

**AUGUSTA INDEPENDENT
SCHOOL DISTRICT**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014**

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	2-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-7
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements -	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements -	
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Net Position - Proprietary Fund	14
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	15
Statement of Cash Flows - Proprietary Fund	16
Statement of Net Position - Fiduciary Funds	17
Statement of Changes in Net Position - Fiduciary Funds	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Revenue Fund	20
Notes to Financial Statements	21-32
SUPPLEMENTAL INFORMATION:	
Combining Statements - Non-Major Funds -	
Combining Balance Sheet - Non-Major Governmental Funds	33
Combining Statement of Revenues, Expenditures and Changes In Fund Balances - Non-Major Governmental Funds	34
Combining Balance Sheet - Non-Major Capital Project Funds	35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Capital Project Funds	36
Combining Balance Sheet - Debt Service Funds	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Debt Service Funds	38
Other -	
Statement of Changes in Assets and Liabilities - School Activity Funds	39
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	40-41
INDEPENDENT AUDITOR'S TRANSMITTAL LETTER FOR MANGEMENT LETTER POINTS	42
MANAGEMENT LETTER POINTS	43-



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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for
School District Audits
Members of the Board of Education
Augusta Independent School District
Augusta, 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 Augusta Independent School District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. 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 Augusta Independent School District as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 5 through 7 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 Augusta Independent School District's basic financial statements. The combining and individual non-major fund financials are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements 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 10, 2014, on our consideration of Augusta Independent 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 District's internal control over financial reporting and compliance.

Kelley Galloway Smith Gorbey, PSC

November 10, 2014

Augusta Independent School District - Augusta, KY
Managements Discussion and Analysis (MD&A)
Year Ended June 30, 2014

As management of the Augusta Independent School District (the "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 financial statements.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for all funds of the District, was approximately \$301,267 and the ending balance was approximately \$351,602, an increase of \$50,335 for the year.
- The General Fund had \$2,306,089 in revenue, which consisted primarily of the State program (SEEK), and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$2,432,864 in General Fund expenditures.
- The majority of the District's General Fund revenues were derived from state sources (78%) and local taxes (20%). Regular instruction, student support services, and school administration accounts for 70% of the District's General Fund expenditures. Central support service expenditures were pupil transportation 5%, maintenance and operations 10% and business functions 3%, with central office support, facilities acquisitions, and fund transfers making up 12%.
- The District installed new rubber mulch to the existing playground.
- The District built a new preschool playground.
- The District installed energy efficient occupancy sensors in the library and band building restrooms and fitness center.
- The District purchased a new classroom set of desks for the high school.
- The District installed new automatic hand dryers in the new addition restrooms.
- The District purchased a new spanish curriculum for the high school.
- The District upgraded the old computer lab with 24 new workstations and three new teacher workstations.
- The District hired a part-time finance officer.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 8-9 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 funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is our vending and food service operations. All other activities of the District are included in the governmental funds. The basic fund financial statements can be found on pages 10-20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-32 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$670,702 for Governmental Activities, and \$136,706 for Business Type Activities as of June 30, 2014.

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

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

Net Position for the period ending June 30, 2014 as compared to June 30, 2013

	<u>June 30, 2014</u>	<u>June 30, 2013</u> (as restated)
Current Assets	\$ 491,530	\$ 735,188
Noncurrent Assets	4,585,350	4,865,262
Total Assets	<u>5,076,880</u>	<u>5,600,450</u>
Current Liabilities	603,193	709,264
Noncurrent Liabilities	3,666,279	3,970,885
Total Liabilities	<u>4,269,472</u>	<u>4,680,149</u>
Net Position		
Investment in capital assets (net of debt)	643,892	651,524
Restricted	15,305	20,345
Assigned	-	-
Committed	-	-
Unrestricted	148,211	248,432
Total Net Position	<u>\$ 807,408</u>	<u>\$ 920,301</u>

The following table presents a summary of revenue and expense on a government-wide basis for the fiscal years ended June 30, 2014 and 2013, respectively.

	<u>2014</u> Amount	<u>2013</u> Amount
Revenues:		
Local Revenue Sources	\$ 573,212	\$ 570,039
State Revenue Sources	2,279,497	2,334,084
Federal Sources	303,127	383,230
Interest Income	403	913

Other Sources	32,245	21,024
Total revenues	<u>3,188,484</u>	<u>3,309,290</u>
Expenses:		
Instruction	1,559,689	1,692,482
Student Support Services	158,740	95,092
Instructional Support	780	470
District Administration	273,769	409,799
School Administration	185,276	160,619
Business Support	82,056	84,955
Plant Operations	489,311	346,392
Student Transportation	126,789	132,106
Community Services	33,186	36,030
Food Service Operations	238,054	245,379
Interest	153,727	141,550
Total expenses before KSBIT	<u>3,301,377</u>	<u>3,344,874</u>
Extraordinary item - KSBIT	-	20,776
Total expenses	<u>3,301,377</u>	<u>3,365,650</u>
Revenue over (under) expenses	<u>\$ (112,893)</u>	<u>\$ (56,360)</u>

FUND FINANCIAL ANALYSIS

- The District's total revenues for the governmental funds for the fiscal year ended June 30, 2014 and 2013, net of interfund transfers and bond proceeds, was approximately \$2,981,000 and 3,088,000, respectively.
- The total costs of all programs and services for the governmental funds was approximately \$2,600,000 and \$2,736,000, net of debt service and facilities acquisition and construction, for the fiscal years ended June 30, 2014 and 2013, respectively.

Comments on Budget Comparisons

- The General Fund budget compared to actual revenue varied slightly from line item to line item with ending actual revenue being \$194,348 or 9.20% more than budgeted. The largest reason for the variances is the fact that the District budgeted all on-behalf amounts except for the \$162,267 on-behalf for Kentucky Teachers Retirement System.
- Actual General Fund expenditures (excluding transfers) compared to budget expenditures, net of contingency allotments, varied from line item to line item with expenditures being \$73,168 or 3.10% more than budgeted.

CAPITAL ASSETS

At the end of June 30, 2014, the District's investment in capital assets for its governmental and business-type activities was \$4,585,350, representing a decrease of \$279,912 net of depreciation, from the prior year.

DEBT SERVICE

At June 30, 2014, the District had approximately \$3,998,000 in outstanding debt, compared to \$4,286,000 at June 30, 2013. The District continues to maintain favorable debt ratings from Moody's and Standard & Poor's.

