's investment policy limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments.

Concentration of credit risk – The district may invest, at any one time, funds in any one of the above listed categories with no limitation of the total amount of funds invested on behalf of the District.

Custodial credit risk – For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times.

At year end, the bank balances of the District's total cash and cash equivalents was \$2,661,899. Of the total cash balance, \$335,462 was covered by Federal Depository insurance, \$791,802 was held in federally guaranteed securities and the remainder was covered by collateral agreements and collateral held by the pledging banks' trust department in the District's name. The balance pledged at June 30, 2014 was 7,467,851.

Cash and cash equivalents at June 30, 2014 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
General checking account		
Fund 1 (General)		\$ 128,170
Fund 2 (Special Revenue)		(597,611)
Fund 310 (Capital Outlay)		10,406
Fund 320 (FSPK)		79,502
Fund 360 (Construction)		201,243
Fund 51 (Food Service)		415,501
Fund 52 (Day Care)		-
Total general checking account	\$ 1,452,384	237,211
Fiduciary funds – School Activity	332,251	315,939
Debt service funds	<u>877,264</u>	<u>877,264</u>
Total	\$ 2,661,899	\$ 1,430,414

Governmental funds		\$ 698,974
Proprietary funds		415,501
Fiduciary funds – School Activity		<u>315,939</u>
Total		<u>\$ 1,430,414</u>

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

4. ACCOUNTS RECEIVABLE

There was no allowance for uncollectible accounts at June 30, 2014. During 2014, \$380,689 of intergovernmental receivables were written off directly against revenue in the special revenue fund. Receivables at year end of the District's major individual funds and nonmajor funds in the aggregate are as follows:

Governmental funds:	General	Special Revenue	Total
Taxes	\$ 341,675	\$ -	\$ 341,675
Intergovernmental	-	1,093,427	1,093,427
Other	<u>79,995</u>	<u>-</u>	<u>79,995</u>
Total	<u>\$ 421,670</u>	<u>\$ 1,093,427</u>	<u>\$ 1,515,097</u>

Business-type funds:	Day Care
Customer	<u>\$ 3,855</u>

5. CAPITAL ASSETS

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

<u>Governmental activities</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ 2,516,231	\$ -	\$ -	\$ 2,516,231
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>2,516,231</u>	<u>-</u>	<u>-</u>	<u>2,516,231</u>
Capital assets being depreciated:				
Land improvements	1,465,904	-		1,465,904
Buildings and improvements	60,022,040	27,545	-	60,049,585
Technology equipment	2,425,535	-	52,844	2,372,691
Vehicles	3,600,371	206,320	-	3,806,691
General equipment	<u>1,052,103</u>	<u>-</u>	<u>-</u>	<u>1,052,103</u>
Total	<u>68,565,953</u>	<u>233,865</u>	<u>52,844</u>	<u>68,746,974</u>
Total capital assets	<u>71,082,184</u>	<u>233,865</u>	<u>52,844</u>	<u>71,263,205</u>
Less: accumulated depreciation				
Land improvements	1,230,364	50,893		1,281,257
Buildings and improvements	12,537,412	1,426,246	-	13,963,658
Technology equipment	1,836,123	210,001	52,844	1,993,280
Vehicles	2,865,195	170,952	-	3,036,147
General equipment	<u>882,147</u>	<u>24,806</u>	<u>-</u>	<u>906,953</u>
Total accumulated depreciation	<u>19,351,241</u>	<u>1,882,898</u>	<u>52,844</u>	<u>21,181,295</u>
Governmental activities capital assets, net	<u>\$ 51,730,943</u>	<u>\$ (1,649,033)</u>	<u>\$ -</u>	<u>\$ 50,081,910</u>

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

5. CAPITAL ASSETS (CONTINUED)

<u>Business-type Activities</u>	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2014</u>
Capital assets being depreciated:				
Technology equipment	\$ 48,282	\$ -	\$ -	\$ 48,282
Machinery and equipment	<u>823,673</u>	<u>-</u>	<u>-</u>	<u>823,673</u>
Total capital assets	<u>871,955</u>	<u>-</u>	<u>-</u>	<u>871,955</u>
Less: accumulated depreciation				
Technology equipment	42,484	1,023	-	43,507
Machinery and equipment	<u>687,040</u>	<u>29,392</u>	<u>-</u>	<u>716,432</u>
Total accumulated depreciation	<u>729,524</u>	<u>30,415</u>	<u>-</u>	<u>759,939</u>
Business-type activities capital assets, net	<u>\$ 142,431</u>	<u>\$ (30,415)</u>	<u>\$ -</u>	<u>\$ 112,016</u>

Depreciation expense was charged to functions of the governmental activities as follows:

Instruction	\$ 1,601,785
Support Services	
Student	56,775
Instructional staff	1,211
District administration	12,305
School administration	13,418
Plant operations and maintenance	23,869
Student transportation	170,371
Other support services	127
Community services	<u>3,037</u>
Total	<u>\$ 1,882,898</u>

5. GENERAL LONG TERM DEBT

Compensated Absences

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. At June 30, 2014, this amount totaled \$224,026 of which \$112,013 is restricted in the current year fund balance of the General Fund.

Capital Lease

The District has entered into a lease purchase with Dell Financial Services for network upgrade. The lease is for five years. The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments.