FUTURE BUDGETARY IMPLICATIONS

In Kentucky, the public schools fiscal year is July 1 - June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2014 - 2015 with \$241,002 or 9.49% contingency. Significant Board action that impacts the finances includes mandated pay increases, and in depth examination of all expense categories, which would include staffing patterns, and any facility repairs outside of bonded building and renovation projects.

Questions regarding this report should be directed to Superintendent Lisa McCane or to Timothy Litteral, Finance Director at 606-756-2545 or by mail at 307 Bracken Street, Augusta, KY 41002.

AUGUSTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 323,371	\$ 13,566	\$ 336,937
Receivables (net of allowances for uncollectibles):			
Property taxes	50,734	-	50,734
Other	7,693	-	7,693
Intergovernmental - state	90,542	-	90,542
Intergovernmental - federal	-	2,421	2,421
Inventories	-	3,203	3,203
Capital assets, not being depreciated	5,198	-	5,198
Capital assets, being depreciated, net	4,446,649	133,503	4,580,152
Total assets	<u>4,924,187</u>	<u>152,693</u>	<u>5,076,880</u>
Liabilities			
Accounts payable	28,764	15,987	44,751
Overdraft payable	76,098	-	76,098
Deferred revenue	7,882	-	7,882
Accrued salaries and benefits payable	176,676	-	176,676
Accrued interest payable	7,929	-	7,929
Portion due or payable within one year:			
Accrued sick leave	5,503	-	5,503
Debt obligations	284,354	-	284,354
Portion due or payable after one year:			
Accrued sick leave	-	-	-
KSBIT Payable	9,175	-	9,175
Debt obligations	3,657,104	-	3,657,104
Total liabilities	<u>4,253,485</u>	<u>15,987</u>	<u>4,269,472</u>
Net Position			
Net investment in capital assets	510,389	133,503	643,892
Restricted for:			
Capital projects	12,088	-	12,088
Other purposes	14	3,203	3,217
Unrestricted	148,211	-	148,211
Total net position	<u>\$ 670,702</u>	<u>\$ 136,706</u>	<u>\$ 807,408</u>

The accompanying notes to financial statements are an integral part of this statement.

**AUGUSTA INDEPENDENT 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		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
Instruction	\$ 1,559,699	\$ 15,000	\$ 127,960	\$ -	\$ (1,416,739)	\$ -	\$ (1,416,739)
Support services:							
Students	158,740	-	52,252	-	(106,488)	-	(106,488)
Instructional staff	780	-	-	-	(780)	-	(780)
District administration	273,769	-	-	-	(273,769)	-	(273,769)
School administration	185,276	-	-	-	(185,276)	-	(185,276)
Business and other support services	82,056	-	-	-	(82,056)	-	(82,056)
Operation and maintenance of plant	489,311	-	-	-	(489,311)	-	(489,311)
Student transportation	126,789	5,996	-	-	(120,793)	-	(120,793)
Community services	33,186	2,305	-	-	(30,881)	-	(30,881)
Interest	153,717	-	-	97,106	(56,611)	-	(56,611)
Total governmental activities	<u>3,063,323</u>	<u>23,301</u>	<u>180,212</u>	<u>97,106</u>	<u>(2,762,704)</u>	<u>-</u>	<u>(2,762,704)</u>
Business-type activities:							
Food service	238,054	53,862	152,632	-	-	(31,560)	(31,560)
Total business-type activities	<u>238,054</u>	<u>53,862</u>	<u>152,632</u>	<u>-</u>	<u>-</u>	<u>(31,560)</u>	<u>(31,560)</u>
Total primary government	<u>\$ 3,301,377</u>	<u>\$ 77,163</u>	<u>\$ 332,844</u>	<u>\$ 97,106</u>	<u>\$ (2,762,704)</u>	<u>\$ (31,560)</u>	<u>\$ (2,794,264)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 305,122	\$ -	\$ 305,122
Motor vehicle					27,139	-	27,139
Utilities					163,788	-	163,788
Intergovernmental revenues:							
State					2,152,674	-	2,152,674
Investment earnings					403	-	403
Gain (Loss) on disposal of assets					(9,721)	10,534	813
Other local revenues					31,432	-	31,432
Transfer					(6,390)	6,390	-
Total general revenues and transfers					<u>2,664,447</u>	<u>16,924</u>	<u>2,681,371</u>
Change in net position					<u>(98,257)</u>	<u>(14,636)</u>	<u>(112,893)</u>
Net position, June 30, 2013, as restated					<u>768,959</u>	<u>151,342</u>	<u>920,301</u>
Net position, June 30, 2014					<u>\$ 670,702</u>	<u>\$ 136,706</u>	<u>\$ 807,408</u>

The accompanying notes to financial statements are an integral part of this statement.

AUGUSTA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Special Revenue Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 311,269	\$ -	\$ 14	\$ 12,088	\$ 323,371
Receivables (net of allowances for uncollectibles):					
Taxes	50,734	-	-	-	50,734
Other	7,693	-	-	-	7,693
Intergovernmental - state	-	90,542	-	-	90,542
Intergovernmental - federal	-	-	-	-	-
Total assets	<u>\$ 369,696</u>	<u>\$ 90,542</u>	<u>\$ 14</u>	<u>\$ 12,088</u>	<u>\$ 472,340</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 22,202	\$ 6,562	\$ -	\$ -	\$ 28,764
Accrued salaries and benefits payable	176,676	-	-	-	176,676
Overdraft	-	76,098	-	-	76,098
Deferred revenue	-	7,882	-	-	7,882
Total liabilities	<u>198,878</u>	<u>90,542</u>	<u>-</u>	<u>-</u>	<u>289,420</u>
Fund balances:					
Assigned for accrued sick leave	5,503	-	-	-	5,503
Restricted for SFCC escrow	-	-	-	12,088	12,088
Restricted for debt service	-	-	14	-	14
Unassigned	165,315	-	-	-	165,315
Total fund balances	<u>170,818</u>	<u>-</u>	<u>14</u>	<u>12,088</u>	<u>182,920</u>
Total liabilities and fund balances	<u>\$ 369,696</u>	<u>\$ 90,542</u>	<u>\$ 14</u>	<u>\$ 12,088</u>	<u>\$ 472,340</u>

The accompanying notes to financial statements are an integral part of this statement.

AUGUSTA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF
NET POSITION
JUNE 30, 2014

Fund balances—total governmental funds	\$ 182,920
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,451,847
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(3,964,065)</u>
Net position of governmental activities	<u>\$ 670,702</u>

The accompanying notes to financial statements are an integral part of this statement.

AUGUSTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Special Revenue Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes -					
Property	\$ 278,287	\$ -	\$ -	\$ 26,835	\$ 305,122
Motor vehicles	27,139	-	-	-	27,139
Utilities	163,788	-	-	-	163,788
Tuition from individuals	15,000	-	-	-	15,000
Transportation fees	5,996	-	-	-	5,996
Interest income	403	-	-	-	403
Community services	2,305	-	-	-	2,305
Other local revenues	9,708	21,724	-	-	31,432
Intergovernmental - State	1,799,325	35,136	320,572	97,106	2,252,139
Intergovernmental - Indirect federal	-	173,715	-	-	173,715
Intergovernmental - Direct federal	4,138	-	-	-	4,138
Total revenues	<u>2,306,089</u>	<u>230,575</u>	<u>320,572</u>	<u>123,941</u>	<u>2,981,177</u>
Expenditures:					
Current:					
Instruction	1,415,291	149,684	-	-	1,564,975
Support services:					
Students	98,668	52,252	-	-	150,920
Instructional staff	440	-	-	-	440
District administration	272,742	-	-	-	272,742
School administration	185,276	-	-	-	185,276
Business and other support services	82,056	-	-	-	82,056
Operation and maintenance of plant	250,106	-	-	-	250,106
Student transportation	120,338	-	-	-	120,338
Community services	349	32,837	-	-	33,186
Facilities acquisition and construction	-	-	-	-	-
Debt service	7,598	-	430,450	-	438,048
Total expenditures	<u>2,432,864</u>	<u>234,773</u>	<u>430,450</u>	<u>-</u>	<u>3,098,087</u>
Excess (deficiency) of revenues over expenditures	<u>(126,775)</u>	<u>(4,198)</u>	<u>(109,878)</u>	<u>123,941</u>	<u>(116,910)</u>
Other financing sources (uses):					
Gain on sale of equipment	214	-	-	-	214
Transfers in	13,985	4,198	109,878	-	128,061
Transfers out	(10,588)	-	-	(123,863)	(134,451)
Total other financing sources (uses)	<u>3,611</u>	<u>4,198</u>	<u>109,878</u>	<u>(123,863)</u>	<u>(6,176)</u>
Net change in fund balances	(123,164)	-	-	78	(123,086)
Fund balances, June 30, 2013	<u>293,982</u>	<u>-</u>	<u>14</u>	<u>12,010</u>	<u>306,006</u>
Fund balances, June 30, 2014	<u>\$ 170,818</u>	<u>\$ -</u>	<u>\$ 14</u>	<u>\$ 12,088</u>	<u>\$ 182,920</u>

The accompanying notes to financial statements are an integral part of this statement.

**AUGUSTA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Net change in fund balances—total governmental funds \$ (123,086)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Loss on disposal of assets	(9,935)	
Capital outlay	12,722	
Depreciation expense	<u>(273,181)</u>	(270,394)

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

Long-term portion of accrued sick leave	10,892
Interest payable	450

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the statement of net position.

283,881

Change in net position of governmental activities \$ (98,257)

The accompanying notes to financial statements are an integral part of this statement.

**AUGUSTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014**

	<u>Food Service Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 13,566
Accounts receivable	2,421
Inventories	3,203
Total current assets	<u>19,190</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>133,503</u>
Total noncurrent assets	<u>133,503</u>
Total assets	<u><u>\$ 152,693</u></u>
Liabilities	
Current liabilities:	
Accounts payable	<u>\$ 15,987</u>
Total current liabilities	<u>15,987</u>
Total liabilities	<u>15,987</u>
Net Position	
Invested in capital assets	133,503
Restricted	3,203
Total net position	<u>136,706</u>
Total liabilities and net position	<u><u>\$ 152,693</u></u>

The accompanying notes to financial statements are an integral part of this statement.

AUGUSTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Food Service Fund</u>
Operating revenues:	
Lunchroom sales	\$ 53,815
Other operating revenues	47
Total operating revenues	<u>53,862</u>
Operating expenses:	
Salaries and wages	68,126
Employee benefits	33,538
Materials and supplies	114,123
Depreciation	20,052
Other operating expenses	2,215
Total operating expenses	<u>238,054</u>
Operating loss	<u>(184,192)</u>
Nonoperating revenues (expenses):	
Federal grants	125,274
Loss on disposal of assets	10,534
Investment income	-
Donated commodities	11,264
Transfers in	6,390
State grants	16,094
Total nonoperating revenue (expense)	<u>169,556</u>
Decrease in net position	(14,636)
Net position, June 30, 2013	<u>151,342</u>
Net position, June 30, 2014	<u><u>\$ 136,706</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**AUGUSTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Food Service Fund</u>
Cash flows from operating activities:	
Cash received from:	
Lunchroom sales	\$ 53,815
Other operating revenues	47
Cash paid to/for:	
Payments to suppliers and providers of goods and services	(89,875)
Payments to employees	(87,332)
Other payments	(2,215)
Net cash used for operating activities	<u>(125,560)</u>
Cash flows from noncapital financing activities:	
Government grants	138,335
Transfers from other funds	6,390
Net cash provided by noncapital and related financing activities	<u>144,725</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	-
Net cash provided by (used for) capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest received on investments	-
Net cash provided by (used for) investing activities	<u>-</u>
Net increase in cash and cash equivalents	19,165
Cash and cash equivalents (overdraft), June 30, 2013	<u>(5,599)</u>
Cash and cash equivalents, June 30, 2014	<u>\$ 13,566</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (184,192)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	20,052
Donated commodities	11,264
On-behalf payments	14,332
Change in assets and liabilities:	
Inventory	-
Accounts payable	12,984
Net cash used for operating activities	<u>\$ (125,560)</u>
Non-cash items:	
Donated commodities	\$ 11,264
On-behalf payments	14,332

The accompanying notes to financial statements are an integral part of this statement.

**AUGUSTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014**

	<u>Trust Funds</u>	<u>Activity Funds</u>
Assets		
Cash and cash equivalents	\$ 55,925	\$ 34,837
Accounts receivable	-	-
Total assets	<u>55,925</u>	<u>34,837</u>
Liabilities		
Accounts payable	-	-
Due to students	-	34,837
Total liabilities	<u>-</u>	<u>34,837</u>
Net position held in trust	<u><u>\$ 55,925</u></u>	<u><u>\$ -</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**AUGUSTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Trust Funds
Additions -	
Donations	\$ 1,000
Deductions -	
Benefits paid	4,000
Change in net position	(3,000)
Net position, June 30, 2013	58,925
Net position, June 30, 2014	\$ 55,925

The accompanying notes to financial statements are an integral part of this statement.

AUGUSTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes -				
Property	\$ 284,220	\$ 273,160	\$ 278,287	\$ 5,127
Motor vehicles	26,000	25,580	27,139	1,559
Utilities	145,000	145,200	163,788	18,588
Tuition and fees	18,000	16,000	15,000	(1,000)
Transportation fees	9,000	4,140	5,996	1,856
Interest income	500	500	403	(97)
Food service	-	2,000	-	(2,000)
Community services	2,000	2,000	2,305	305
Other local revenues	5,564	5,541	9,708	4,167
Intergovernmental - State	1,288,992	1,636,620	1,799,325	162,705
Intergovernmental - Direct federal	5,000	1,000	4,138	3,138
Other sources	-	-	-	-
Total revenues	<u>1,784,276</u>	<u>2,111,741</u>	<u>2,306,089</u>	<u>194,348</u>
Expenditures:				
Current:				
Instruction	970,308	1,352,990	1,415,291	(62,301)
Support services:				
Students	75,361	90,578	98,668	(8,090)
Instructional staff	-	940	440	500
District administration	682,508	264,955	272,742	(7,787)
School administration	142,233	169,532	185,276	(15,744)
Business and other support services	40,037	103,505	82,056	21,449
Operation and maintenance of plant	110,542	246,410	250,106	(3,696)
Student transportation	105,327	121,825	120,338	1,487
Community services	1,000	1,000	349	651
Debt service	7,000	7,961	7,598	363
Contingency	-	60,611	-	60,611
Total expenditures	<u>2,134,316</u>	<u>2,420,307</u>	<u>2,432,864</u>	<u>(12,557)</u>
Excess (deficiency) of revenues over expenditures	<u>(350,040)</u>	<u>(308,566)</u>	<u>(126,775)</u>	<u>181,791</u>
Other financing sources (uses):				
Sale of equipment	240	240	214	(26)
Transfers in	6,000	16,609	13,985	(2,624)
Transfers out	<u>(6,200)</u>	<u>(2,106)</u>	<u>(10,588)</u>	<u>(8,482)</u>
Total other financing sources (uses)	<u>40</u>	<u>14,743</u>	<u>3,611</u>	<u>(11,132)</u>
Net change in fund balances	<u>(350,000)</u>	<u>(293,823)</u>	<u>(123,164)</u>	<u>170,659</u>
Fund balances, June 30, 2013	<u>350,000</u>	<u>293,823</u>	<u>293,982</u>	<u>159</u>
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,818</u>	<u>\$ 170,818</u>

The accompanying notes to financial statements are an integral part of this statement.

AUGUSTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Interest income	\$ -	\$ -	\$ -	\$ -
Other local revenues	1,600	26,836	21,724	(5,112)
Intergovernmental - State	140,761	193,227	35,136	(158,091)
Intergovernmental - Indirect federal	216,339	216,527	173,715	(42,812)
Intergovernmental - Direct federal	-	-	-	-
Total revenues	<u>358,700</u>	<u>436,590</u>	<u>230,575</u>	<u>(206,015)</u>
Expenditures:				
Current:				
Instruction	332,005	352,215	149,684	202,531
Support services:				
Students	-	52,607	52,252	355
Instructional staff	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Community services	32,895	34,392	32,837	1,555
Operation of non-instructional services	-	-	-	-
Total expenditures	<u>364,900</u>	<u>439,214</u>	<u>234,773</u>	<u>204,441</u>
Excess (deficiency) of revenues over expenditures	<u>(6,200)</u>	<u>(2,624)</u>	<u>(4,198)</u>	<u>(1,574)</u>
Other financing sources:				
Transfers in	6,200	2,624	4,198	1,574
Total other financing sources	<u>6,200</u>	<u>2,624</u>	<u>4,198</u>	<u>1,574</u>
Net change in fund balances	-	-	-	-
Fund balances, June 30, 2013	-	-	-	-
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement.

**AUGUSTA INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

(1) REPORTING ENTITY

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

The District, for financial reporting purposes, includes all of the funds and account groups relevant to the operation of the Augusta Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the 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 is included in the accompanying financial statements.

Augusta Independent School District Finance Corporation - The Board authorized the establishment of the Augusta Independent 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 District for financing the costs of school building facilities. The members of the Board of Education also comprise the Corporation's Board of Directors.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Augusta Independent School District substantially comply with generally accepted accounting principles and the rules prescribed by the Kentucky Department of Education for local school districts.

Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements provide information about the primary government (the District). The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions. 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, including internally dedicated resources and all taxes, are reported as general revenues, 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 provide information about the District's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and 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. The proprietary fund 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.

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (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.
 - 3. The School Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

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

II. Proprietary Fund (Enterprise Fund)

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

III. Fiduciary Fund Type (includes Agency and Trust Funds)

The Activity Funds account 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*.

Basis of Accounting

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

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

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

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

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

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

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.

Cash and Cash Equivalents

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

Inventories

Supplies and materials are charged to expenditures when purchased, with the exception of the Proprietary Fund, which records inventory at cost, on the first-in, first-out basis, using the accrual method of accounting.

Capital Assets

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

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

All reported capital assets are depreciated with the exception of land. 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>Estimated Lives</u>
Buildings and improvements	25-50 years
Infrastructure	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	5-12 years
Other general	7-10 years

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem tax is levied prior to June 30, of each year on the assessed value listed as of the prior January 1, for all real and business personal property located in the District. The assessed value of property upon which the levy for the 2014 fiscal year was based was \$48,993,418.

The tax rates assessed for the year ended June 30, 2014 to finance general fund operations were \$.613 on real estate, \$.616 on personal property, and \$.576 on motor vehicles per \$100 valuation.

Taxes are due on October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2014 were approximately 75.27% of the tax levy.

In-Kind

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal and state administered funding on various grants. The District also receives commodities from USDA. The amounts of such services and commodities are recorded in the accompanying financial statements at their estimated fair market values.

Interfund Balances

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

Budgetary Process

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

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the proprietary fund 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, all payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint;

- Assigned fund balance - amounts the District intends to use for a specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; unassigned amounts are reported only in the General Fund.

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 are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, those revenues are primarily charges for meals provided by the various schools. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

Interfund Activity

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

Estimates

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

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued GASB No. 65, *Items Previously Reported as Assets and Liabilities* which clarifies the use of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement requires certain items which were previously reported as assets and liabilities to be reported as deferred outflows of resources, deferred inflow of resources and as revenues and expenses. The District adopted GASB 65 for the year ended June 30, 2014. See Note 14.