<u>June 30,</u>	
2015	\$ 121,494
2016	<u>141,983</u>
Total minimum lease payments	263,477
Less: Amount representing interest	<u>(20,489)</u>
Present value of net minimum lease payments	<u>\$ 242,988</u>

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

5. GENERAL LONG TERM DEBT (CONTINUED)

KSBIT

During a prior fiscal year, the District was notified that the Kentucky School Board Insurance Trust (KSBIT) would be dissolving as the self-insurance provider for school districts in Kentucky. On June 4, 2014, the Franklin Circuit Court issued an order instructing the former members of the Kentucky School Board Insurance Trust Workers' Compensation Fund that they would be assessed a portion of the fund's unfunded liability. The court approved assessment requires the District to pay \$110,596. The District agreed to pay 25% of the assessment in August 2014 and the remaining balance in equal payments over the next six fiscal years beginning in August 2015. In addition to the agreed settlement, the district estimates that an additional \$62,332 will be due. A breakdown of the future payments is shown below.

June 30,		
2015	\$	27,649
2016		13,825
2017		13,825
2018		13,825
2019		13,825
2020-2021		27,647
Additional assessment estimate		<u>62,332</u>
Total payments	\$	<u>172,928</u>

Bond Obligations

The amount shown in the accompanying financial statements as bond obligations represents the following bonds:

Issue	June 30, 2014 Balance	Rates
2000	\$ 2,415,000	5.00%
2002	750,000	1.25%-2.5%
2004R	335,000	2.00%-3.70%
2004	60,000	2.50%-4.75%
2005	3,805,000	3.5%-4.375%
2006A	9,325,000	3.65%
2006B	3,940,000	3.70%
2007R	4,910,000	3.50%-3.75%
2009	7,890,000	1.70%-4.00%
2010	570,000	6.25%
2010R	6,271,000	0.50%-2.35%
2012R	715,000	2.00%
2013R	<u>7,400,000</u>	1.00%-2.50%
Total	<u>\$ 48,386,000</u>	

The debt service fund is primarily responsible for paying the bond obligations through funding from the SEEK Capital Outlay and FSPK funds.

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 to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

5. GENERAL LONG TERM DEBT (CONTINUED)

Bond Obligations, continued

The 2010 bond requires that a reserve be maintained to handle annual sinking fund payments. The District is required to make an annual payment of at least \$243,690 into the reserve fund. The balance in the reserve at June 30, 2014 is \$791,992. The reserve was fully funded at June 30, 2014.

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

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

Fiscal Year	Anderson County		SFCC Participation		Sinking Fund	US Treasury	Total
	Principal	Interest	Principal	Interest	Payment	Interest	
2015	\$ 1,974,629	\$ 1,361,367	\$ 390,371	\$ 107,564	\$ 243,690	\$ 363,718	\$ 4,441,339
2016	2,047,254	1,282,615	342,746	96,307	243,690	363,718	4,376,330
2017	2,139,327	1,193,900	355,673	85,554	243,690	363,718	4,381,863
2018	2,225,935	1,104,989	369,065	74,458	243,690	363,718	4,381,855
2019	2,316,652	1,018,320	348,348	63,250	243,690	363,718	4,353,978
2020-2024	12,757,019	3,909,999	1,272,981	199,671	1,218,451	1,818,590	21,176,712
2025-2029	<u>21,222,065</u>	<u>1,719,645</u>	<u>623,935</u>	<u>40,356</u>	<u>1,218,451</u>	<u>1,636,731</u>	<u>26,461,184</u>
	<u>\$ 44,682,881</u>	<u>\$11,590,835</u>	<u>\$ 3,703,119</u>	<u>\$ 667,161</u>	<u>\$3,655,353</u>	<u>\$5,273,911</u>	<u>\$69,573,260</u>

The following is a summary of the District's long-term debt transactions for the year ended:

	Beginning Balance	Additions	Payments	Ending Balance
Bonds	\$ 50,696,000	\$ -	\$ 2,310,000	\$ 48,386,000
Capital leases	364,482	-	121,494	242,988
Sick leave	230,322	-	6,296	224,026
KSBIT	172,928	-	-	172,928
Premium on bonds	<u>191,568</u>	<u>-</u>	<u>11,712</u>	<u>179,856</u>
Total debt	<u>\$ 51,655,300</u>	<u>\$ -</u>	<u>\$ 2,449,502</u>	<u>\$ 49,205,798</u>

ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

7. COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for equipment provide the minimum future rental payments as of June 30, 2014 as follows:

June 30,	
2015	\$ 206,084
2016	143,767
2017	60,512
2018	<u>60,512</u>
Total lease payments	<u>\$ 470,876</u>

8. RETIREMENT PLANS

KTRS

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

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

Funding Policy – 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 pays the matching contribution for any salaries paid by that program.

Medical Insurance Plan

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

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

In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members’ gross salaries. Member contributions are 1.75% of salary. Also, the premiums collected from retirees as described in the plan and description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.5% of member’s salary for the 2013-2014 fiscal year.

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

8. RETIREMENT PLANS (CONTINUED)

CERS

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer, public employers' retirement system. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Funding Policy – For the year ended June 30, 2014, plan members were required to contribute 5.00% of wages. Employees hired after September 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2014, participating employers contributed 18.89% of each employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of the Kentucky Retirement System are financed through employer contributions and investment earnings.

The required contribution (employee and employer) and the actual percentage contributed for the District for the current and previous two years are as follows:

	2014	2013	2012
District portion – CERS contribution	856,813	903,516	842,340
Employee portion – CERS contribution	246,760	238,043	217,084
CERS percentage contributed	100%	100%	100%
KTRS contribution – Commonwealth of KY	1,826,432	1,787,393	1,752,366
KTRS contribution- District Federal Employees	239,820	309,824	248,809
KTRS percentage contributed	100%	100%	100%

9. CONTINGENCIES

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

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District purchases various insurance policies.