The Governmental Accounting Standards Board (GASB) issued GASB No. 68, *Accounting and Financial Reporting for Pensions*, which changes the way pensions are reported on the financial statements of employers. Employers participating in a multi-employer cost-sharing plan will be required to report net pension liability on the entity-wide statements for their proportionate share of the liability. Districts will be required to record net pension liability for their share of the liability associated with employees participating in County Employees Retirement System (CERS) as well as any district-sponsored pension plans. There will be little to no impact on the balance sheets of the governmental funds. Additional note disclosures and required supplementary information (RSI) are

governmental funds. Additional note disclosures and required supplementary information (RSI) are also addressed in the Standard. Kentucky Department of Education will be working with KTRS and Kentucky Retirement Systems in the months ahead to provide guidance for the implementation issues facing school districts. The Standard is effective for fiscal year ending June 30, 2015.

(3) DEBT OBLIGATIONS

The amount shown in the accompanying financial statements as debt obligations represents the District's future obligations to make lease payments relating to bonds issued in the original amount of \$5,530,000.

Bonds

The General Fund, Facilities Support Program (FSPK) Fund and the SEEK Capital Outlay Fund are obligated to make lease payments. The lease agreements provide among other things, (1) for rentals sufficient to satisfy debt service requirements on bonds issued by the Augusta Independent School District Finance Corporation to construct school facilities and (2) the Board with the option to purchase the properties under leases at any time by retiring the bonds then outstanding. The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The original amount of present outstanding issues, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Original Amount</u>	<u>Interest Rates</u>
Issue of 4-1-96	\$ 810,000	4.30% to 5.25%
Issue of 6-1-04	390,000	4.65%
Issue of 12-1-06	395,000	3.95%
Issue of 1-1-08	3,395,000	3.25% to 3.875%
Issue of 5-1-11	540,000	2.50% to 4.60%
	<u>\$ 5,530,000</u>	

The bonds may be called prior to maturity at dates and redemption premiums specified in the issues.

KSBIT Payable

The Kentucky School Boards Insurance Trust ("KSBIT") notified the District during fiscal year 2013 that their self-insurance pools for worker's compensation and liability insurance were underfunded. As a result, an assessment will be required under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On May 13, 2014, the court approved the plan of assessment tendered by KSBIT and approved the Loss Portfolio Transfer to Kentucky Employers Mutual Insurance ("KEMI"). As a result the District's portion of the liability was reduced from \$20,766 to \$9,175. The District took the option of paying 25% down by August 31, 2014 and financing the remaining balance over 6 years to be paid in equal annual installments beginning August 31, 2015 with no interest.

A summary of long-term debt and other long-term liabilities is as follows:

<u>Description</u>	<u>Balance at June 30, 2013</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at June 30, 2014</u>
General obligation bonds - \$5,530,000 originally issued with interest rates ranging from 2.50% to 5.25%	\$ 4,055,000	\$ -	\$ 240,000	\$ 3,815,000
KISTA	210,151	-	36,506	173,645
KSBIT Payable	20,776	-	11,601	9,175
Accumulated unpaid sick leave	16,395	-	10,892	5,503
Less: Discounts on bonds	<u>(51,413)</u>	<u>-</u>	<u>(4,226)</u>	<u>(47,187)</u>
	<u>\$ 4,250,909</u>	<u>\$ -</u>	<u>\$ 294,773</u>	<u>\$ 3,956,136</u>

In connection with the bond issues of 1996, 2004, 2006, 2008, and 2011, the Board entered into a participation agreement with the Kentucky School Facilities Construction Commission, whereby the Commission has agreed to provide amounts on an annual basis (reflected in the following table) toward the payment of principal and interest requirements on the bonds. The agreement is in effect for a period of two years. The obligation of the Commission to make said payments shall automatically renew every two years, unless the Commission provides the Board notice of its intention not to participate within sixty days prior to the expiration of the two year period.

Assuming no issues are called prior to scheduled maturity and that the Kentucky School Facilities Construction Commission continues to renew its agreement, the minimum obligations at June 30, 2014 for debt service (principal and interest) are as follows:

<u>June 30,</u>	<u>Kentucky School Facilities Construction Commission's Portion</u>		<u>District's Portion</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	
2015	\$ 115,052	\$ 205,521	\$ 35,428	\$ 83,059	\$ 439,060
2016	108,275	212,297	32,401	61,259	414,232
2017	101,319	210,660	30,375	57,745	400,099
2018	94,023	217,957	28,277	56,472	396,729
2019	86,317	225,662	26,115	54,893	392,987
2020-2024	316,912	1,058,040	95,262	319,254	1,789,468
2025-2029	102,172	934,996	32,803	230,004	1,299,975
2030-2032	2,783	40,135	2,047	29,866	74,831
	<u>\$ 926,853</u>	<u>\$ 3,105,268</u>	<u>\$ 282,708</u>	<u>\$ 892,552</u>	<u>\$ 5,207,381</u>

(4) 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. At June 30, 2014, this amount totaled \$5,503. The District follows a policy of funding up to one-half of the total amount accrued as a reservation of the General Fund balance.

(5) RETIREMENT PLANS

Kentucky Retirement System

The 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 of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring a four (4) year college degree or certification by Kentucky 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). The KTRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Teachers Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601-3868 or from the KTRS web site at <http://www.ktrs.ky.gov/>.

Funding policy - Contribution rates are established by KRS. Effective July 1, 2013, 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 in a state retirement system before July 1, 2008 and 14.105% for members hired after July 1, 2008. Effective July 1, 2013, for members whose salaries are federally funded, the District contributes 14.605% of salaries.

The District's total payroll for the year was \$1,474,538. The payroll for employees covered under KTRS was \$1,341,022. For the years ended June 30, 2014, 2013, and 2012, the Commonwealth of Kentucky contributed \$162,267, \$156,237, and \$157,586, respectively, to KTRS for the benefit of the District's participating employees. The District's contributions to KTRS for the years ended June 30, 2014, 2013, and 2012 were \$19,407, \$18,946, and \$24,140, respectively, which represents those employees covered by Federal Programs.

Medical Insurance Plan

Plan description - In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide 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 Kentucky Department of Employee Insurance and the General Assembly.

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

Funding policy - In order to fund the post-retirement healthcare benefit, active member contributions are matched by the state at 0.75% of members' gross salaries. Member contributions are 1.75% of salary. Also, premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, the District pays 1.0% of members' salary.

County Employees Retirement System

Substantially all other employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems,

Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or from the KRS website at <https://kyret.ky.gov>.

Funding for CERS is provided by members who contribute 5% of their salary through payroll deductions and by employers of members who contribute 18.89% of the member's salary. Plan members hired after July 1, 2008 contribute an additional 1% towards health insurance. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees. The District's contributions to CERS for the years ending June 30, 2014, 2013, and 2012 were \$61,741, \$75,385, and \$72,760, respectively, equal to the required contributions for the year.

(6) CASH AND CASH EQUIVALENTS

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At June 30, 2014, the carrying amount of the Board's cash and cash equivalents was \$351,602 and the related bank balances totaled \$381,719. Of these total bank balances, \$250,014 was insured by the Bank Insurance Fund and \$131,705 was secured by collateral held by the pledging bank in the District's name.

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

(7) CAPITAL ASSETS

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

	June 30, 2013	Additions	(Deductions) Reclassification	June 30, 2014
Governmental Activities				
Land and land improvements	\$ 68,918	\$ -	\$ 27,671	\$ 96,589
Buildings and improvements	6,584,570	-	(26,351)	6,558,217
Technology equipment	495,397	12,722	(285,518)	222,602
Vehicles	207,614	-	(38,588)	169,026
General	231,278	-	(55,015)	176,263
Totals at historical cost	<u>7,587,777</u>	<u>12,722</u>	<u>(377,801)</u>	<u>7,222,698</u>
Less: accumulated depreciation -				
Land improvements	(40,186)	(2,788)	-	(42,974)
Buildings and improvements	(2,009,208)	(228,390)	-	(2,237,598)
Technology equipment	(439,107)	(26,049)	278,797	(186,359)
Vehicles	(188,133)	(6,763)	35,860	(159,036)
General	(188,902)	(9,191)	53,209	(144,884)
Total accumulated depreciation	<u>(2,865,536)</u>	<u>(273,181)</u>	<u>367,866</u>	<u>(2,770,851)</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 4,722,241</u>	<u>\$ (260,459)</u>	<u>\$ (9,935)</u>	<u>\$ 4,451,847</u>
Business-Type Activities				
Buildings and improvements	\$ 427,600	\$ -	\$ -	\$ 427,600
General	97,087	-	(8,755)	88,332
Technology equipment	1,985	-	5,190	7,175
Totals at historical cost	<u>526,672</u>	<u>-</u>	<u>(3,565)</u>	<u>523,107</u>

Less: accumulated depreciation				
Buildings and improvements	(336,820)	(12,104)	-	(348,924)
General	(44,846)	(4,993)	16,189	(33,650)
Technology equipment	(1,985)	(2,955)	(2,090)	(7,030)
Total accumulated depreciation	<u>(383,651)</u>	<u>(20,052)</u>	<u>14,099</u>	<u>(389,604)</u>

Business-Type Activities

Capital Assets - Net	\$ <u>143,021</u>	\$ <u>(20,052)</u>	\$ <u>10,534</u>	\$ <u>133,503</u>
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Depreciation expense was allocated to governmental functions as follows:

Instruction	\$	18,338
Student support services		7,820
Instructional staff support		340
District administration		1,027
School administration		-
Business support services		-
Plant operation & maintenance		239,205
Student transportation		6,451
	\$	<u>273,181</u>

(8) OPERATING LEASES

The District has operating lease agreements for use of equipment and various parcels of real estate cancelable annually with the option to renew. The District recognizes the expenditures related to those obligations in the General Fund as lease payments are made. Total rent expenditures under operating type leases were approximately \$13,418.

(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 on 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.

The District has no outstanding construction commitments at 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 carries insurance with private insurance carriers. The District pays annual premiums for insurance coverage.

The District purchases unemployment insurance through a private carrier. 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 District at risk for a substantial loss (contingency).

(12) ON-BEHALF PAYMENTS

For fiscal year 2014, the Commonwealth of Kentucky contributed estimated payments on behalf of the Augusta Independent School District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System	\$ 162,267
Health & Life Insurance Plan	324,762
Technology	30,227
Debt Service	320,572

These amounts are included in the financial statements as state revenue and in the appropriate expense category. Retirement contributions are allocated to the different functions in the same proportion as full-time employees.

(13) 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	General	Special Revenue	Technology Match	\$ 4,198
Debt Service	SEEK Building Fund	Debt Service	Debt Service	97,143
Debt Service	SEEK Capital Outlay	Debt Service	Debt Service	12,735
Operating	General	Food Service	Operating	6,390
Operating	SEEK Capital Outlay	General Fund	Capital Funds Request	13,985

(14) CHANGES IN BEGINNING NET POSITION

Governmental Accounting Standards Board No. 65 required changes to the beginning balances of the Statement of Net Position. Beginning net position of the governmental activities was decreased \$52,527 to expense bond issuance costs capitalized prior to the 2013-14 fiscal year. Due to a change in accounting for bond discounts the beginning net position for the governmental activities was increased \$51,413 to capitalize the discounts. The net effect of these changes is a decrease of \$1,114 to the beginning net position.

SUPPLEMENTAL INFORMATION

**AUGUSTA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014**

	Non-Major Capital Project Funds	Total Non-Major Governmental Funds
ASSETS:		
Cash and cash equivalents	\$ 12,088	\$ 12,088
Accounts receivable	-	-
Total assets	\$ 12,088	\$ 12,088
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts payable	\$ -	\$ -
Total liabilities	-	-
Fund Balances:		
Restricted for SFCC escrow	12,088	12,088
Restricted for debt service	-	-
Total fund balance	12,088	12,088
Total liabilities and fund balances	\$ 12,088	\$ 12,088

**AUGUSTA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Non-Major Capital Project Funds</u>	<u>Total Non-Major Governmental Funds</u>
REVENUES:		
From local sources -		
Property taxes	\$ 26,835	\$ 26,835
Earnings on investments	-	-
Intergovernmental - Direct Federal subsidy	-	-
Intergovernmental - State	97,106	97,106
Total revenues	<u>123,941</u>	<u>123,941</u>
EXPENDITURES:		
Current -		
Debt service	-	-
Total expenditures	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>123,941</u>	<u>123,941</u>
OTHER FINANCING USES:		
Operating transfers in	-	-
Operating transfers out	(123,863)	(123,863)
Total other financing uses	<u>(123,863)</u>	<u>(123,863)</u>
NET CHANGE IN FUND BALANCE	78	78
FUND BALANCE JUNE 30, 2013	<u>12,010</u>	<u>12,010</u>
FUND BALANCE JUNE 30, 2014	<u>\$ 12,088</u>	<u>\$ 12,088</u>