The District purchased 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.

11. 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. The District notifies the Department of Employee Insurance (DEI) when an employee is no longer employed. DEI sends the employee the COBRA requirements.

12. TRANSFER OF FUNDS

The following transfers were made during the year.

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	1	2	KETS Matching	\$ 54,600
Operating	1	2	ACE	33,123
Operating	1	2	Match	5,521
Operating	1	2	Receivables write off	380,689
Operating	1	52	Day Care	47,716
Operating	2	1	Technology	47,383
Indirect Cost	51	1	Food Service	63,274
Debt Service	310	400	Bond Payment	330,843
Debt Service	320	400	Bond Payment	3,616,761

13. ON-BEHALF PAYMENTS

The financial statements include payments made by the Commonwealth of Kentucky for insurance, flexible spending, vocational and retirement benefits. The following amounts are included in each of the functions.

Health insurance	\$ 3,204,286
Life insurance	7,697
Administrative fees	36,462
Health reimbursement account	220,163
Federal reimbursement	(138,579)
KTRS	1,826,432
Technology on-behalf payments	48,216
Debt service on-behalf payments	519,197
Total on-behalf payments	<u>\$ 5,723,874</u>

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

14. RESTATEMENT OF NET POSITION

Implementation of new accounting standard GASB Statement No. 65

Effective July 1, 2013, the District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement redefines certain financial elements previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, the Statement changes the method of reporting debt issuance costs. Prior to implementation of GASB Statement No. 65, the District reported debt issuance costs, including costs related to bond insurance, as deferred debt expense which was capitalized and amortized over the life of the debt. Deferred debt expense was reported as a non-current asset on the statement of net position. Under GASB Statement No. 65, bond issuance costs, excluding bond insurance costs which should be treated as a prepaid asset, are to be recognized in the period of the debt issue. This resulted in a restatement of previously reported net position.

Upon further analysis of bond issuance costs, it was discovered that the District failed to properly record and amortize the premium on the 2013 bond issuance. This also resulted in a restatement of previously reported net position.

Capital asset restatement

In the prior year, the Early Childhood Development building was sold; however, the asset was not removed from the Statement of Net Position. This error resulted in an overstatement of assets, which resulted in a restatement of previously reported net position.

The effects of these restatements are shown in the following schedule:

	2014
<u>Governmental Activities</u>	
Net position, at beginning of year	\$ 3,537,146
Early Childhood Building, net of accumulated depreciation	(343,640)
Bond issuance costs	(881,036)
Unamortized premium on 2013R bonds	<u>(212,795)</u>
Net position, at beginning of year, as restated	<u>\$ 2,099,675</u>

15. FINANCIAL REPORTING FOR PENSION PLANS

In June 2012, the GASB approved a pair of related Statements that reflect substantial changes to the accounting and financial reporting of state and local government employers and pension plans. Statement No. 67, *Financial Reporting for Pension Plans*, addresses financial reporting for state and local government pension plans. Statement No. 68, *Accounting and Financial Reporting for Pensions*, addresses financial reporting for state and local government employers whose employees are provided with pensions through pension plans that are covered under Statement No. 67.

The guidance contained in these Statements will change how governments calculate and report the costs and obligations associated with pensions in important ways. It is designed to improve the decision usefulness of reported pension information and to increase the transparency, consistency, and comparability of pension information across governments. Under the pension standards now in effect, cost-sharing employers have not been required to present actuarial information about pensions. Instead, information has been required to be presented in the pension plan's own financial statements for all of the participating governments combined.

**ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

15. FINANCIAL REPORTING FOR PENSION PLANS (CONTINUED)

Through its research, the GASB concluded that the needs of users of information regarding cost-sharing employers do not differ significantly from those interested in single and agent employers. Therefore, the GASB believes it is important to give users of the financial statements of cost-sharing employers access to better, more transparent financial information. Consequently, under the new standards the GASB is requiring that cost-sharing governments report a net pension liability, pension expense, and pension related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all the governments in the plan.

Statement No. 68 will take effect for pension plan employers in fiscal years beginning after June 15, 2014, (that is, for years ended June 30, 2015, or later). The District is currently evaluating the effects of this statement on its financial statements.

Supplementary Information

ANDERSON COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
for the year ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 7,767,696	\$ 7,811,949	\$ 7,940,786	\$ 128,837
Other Local Sources	75,000	75,000	253,679	178,679
State Sources	<u>12,513,477</u>	<u>17,413,477</u>	<u>17,608,144</u>	<u>194,667</u>
TOTAL REVENUES	<u>20,356,173</u>	<u>25,300,426</u>	<u>25,802,609</u>	<u>502,183</u>
EXPENDITURES				
Instruction	13,204,498	17,155,952	17,255,003	(99,051)
Support Services				
Student	442,141	530,122	545,816	(15,694)
Instructional Staff	737,927	842,034	805,530	36,504
District Administration	907,175	948,382	906,507	41,875
School Administration	1,322,275	1,588,801	1,599,102	(10,301)
Business	231,578	268,634	332,162	(63,528)
Plant Operation and Maintenance	2,297,523	2,438,969	2,547,616	(108,647)
Student Transportation	1,834,268	2,061,644	1,840,540	221,104
Contingency	830,788	817,888	-	817,888
Capital Outlay	178,000	178,000	178,650	(650)
Debt Service	<u>-</u>	<u>-</u>	<u>121,494</u>	<u>(121,494)</u>
TOTAL EXPENDITURES	<u>21,986,173</u>	<u>26,830,426</u>	<u>26,132,420</u>	<u>698,006</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(1,630,000)</u>	<u>(1,530,000)</u>	<u>(329,811)</u>	<u>(1,200,189)</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	50,000	50,000	110,657	(60,657)
Operating Transfers Out	<u>(120,000)</u>	<u>(120,000)</u>	<u>(521,649)</u>	<u>401,649</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(70,000)</u>	<u>(70,000)</u>	<u>(410,992)</u>	<u>340,992</u>
NET CHANGE IN FUND BALANCE	<u>(1,700,000)</u>	<u>(1,600,000)</u>	<u>(740,803)</u>	<u>859,197</u>
Fund Balance, July 1, 2013	<u>1,700,000</u>	<u>1,600,000</u>	<u>1,403,821</u>	<u>(196,179)</u>
Fund Balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 663,018</u>	<u>\$ 663,018</u>