AUGUSTA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECT FUNDS
 JUNE 30, 2014

	FSPK Fund	SEEK Fund	Construction Fund	Total Non-Major Capital Project Funds
ASSETS:				
Cash and cash equivalents	\$ -	\$ 12,088	\$ -	\$ 12,088
Accounts receivable	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 12,088</u>	<u>\$ -</u>	<u>\$ 12,088</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted for SFCC escrow	-	12,088	-	12,088
Total fund balance	<u>-</u>	<u>12,088</u>	<u>-</u>	<u>12,088</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 12,088</u>	<u>\$ -</u>	<u>\$ 12,088</u>

AUGUSTA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	FSPK Fund	SEEK Fund	Construction Fund	Total Non-major Capital Project Funds
REVENUES:				
From local sources -				
Property taxes	\$ 26,835	\$ -	\$ -	\$ 26,835
Intergovernmental - State	70,308	26,798	-	97,106
Interest income	-	-	-	-
Total revenues	<u>97,143</u>	<u>26,798</u>	<u>-</u>	<u>123,941</u>
EXPENDITURES:				
Current -				
Facilities acquisition and construction	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>97,143</u>	<u>26,798</u>	<u>-</u>	<u>123,941</u>
OTHER FINANCING USES:				
Operating transfers out	<u>(97,143)</u>	<u>(26,720)</u>	<u>-</u>	<u>(123,863)</u>
Total other financing uses	<u>(97,143)</u>	<u>(26,720)</u>	<u>-</u>	<u>(123,863)</u>
NET CHANGE IN FUND BALANCE	-	78	-	78
FUND BALANCE JUNE 30, 2013	<u>-</u>	<u>12,010</u>	<u>-</u>	<u>12,010</u>
FUND BALANCE JUNE 30, 2014	<u>\$ -</u>	<u>\$ 12,088</u>	<u>\$ -</u>	<u>\$ 12,088</u>

AUGUSTA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 DEBT SERVICE FUNDS
 JUNE 30, 2014

	2009 KISTA Lease	1996 Bond Fund	2004 Bond Fund	2006 Bond Fund	2008 Bond Fund	2011 Bond Fund	Totals Debt Service Funds
ASSETS:							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 14	\$ -	\$ 14
Accounts receivable	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14</u>	<u>\$ -</u>	<u>\$ 14</u>
LIABILITIES AND FUND BALANCE:							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:							
Restricted for debt service	-	-	-	-	14	-	14
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14</u>	<u>-</u>	<u>14</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14</u>	<u>\$ -</u>	<u>\$ 14</u>

AUGUSTA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 DEBT SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	2009 KISTA Lease	1996 Bond Fund	2004 Bond Fund	2006 Bond Fund	2008 Bond Fund	2011 Bond Fund	Totals Debt Service Funds
REVENUES:							
Intergovernmental - State	\$ 34,559	\$ 8,592	\$ 12,215	\$ 23,645	\$ 219,239	\$ 22,322	\$ 320,572
Intergovernmental - Direct Federal	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-
Total revenues	<u>34,559</u>	<u>8,592</u>	<u>12,215</u>	<u>23,645</u>	<u>219,239</u>	<u>22,322</u>	<u>320,572</u>
EXPENDITURES:							
Debt service	34,559	66,561	28,486	26,751	238,423	35,670	430,450
Total expenditures	<u>34,559</u>	<u>66,561</u>	<u>28,486</u>	<u>26,751</u>	<u>238,423</u>	<u>35,670</u>	<u>430,450</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES							
	-	(57,969)	(16,271)	(3,106)	(19,184)	(13,348)	(109,878)
OTHER FINANCING SOURCES:							
Bond proceeds	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-
Operating transfers in	-	57,969	16,271	3,106	19,184	13,348	109,878
Total other financing sources	-	<u>57,969</u>	<u>16,271</u>	<u>3,106</u>	<u>19,184</u>	<u>13,348</u>	<u>109,878</u>
NET CHANGE IN FUND BALANCE							
	-	-	-	-	-	-	-
FUND BALANCE JUNE 30, 2013							
	-	-	-	-	14	-	14
FUND BALANCE JUNE 30, 2014							
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14</u>	<u>\$ -</u>	<u>\$ 14</u>

**AUGUSTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Cash Balance June 30, 2013	Receipts	Disburse- ments	Cash Balance June 30, 2014	Accounts Payable	Deposits Held in Custody for Students June 30, 2014
Athletics	\$ 13,308	\$ 97,630	\$ 102,442	\$ 8,496	\$ -	\$ 8,496
Band	1,005	5,576	5,366	1,215	-	1,215
Beta Club	-	270	270	-	-	-
Champions	420	1,106	-	1,526	-	1,526
Class of 2013	2,771	-	2,771	-	-	-
Class of 2014	3,348	3,649	6,997	-	-	-
Class of 2015	958	4,002	-	4,960	-	4,960
Class of 2016	67	2,804	-	2,871	-	2,871
Class of 2017	596	2,556	1,495	1,657	-	1,657
Class of 2018	1,151	712	410	1,453	-	1,453
Class of 2019	-	1,200	973	227	-	227
Culinary Arts	238	-	-	238	-	238
Drama Club	550	628	245	933	-	933
Faculty Enhancement	(9,658)	13,298	2,747	893	-	893
FBLA	199	3,527	2,909	817	-	817
FCCLA	654	1,829	1,178	1,305	-	1,305
Fitness Center	35	32	17	50	-	50
Future Educators	161	-	-	161	-	161
Gifted and Talented	9	439	232	216	-	216
High School Art	286	-	-	286	-	286
Kindergarten Class	-	189	-	189	-	189
Library	205	2,055	2,032	228	-	228
Ohio River Valley	1	-	1	-	-	-
Senior scholarship	-	1,000	1,000	-	-	-
Senior Trip Deposit	-	5,950	5,950	-	-	-
Special Education Fund	605	-	126	479	-	479
Student Enhancement	901	6,009	3,365	3,545	-	3,545
Yearbook/Newspaper	1,862	1,454	224	3,092	-	3,092
	<u>\$ 19,672</u>	<u>\$ 155,915</u>	<u>\$ 140,750</u>	<u>\$ 34,837</u>	<u>\$ -</u>	<u>\$ 34,837</u>



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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Augusta Independent School District
Augusta, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Augusta Independent School District (the "District") as of and for the year ended June 30, 2014, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 10, 2014. We conducted our audit 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 the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

Kelley Allaway Smith Grayson, PSC

November 10, 2014



Kelley **G**alloway
Smith **G**oolsby, PSC

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Kentucky State Committee of School District Audits
Members of the Board of Education
Augusta Independent School District
Augusta, Kentucky

In planning and performing our audit of the financial statements of Augusta Independent School District (the "District") as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated November 10, 2014, on the financial statements of the District.