ANDERSON COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND
for the year ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources	\$ -	\$ -	\$ 223,503	\$ 223,503
State Sources	795,132	20,000	960,748	940,748
Federal Sources	<u>1,446,718</u>	<u>394,810</u>	<u>2,348,989</u>	<u>1,954,179</u>
TOTAL REVENUES	<u>2,241,850</u>	<u>414,810</u>	<u>3,533,240</u>	<u>3,118,430</u>
EXPENDITURES				
Instruction	2,104,221	14,057	2,729,416	(2,715,359)
Support Services				
Instructional Staff	197,749	460,873	788,737	(327,864)
School Administration	-	-	-	-
Business Support	25,000	25,000	61,399	(36,399)
Student Transportation	-	-	127,515	(127,515)
Community Services Operations	-	-	225,053	(225,053)
Capital Outlay	<u>-</u>	<u>-</u>	<u>27,670</u>	<u>(27,670)</u>
TOTAL EXPENDITURES	<u>2,326,970</u>	<u>499,930</u>	<u>3,959,790</u>	<u>(3,459,860)</u>
Excess (Deficit) of Revenues Over Expenditures	(85,120)	(85,120)	(426,550)	(341,430)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	85,120	85,120	473,933	388,813
Operating transfers out	<u>-</u>	<u>-</u>	<u>(47,383)</u>	<u>(47,383)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>85,120</u>	<u>85,120</u>	<u>426,550</u>	<u>341,430</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance, July 1, 2013	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**ANDERSON COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
for the year ended June 30, 2014**

	SEEK Capital Outlay Fund	FSPK Fund	Construction Fund	Total
ASSETS				
Cash and cash equivalents	\$ 10,406	\$ 79,502	\$ 201,243	\$ 291,151
Total assets	<u>\$ 10,406</u>	<u>\$ 79,502</u>	<u>\$ 201,243</u>	<u>\$ 291,151</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE				
Restricted - SFCC Escrow	-	79,502	-	79,502
Restricted - Future Construction	<u>10,406</u>	<u>-</u>	<u>201,243</u>	<u>211,649</u>
Total fund balance	<u>10,406</u>	<u>79,502</u>	<u>201,243</u>	<u>291,151</u>
Total liabilities and fund balance	<u>\$ 10,406</u>	<u>\$ 79,502</u>	<u>\$ 201,243</u>	<u>\$ 291,151</u>

**ANDERSON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BLANACES
NONMAJOR GOVERNMENTAL FUNDS FUNDS
for the year ended June 30, 2014**

	<u>SEEK Capital Outlay Fund</u>	<u>FSPK Fund</u>	<u>Construction Fund</u>	<u>Total</u>
REVENUES				
Local sources				
Taxes	\$ -	\$ 2,415,519	\$ -	\$ 2,415,519
Other revenues	-	-	-	-
Intergovernmental-State	341,249	863,712	-	1,204,961
Intergovernmental-Federal	<u>-</u>	<u>337,530</u>	<u>-</u>	<u>337,530</u>
				-
Total revenues	<u>341,249</u>	<u>3,616,761</u>	<u>-</u>	<u>3,958,010</u>
EXPENDITURES				
Capital outlay	<u>-</u>	<u>-</u>	<u>27,545</u>	<u>27,545</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>27,545</u>	<u>27,545</u>
Excess (deficit) revenues over expenditures	<u>341,249</u>	<u>3,616,761</u>	<u>(27,545)</u>	<u>3,930,465</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>(330,843)</u>	<u>(3,616,761)</u>	<u>-</u>	<u>(3,947,604)</u>
Total other financing sources (uses)	<u>(330,843)</u>	<u>(3,616,761)</u>	<u>-</u>	<u>(3,947,604)</u>
Excess (deficit) revenues and other financing sources over expenditures and other financing uses	10,406	-	(27,545)	(17,139)
Fund Balance, July 1, 2013	<u>-</u>	<u>79,502</u>	<u>228,788</u>	<u>308,290</u>
Fund Balance, June 30, 2014	<u>\$ 10,406</u>	<u>\$ 79,502</u>	<u>\$ 201,243</u>	<u>\$ 291,151</u>

**ANDERSON COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 SCHOOL ACTIVITY FUNDS
 for the year ended June 30, 2014**

	Anderson County High School	Anderson County Middle School	Early Childhood Center	Emma B. Ward Elementary School	Robert B. Turner Elementary School	Saffell Street Elementary School	Total
ASSETS							
Cash and equivalents	\$ 132,313	\$ 99,086	\$ 18,393	\$ 30,367	\$ 24,450	\$ 11,330	\$ 315,939
Total assets	<u>\$ 132,313</u>	<u>\$ 99,086</u>	<u>\$ 18,393</u>	<u>\$ 30,367</u>	<u>\$ 24,450</u>	<u>\$ 11,330</u>	<u>\$ 315,939</u>
LIABILITIES							
Accounts payable	\$ 585	\$ 3,131	\$ 1,401	\$ 1,477	\$ 3,177	\$ -	\$ 9,771
Due to student groups	<u>131,728</u>	<u>95,955</u>	<u>16,992</u>	<u>28,890</u>	<u>21,273</u>	<u>11,330</u>	<u>306,168</u>
Total liabilities	<u>\$ 132,313</u>	<u>\$ 99,086</u>	<u>\$ 18,393</u>	<u>\$ 30,367</u>	<u>\$ 24,450</u>	<u>\$ 11,330</u>	<u>\$ 315,939</u>

ANDERSON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS
for the year ended June 30, 2014

	Cash Balances			Cash Balances	Accounts	Accounts	Fund Balances
	July 01, 2013	Receipts	Disbursements	June 30, 2014	Receivable	Payable	June 30, 2014
					June 30, 2014	June 30, 2014	June 30, 2014
Anderson County High School	\$ 116,557	\$ 624,999	\$ 609,243	\$ 132,313	\$ -	\$ 585	\$ 131,728
Anderson County Middle School	107,398	211,796	220,108	99,086	-	3,131	95,955
Early Childhood Center	14,740	19,399	15,746	18,393	-	1,401	16,992
Emma B. Ward Elementary	32,488	88,319	90,440	30,367	-	1,477	28,890
Robert B. Turner Elementary	27,525	70,119	73,194	24,450	-	3,177	21,273
Saffell Street Elementary	<u>15,210</u>	<u>54,448</u>	<u>58,328</u>	<u>11,330</u>	<u>-</u>	<u>-</u>	<u>11,330</u>
TOTAL ACTIVITY FUNDS	<u>\$ 313,918</u>	<u>\$ 1,069,080</u>	<u>\$ 1,067,059</u>	<u>\$ 315,939</u>	<u>\$ -</u>	<u>\$ 9,771</u>	<u>\$ 306,168</u>

**ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
ANDERSON COUNTY HIGH SCHOOL
for the year ended June 30, 2014**

	Cash Balances Beginning	Receipts	Disbursements	Transfers	Cash Balances Year End	Accounts Receivable Year End	Accounts Payable Year End	Fund Balances Year End
General	\$ 7,907	\$ 3,854	\$ (9,524)	\$ 3,651	\$ 5,888	\$ -	\$ 185	\$ 5,703
Building Rental	664	961	(1,418)	-	207	-	-	207
Locks	-	621	-	-	621	-	-	621
Parking	-	3,254	(1,717)	-	1,537	-	-	1,537
Cash/Start-up Change	-	12,300	(13,500)	1,200	-	-	-	-
Science Dept	1,033	220	(248)	-	1,005	-	-	1,005
Soc St Dept	994	-	-	-	994	-	-	994
English Dept	420	-	-	-	420	-	-	420
Math Dept	348	50	(157)	(50)	191	-	-	191
Arts & Hum Dept	299	-	(178)	-	121	-	-	121
Special Ed Dept	466	204	(254)	-	416	-	-	416
Technology Dept	101	-	-	(101)	-	-	-	-
Summer School	1,150	-	-	(1,150)	-	-	-	-
Graphic Design	269	573	(1,082)	649	409	-	-	409
Computer Graphics	61	-	-	(61)	-	-	-	-
Robotics	-	100	-	-	100	-	-	100
Journalism-Paw Print	59	160	-	-	219	-	-	219
Nolan's Asian Studies	109	-	-	-	109	-	-	109
Mud Club/Ceramics	82	1,244	(1,304)	-	22	-	-	22
Humane Teen	-	2,050	(2,050)	-	-	-	-	-
Football Concessions	1,508	-	-	(1,508)	-	-	-	-
Football	1,734	74,044	(74,149)	1,102	2,731	-	-	2,731
All Sports	6,063	59,618	(34,939)	(26,895)	3,847	-	-	3,847
Boys Basketball	5,571	33,647	(33,992)	(1,817)	3,409	-	-	3,409
Subtotal	<u>\$ 28,838</u>	<u>\$ 192,900</u>	<u>\$ (174,512)</u>	<u>\$ (24,980)</u>	<u>\$ 22,246</u>	<u>\$ -</u>	<u>\$ 185</u>	<u>\$ 22,061</u>

**ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
ANDERSON COUNTY HIGH SCHOOL
for the year ended June 30, 2014**

	Cash Balances Beginning	Receipts	Disbursements	Transfers	Cash Balances Year End	Accounts Receivable Year End	Accounts Payable Year End	Fund Balances Year End
Girls Basketball	\$ 2,626	\$ 27,325	\$ (28,026)	\$ 185	\$ 2,110	\$ -	\$ -	\$ 2,110
Girls Basketball Trv	220	1,540	-	(1,760)	-	-	-	-
Softball	1,409	16,568	(19,259)	1,719	437	-	-	437
Volleyball	4,603	10,234	(15,376)	2,526	1,987	-	-	1,987
Tennis-Boys	27	1,582	(207)	(1,325)	77	-	105	(28)
Track	425	3,285	(2,706)	-	1,004	-	-	1,004
Cross Country	106	825	(1,149)	250	32	-	-	32
Tennis-Girls	71	1,912	(207)	(1,745)	31	-	105	(74)
Swim Team	765	-	(746)	-	19	-	-	19
Archery	31	7,844	(6,765)	1,400	2,510	-	-	2,510
Golf-Boys	1,569	8,074	(11,406)	1,763	-	-	-	-
Golf-Girls	8,367	8,125	(6,635)	(2,075)	7,782	-	-	7,782
Wrestling	25	2,194	(3,470)	1,251	-	-	-	-
Soccer-Boys	14	4,640	(7,627)	3,098	125	-	-	125
Soccer-Girls	85	21,017	(21,120)	2,000	1,982	-	-	1,982
Baseball	-	17,260	(20,919)	4,000	341	-	107	234
JV Cheer	-	1,006	(733)	-	273	-	-	273
Blue/Cheer	250	8,656	(9,693)	875	88	-	-	88
Dance Team	250	8,048	(8,530)	450	218	-	-	218
Disc Golf	529	2,849	(2,308)	-	1,070	-	-	1,070
FCCLA	136	21,918	(19,923)	(1,269)	862	-	-	862
STLP	123	25	-	-	148	-	-	148
Memorial	882	-	-	-	882	-	-	882
International Club	-	1,250	(865)	-	385	-	-	385
Beta Club	3,602	8,344	(6,859)	(357)	4,730	-	-	4,730
NHS	1,041	232	(476)	(40)	757	-	-	757
Floral Design	-	1,010	(1,013)	230	227	-	-	227
FFA	822	27,157	(25,594)	(1,701)	684	-	83	601
FFA Scholarships	-	720	(720)	-	-	-	-	-
Subtotal	<u>\$ 27,978</u>	<u>\$ 213,640</u>	<u>\$ (222,332)</u>	<u>\$ 9,475</u>	<u>\$ 28,761</u>	<u>\$ -</u>	<u>\$ 400</u>	<u>\$ 28,361</u>

**ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
ANDERSON COUNTY HIGH SCHOOL
for the year ended June 30, 2014**

	Cash Balances Beginning	Receipts	Disbursements	Transfers	Cash Balances Year End	Receivable Year End	Payable Year End	Fund Balances Year End
Drama/Act Cats	\$ 18,868	\$ 11,550	\$ (11,324)	\$ (1,017)	\$ 18,077	\$ -	\$ -	\$ 18,077
Co-Ed-Y	198	1,854	(1,806)	-	246	-	-	246
Academic Team	-	110	(50)	(60)	-	-	-	-
Spanish Club	105	-	-	-	105	-	-	105
Spanish Honor Society	683	-	(65)	-	618	-	-	618
FCA	316	-	-	(50)	266	-	-	266
Student Council	100	-	-	-	100	-	-	100
French Club	1,367	-	-	(1,367)	-	-	-	-
French Honor Society	166	-	-	(166)	-	-	-	-
Pep Club	215	-	-	(215)	-	-	-	-
GT Clubs	676	1,060	(925)	(160)	651	-	-	651
Green Club	1,084	75	-	(50)	1,109	-	-	1,109
Prom	2,389	12,918	(5,490)	(1,319)	8,498	-	-	8,498
Band	2,045	46,160	(41,803)	200	6,602	-	-	6,602
Chorus	1,101	20,051	(20,208)	-	944	-	-	944
FCS-H Adams	-	330	-	-	330	-	-	330
FCS-L Raterman	18	6,986	(5,341)	-	1,663	-	-	1,663
Horticulture	2,058	4,985	(4,952)	1,670	3,761	-	-	3,761
Unite to Read	60	-	-	-	60	-	-	60
Senior Class Trip	715	39,704	(40,220)	-	199	-	-	199
Annual	11,655	25,390	(24,645)	579	12,979	-	-	12,979
Guidance	3,475	2,022	(4,262)	-	1,235	-	-	1,235
Library	1,351	85	(920)	-	516	-	-	516
Textbooks	226	25,493	(11,582)	50	14,187	-	-	14,187
Pepsi	136	3,301	(3,475)	38	-	-	-	-
Pepsi-TL	968	2,156	(1,932)	(134)	1,058	-	-	1,058
Gum/Vending	278	-	(42)	(236)	-	-	-	-
Scratching Post	9,126	13,363	(32,427)	17,742	7,804	-	-	7,804
Collections From TE	362	866	(930)	-	298	-	-	298
Totals	\$ 116,557	\$ 624,999	\$ (609,243)	\$ -	\$ 132,313	\$ -	\$ 585	\$ 131,728



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

To the State Committee for School District Audits and
Members of the Board of Education
Anderson County School District
Lawrenceburg, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Anderson County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Anderson County School District's basic financial statements, and have issued our report thereon dated November 13, 2014.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
November 13, 2014



Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

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

To the State Committee for School District Audits and
Members of the Board of Education
Anderson County School District
Lawrenceburg, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Anderson County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Anderson County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Anderson County School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

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

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express an opinion on the effectiveness of Anderson County School District's internal control over compliance.