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

Kelley Galloway Smith Goolsby, PSC

November 10, 2014

**AUGUSTA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2014**

DISTRICT DISBURSEMENTS

Meals Reimbursements

Condition: We noted two meal reimbursements to Board members for that were only supported by the credit card slip, rather than the full itemized receipt.

Criteria: It is best practice to turn in the itemized meal receipts rather than just the credit card slip.

Cause: It has never been District policy to require the itemized receipts to be turned in with reimbursement requests.

Effect: It strengthens controls over purchasing to request the itemized receipt to ensure that there are no reimbursements for items that are prohibited.

Recommendation: We recommend that the District require itemized receipts to be turned in with all reimbursement requests.

Management's Response: The bookkeeper and the Finance Officer will require itemized receipts to be turned in with all reimbursement requests.

Credit Card Purchases

Condition: We reviewed the August 2013 and February 2014 credit card statements and we noted the following conditions:

- Two purchases were not supported by receipts.
- The February statement contained a late charge and interest payments from the prior month.
- We noted two gift cards that were purchased on the August statement that did not document the educational purpose of the transaction. One of the gifts cards had a note on the purchase order that said Gift Card Birthday.

Criteria: The criteria for the above are as follows:

- All purchases should be accompanied by the related receipt or other supporting documentation.
- All bills should be paid timely to prevent the District from incurring late charges or interest.
- Disbursement support should note the education purpose of the item if it is not obvious.

Cause: The District had not implemented strict controls and documentation requirements over credit card purchases.

Effect: Unauthorized purchases could be made and go undetected.

Recommendation: We recommend that the District evaluate their current controls over the credit card purchases and establish improved the internal controls where needed.

Management's Response: The Finance Officer will require receipts supporting all credit card purchases and document the educational purpose if not apparent.

Expenditure Account Coding

Condition: We noted seven checks out of 40 tested where the approved disbursement was improperly coded to the wrong account. The checks were as follows:

<u>Check</u>	<u>Vendor</u>	<u>Amount</u>	<u>Account Charged</u>	<u>Invoice Description</u>
19586	NKCES	\$100	Supplies	Registration for conference
19589	Pearson Education	\$6,823	Fees / F & F	Testing booklets
19596	State Electric Supply	\$2,346	Prof Servs	Supplies
19609	Bracken Co. News	\$340	Other printing	Newspaper subscription
19739	Schezinger Pest Cont.	\$384	Radio Srvcs	Pest Control
19883	Abell Elevator	\$132	Shipping	Elevator & Chairlift Maint.

Criteria: Disbursements should be recorded in the proper expenditure account code.

Cause: The Finance Director failed to properly charge disbursements to the proper accounts.

Effect: Charging expenditures to the incorrect account can have a negative impact on the budgeting process due to the fact that items are not being charged to the correct account.

Recommendation: We recommend that more care be taken to ensure that expenditures are posted to the correct account.

Management's Response: The Finance Officer will be cautious to ensure that expenditures are properly coded to the correct account.

PAYROLL

Confirmation of Prior Work Experience

Condition: We noted one instance out of 40 items tested where there was no confirmation of the employee's work experience located in the employees personnel file

Criteria: Prior work experience for certified employees should be confirmed with all previous employers.

Cause: Oversight.

Effect: Employees could misrepresent their work history in order to receive higher pay.

Recommendation: We recommend that verification of all prior work experience be completed and documented in the personnel files.

Management's Response: The Finance Officer and/or the administrative assistant will verify all prior work experience for certified employees and maintain documentation in the employee's personnel file.

Missing W-4

Condition: We noted one instance out of 40 where the employee's W-4 could not be located

Criteria: A properly completed W-4 should be completed and maintained for all employees.

Cause: The item was either misplaced or never completed.

Effect: The District could be withholding the incorrect amount of taxes from the employee's pay.

Recommendation: We recommend that more care be taken to ensure that all employees properly complete a W-4 and it is maintained in the employee's personnel file.

Management's Response: The Finance Officer will be cautious to ensure all employees properly complete a W-4 and maintain them in the personnel files.

Sick Leave Pay

Condition: We noted one employee that was out on maternity leave from August 22, 2013 to October 4, 2013. During this period, the employee had two sick days remaining and the Labor Day holiday. This leaves 29 days that she did not work; however, she still received her paycheck over that period of time up until she returned to work. When she returned to work, she received a reduced paycheck until she had made up the 29 days. This arrangement was not approved by the Board or the Superintendent.

Criteria: Employees should only be paid for time worked.

Cause: The former Finance Director took it upon herself to change the pay structure so that the employee would not have to go without receiving a paycheck.

Effect: The employee may have decided not to return to work and the District would have had no way of recouping the funds. Additionally, the arrangement was not approved.

Recommendation: The District should only pay employees for time worked and controls should be in place to prevent unauthorized changes to the approved payroll.

Management's Response: The Finance Officer will only pay employees for time worked and request the approval from the Superintendent and/or the Board of Education to change the pay structure of employees.

LATE KTRS CONTRIBUTIONS

Condition: We noted that the District stopped remitting their payments to the Kentucky Teacher's Retirement System (KTRS) during the year. Once KTRS discovered this, they sent letters to the District notifying them of the missed contributions and assessed the District with penalties of \$2,055.

Criteria: All KTRS contributions should be remitted timely so that they can be reviewed to ensure compliance with KRS 161.560.

Cause: The reports required to be completed with the remittances changed during the fiscal year and the former Finance Director did not understand how to complete the required reports and therefore she simply stopped remitting the contributions.

Effect: Retirement contributions were not properly remitted.

Recommendation: We recommend that the District implement controls to ensure that all KTRS contributions are properly remitted as required.

Management Response: The Finance Officer will receive training on proper completion of required KTRS reports, including remittance of contributions in a timely manner.

Follow-up on Prior Year Recommendations

None of the conditions listed above are repeat findings from the prior year. All other prior year conditions have been implemented and corrected. Ms. Lisa McCane, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.