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

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

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

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
November 13, 2014

**ANDERSON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2014**

GRANTOR/PROGRAM TITLE	Federal CFDA Number	Pass Through Grantor's Number	Expenditures
U.S. Department of Agriculture (USDA)			
Passed through Kentucky Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	7750002	\$ 801,023
National School Breakfast Program	10.553	7760005	239,370
		7690024/	
Summer Food Service Program for Children	10.559	7740023	10,005
Commodities (Note 3)	10.555	510 4950	<u>124,364</u>
Total U.S. Department of Agriculture			\$ <u>1,174,762</u>
U.S. Department of Education			
Passed through Kentucky Department of Education			
Improving School's Act Of 1994			
Title I, Part A Cluster	84.010	3100002	<u>\$ 802,039</u>
Special Education Cluster (IDEA)			
Special Education - Grants to States (IDEA, Part B)	84.027	3810002	831,440
Early Childhood Regional Training Center	84.173	3800003	327,528
Special Education - Preschool Grants (IDEA, Preschool)	84.173	3800002	<u>116,513</u>
Total Special Education Cluster (IDEA)			<u>1,275,481</u>
		4621232/ 3710002/	
Vocational Education	84.048	3710006	<u>24,455</u>
Improving Teacher Quality State Grants	84.367	3230002	<u>172,383</u>
Total U.S. Department of Education			\$ <u>2,274,358</u>
Total expenditures of federal awards			\$ <u><u>3,449,120</u></u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Anderson 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**.

Note 2 - Pass through entity numbers are presented where available.

Note 3 - Nonmonetary assistance is reported in the schedule at the fair market value of the commodities disbursed.

**ANDERSON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2014**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified __Yes X No

Significant deficiencies identified that are not considered to be material weaknesses __Yes X None reported

Non-compliance material to financial statements noted __Yes X No

Federal Awards:

Internal control over major programs:

Material weaknesses identified __Yes X No

Significant deficiencies identified that are not considered to be material weaknesses __Yes X None reported

Type of auditors' report issued on compliance for major programs:

Unmodified for all major programs.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? __Yes X No

Major Programs:

CFDA Number	Name of Federal Program or Cluster
84.027 and 84.173	Special Education Cluster
10.553 and 10.555 and 10.559	Child Nutrition Cluster

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

Auditee qualified as a low-risk auditee? X Yes _ No

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

NONE

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

IV. PRIOR AUDIT FINDINGS

NONE

rfh Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

Members of the Board of Education
Anderson County School District
Lawrenceburg, Kentucky

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

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 13, 2014 on the financial statements of the Anderson 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 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.

Respectfully,

Ray, Foley, Hensley & Company

Ray, Foley, Hensley, & Company, PLLC
November 13, 2014

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**Anderson County School District
Management Letter Comments
June 30, 2014**

DISTRICT

2014-01: Lease Agreement Approval

Condition:

KRS 65.944 requires School Districts to have all leases in excess of \$100,000 reviewed and approved by the Commissioner of Education. The District entered into a lease purchase with Dell Financial Services for \$549,971; however, there is no evidence of approval by the Commissioner of Education. **This is a repeat finding from last year.**

Response:

The chief information officer has prepared all required documentation. We are currently waiting on a letter from the attorney, and have been waiting for some time. Once this letter is received, documentation will be sent to the Kentucky Department of Education.

2014-02: Bidding

Condition:

The District purchased supplies with a vendor that exceeded \$20,000 and failed to receive bids in accordance with KRS 424.260.

Response: This was for a food service vendor and will be discussed with food service to make sure that they are using approved vendors.

2014-03: Journal Entries

Condition:

Supporting documentation sufficient to determine the nature and appropriateness for all journal entries should be maintained. One journal entry was noted that did not have supporting documentation. In addition, documentation on the other entries was difficult to gather. Information on journal entries should be maintained and easily accessed.

Response: Finance officer will create and file documentation for journal entries going forward.

2014-04: Purchase Orders

Condition:

Multiple instances of purchases that were approved after being obligated were noted. Purchase orders should be completed prior to purchase in accordance with District policy.

Response: This is being addressed with all staff to make sure that everyone is aware that Purchase Orders are to be done for all purchases, and before the order is placed.

**Anderson County School District
Management Letter Comments
June 30, 2014**

DISTRICT, Continued

2014-05: Budgeting

Condition:

The working budget for the Special Revenue fund did not provide reasonable estimates of revenues and expenditures.

Response: This was partly due to the fact that the state did not get us final award notification in a timely manner, and partly an over site by the finance officer. The finance officer will review budgets to make sure that budgets are entered.

2014-06: Accounts Receivable

Condition:

Approximately \$380,000 of accounts receivable was determined to be uncollectible during the audit. The District should review accounts receivable periodically by project to determine the status of collectability of the accounts.

Response: The finance officer will begin reviewing accounts receivable more closely to determine the likelihood of collectability.

Status of Prior Year Comments

Procedures were implemented to correct conditions noted in the prior year with the exception of the repeat finding (2014-01).

SCHOOL ACTIVITY FUNDS

ANDERSON COUNTY HIGH SCHOOL

2014-01: Operating Expenditures

Condition:

Operating costs should not be made out of school activity funds. Testing disclosed multiple instances of payments made for operational costs.

Response: This is being addressed with the Principal and Bookkeeper, this will be monitored to make sure funds come out of district activity funds for operating expenses.

2014-02: Purchase Orders

Condition:

During testing multiple instances of purchases approved after being obligated were noted. Purchase orders should be completed prior to all purchases.

Response: This is being addressed with the principal and bookkeeper, and all staff to make sure that everyone is aware that Purchase Orders are to be done for all purchases and before the order is placed.

**Anderson County School District
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ANDERSON COUNTY HIGH SCHOOL, Continued

2014-03: Fundraiser Approval

Condition:

The local board shall approve all school-wide fundraisers, including the proposed use of funds. The Fundraiser Approval (Form F-SA-2A) shall be completed before the fundraiser begins. Testing disclosed one fundraiser for which Form F-SA-2A was not completed.

Response: This is being addressed with the principal and bookkeeper for them to monitor this more closely, to make sure this does not occur in the future.

Status of Prior Year Comments

None of the prior conditions were repeated, as procedures were implemented to correct them.

ANDERSON COUNTY MIDDLE SCHOOL

2014-01: Operating Expenditures

Condition:

Operating costs should not be made out of school activity funds. Testing disclosed multiple instances of payments made for operational costs.

Response: This is being addressed with the Principal and Bookkeeper, this will be monitored to make sure funds come out of district activity funds for operating expenses.

2014-02: Purchase Orders

Condition:

During testing multiple instances of purchases approved after being obligated were noted. Purchase orders should be completed prior to all purchases. **This is a repeat finding from last year.**

Response: This is being addressed with the principal and bookkeeper, and all staff to make sure that everyone is aware that Purchase Orders are to be done for all purchases and before the order is placed.

2014-03: Inventory Control

Condition:

Activities involving inventory for sale shall use the Inventory Control Worksheet (Form F-SA-5). Testing revealed that a tally sheet was used basketball concessions rather than the required form.

Response: This was discussed with the Bookkeeper and Principal, and they are going to make sure that inventory controls are changed to have better control.

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ANDERSON COUNTY MIDDLE SCHOOL, Continued

Status of Prior Year Comments

None of the prior conditions other than the current year repeat finding (2014-02) were repeated, as procedures were implemented to correct them.

EMMA B. WARD ELEMENTARY

2014-01: Operating Expenditures

Condition:

Operating costs should not be made out of school activity funds. Testing disclosed multiple instances of payments made for operational costs.

Response: This is being addressed with the Principal and Bookkeeper, this will be monitored to make sure funds come out of district activity funds for operating expenses.

2014-02: Purchase Orders

Condition:

During testing multiple instances of purchases approved after being obligated were noted. Purchase orders should be completed prior to all purchases. This is a repeat finding from last year.

Response: This is being addressed with the principal and bookkeeper, and all staff to make sure that everyone is aware that Purchase Orders are to be done for all purchases and before the order is placed.

2014-03: District Receipts

Condition:

Noted District receipts received and deposited into the school bank account which was not swept to the District. Receipts were used for operational expenditures.

Response: This is being addressed with the principal and bookkeeper that district activity funds are put into a sweep account and then swept to district funds on a monthly basis.

Status of Prior Year Comments

There were no comments in the prior year.

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ROBERT B. TURNER ELEMENTARY

2014-01: Operating Expenditures

Condition:

Operating costs should not be made out of school activity funds. Testing disclosed multiple instances of payments made for operational costs.

Response: This is being addressed with the Principal and Bookkeeper, this will be monitored to make sure funds come out of district activity funds for operating expenses.

2014-02: Purchase Orders

Condition:

During testing an instance of a purchase approved after being obligated was noted. Purchase orders should be completed prior to all purchases. This is a repeat finding from last year.

Response: This is being addressed with the principal and bookkeeper, and all staff to make sure that everyone is aware that Purchase Orders are to be done for all purchases and before the order is placed.

2014-03: Fundraiser Approval

Condition:

The local board shall approve all school-wide fundraisers, including the proposed use of funds. The Fundraiser Approval (Form F-SA-2A) shall be completed before the fundraiser begins. Testing disclosed one fundraiser that did not have a completed Form F-SA-2A.

Response: This is being addressed with the principal and bookkeeper for them to monitor this more closely, to make sure this does not occur in the future.

2014-04: Fundraiser Proceeds

Condition:

Proceeds from fundraisers performed by students should not be spent on operational costs. Proceeds from a fundraiser were used for operational expenditures.

Response: The fundraiser has been given to the PTO to handle so proceeds will be handled in compliance with the Redbook.

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ROBERT B. TURNER ELEMENTARY, Continued

2014-05: District Receipts

Condition:

District receipts received and deposited into the school bank account should be periodically swept to the District's accounts. Funds were received, deposited, and used for operational expenditures rather than being swept.

Response: This is being addressed with the principal and bookkeeper that district activity funds are put into a sweep account and then swept to district funds on a monthly basis.

Status of Prior Year Comments

None of the prior conditions other than the current year repeat finding (2014-02) were repeated, as procedures were implemented to correct them.

EARLY CHILDHOOD CENTER

2014-01: Operating Expenditures

Condition:

Operating costs should not be made out of school activity funds. Testing disclosed multiple instances of payments made for operational costs.

Response: This is being addressed with the Principal and Bookkeeper, this will be monitored to make sure funds come out of district activity funds for operating expenses.

2014-02: District Receipts

Condition:

District receipts received and deposited into the school bank account should be periodically swept to the District's accounts. Funds were received, deposited, and used for operational expenditures rather than being swept.

Response: This is being addressed with the principal and bookkeeper that district activity funds are put into a sweep account and then swept to district funds on a monthly basis.

Status of Prior Year Comments

There were no comments in the prior year.

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SAFFELL ELEMENTARY

2014-01: Operational Expenditures

Condition:

Operating costs should not be made out of school activity funds. Testing disclosed multiple instances of payments made for operational costs.

Response: This is being addressed with the Principal and Bookkeeper, this will be monitored to make sure funds come out of district activity funds for operating expenses.

2014-02: District Receipts

Condition:

District receipts received and deposited into the school bank account should be periodically swept to the District's accounts. Funds were received, deposited, and used for operational expenditures rather than being swept.

Response: This is being addressed with principal and bookkeeper that district activity funds are put into a sweep account and then swept to district funds on a monthly basis.

Status of Prior Year Comments

There were no comments in the prior year.