ESTILL COUNTY
SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES

For the year ended June 30, 2014

Prepared by:

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White & Associates, PSC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Estill County Board of Education and
State Committee for School District Audits
Irvine, 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 Estill County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the 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 Estill County School District, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows, and the respective budgetary comparison for the General Fund and Special Revenue Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information as listed in the table of contents 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 Estill County School District's basic financial statements. The additional supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2014, on our consideration of the Estill County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant

agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Estill County School District's internal control over financial reporting and compliance.

White & Associates, PSC

Richmond, Kentucky
November 10, 2014

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

FINANCIAL HIGHLIGHTS

1. The beginning cash balance for the General Fund was $3,745,513 and ending cash balance was $3,343,303.

2. The General Fund had $17.3 million in revenue, which primarily consisted of the SEEK property, property, utility and motor vehicle taxes. There were $17.8 million in expenditures in the General Fund.

3. The district gave a 1% raise in salaries to certified and classified employees in addition to grade and step raises.

4. The Board utilized the option provided in House Bill 269 to use Capital Outlay fund for insurance expenditures in the amount of $212,085. This is the second year the district has utilized this option.

5. The Board levied property tax rates of 45.5 for real and tangible property. This includes .2 for exonerations. Motor vehicle and watercraft tax remained at 54.8. The board continues to add from the general fund an additional nickel to the building fund. The district also continued the 3% utility tax.

6. Bonds were sold in November 2013 to finance a roof, restroom/locker room renovation at the High School. The roof project was completed and the restroom/locker-room is nearing completion.

7. This was the first year our district qualified for the Community Option of the federal school food program. This allows all students, regardless of income, to eat free breakfast and lunch. The Board hopes that this will remove a barrier for many of our students.

8. The Winter Guard Program was added as an extracurricular activity at the High School.

9. The district was assessed $430,175 by Kentucky School Boards Insurance Trust for underfunded insurance in past years. Payment was not required prior to the end of the fiscal year 2013-2014.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. These statements are organized so that the reader can understand Estill County School District as a financial whole, an entire operating entity, in a manner similar to a private-sector business. This annual report consists of three components, A) management's discussion and analysis (this section), B) the basic financial statements, and C) required and other supplemental information. The statements then proceed to provide an increasingly detailed look at specific financial activities. The District's basic financial statements comprise three components: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the financial

statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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 and deferred inflows and outflows, with the difference between them being 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 expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of Estill County Schools, assets plus deferred outflows exceeded liabilities by $15,416,193 for Governmental Activities and $317,188 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, equipment, and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Net Position

	2013	2014	Change
Current Assets	$ 6,272,814	$ 5,931,115	$ (341,699)
Non-current Assets	35,149,398	35,977,802	828,404
Total Assets	**41,422,213**	**41,908,918**	**486,705**
Loss for the difference of refunding debt	143,806	130,238	(13,568)
Current Liabilities	1,109,952	1,100,474	(9,478)
Non-current Liabilities	24,998,464	25,205,302	206,837
Total Liabilities	**26,108,417**	**26,305,776**	**197,358**
Invested in capital assets, net of debt	11,152,595	11,811,062	658,467
Restricted	1,884,891	1,973,833	88,942
Unrestricted	2,420,115	1,948,484	(471,631)
Total Net position	**$15,457,601**	**$15,733,380**	**$ 275,779**

Table 2

Changes in Net Position

(in Millions $)

	Governmental Activities		Business-Type Activities		Total School District		Percent Change
	2014	2013	2014	2013	2014	2013	2013-2014
Program Revenues:							
Charges for services	0.06	0.09	0.13	0.33	0.19	0.42	-0.81
Operating grants and contributions	3.5	3.96	1.44	1.06	4.94	5.01	3.94
Capital grants and contributions	2.04	2.09			2.04	2.09	3.13
General revenues	17.67	17.94			17.67	17.94	16.67
Total revenue	23.27	24.08	1.57	1.39	24.84	25.46	25.93
Expenses:							
Instruction	12.11	12.1			12.11	12.1	11.11
Student	1.34	1.29			1.34	1.29	0.34
Instructional staff	1.31	1.43			1.31	1.43	0.31
District administration	0.73	0.66			0.73	0.66	-0.27
School administration	1.28	1.29			1.28	1.29	0.28
Business	0.66	0.66			0.66	0.66	-0.34
Plant operation & maintenance	1.77	1.78			1.77	1.78	0.77
Student transportation	1.88	1.76			1.88	1.76	0.88
Food service operations	0.03	0.03	1.65	1.39	1.68	1.42	0.69
Community services operations	0.25	0.35			0.25	0.35	-0.75
Loss on retirement of assets	-	0.32				0.32	-1
Depreciation and Amortization	0.67	0.7	0.01	0.01	0.68	0.71	-0.32
Interest on long-term debt	1	0.98			1	0.98	0.98
Extraordinary item		0.48			-	0.48	-1
Total Expenses	23.07	23.84	1.66	1.41	24.73	25.24	0.02
Changes in Net Position	0.2	0.24	-0.09	-0.02	0.11	0.22	25.91

CAPITAL ASSETS

At the end of fiscal 2014, the District had $35million invested in capital assets, including land, building, buses, computers and other equipment.

Table 3
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	$ 442,930	$ 442,930			$ 442,930	$ 442,930
Land Improvements	378,238	412,739			378,238	412,739
Buildings	33,991,096	33,303,127			33,991,096	33,303,127
Technology Equipment	327,702	523,942			327,702	523,942
Vehicles	110,827	175,329	24,031	30,061	134,858	205,390
General Equipment	200,467	241,581	14,700	19,689	215,167	261,270
Construction in Progress	487,811				487,811	
Totals	$ 35,939,071	$ 35,099,647	$ 38,731	$ 49,750	$ 35,977,802	$ 35,149,398

Debt

Table 4
Outstanding Debt at Year-End
(in Millions)

	Government Activities	
	2014	2013
General Obligation Bonds	$23.91	$23.69
Capital Lease Obligations	0.38	0.45
Total Obligations	$24.29	$24.14

Food Service Activity

Operating Revenue for Food Service Fund totals $ 126,613 and non-operating revenues total $1,443,635 as of June 30, 2014. Operating Expenditures for Food Service Fund total $1,663,708 as of June 30, 2014. Expense exceeds revenue by $93,460.

The District's Funds

The majority of general fund revenue, (84%) net of other financing sources is derived from state funding with local taxes making up 16% of revenue. Instructional expense comprised 54% of expenditures in 2014, other support functions 25%, transportation 11% and plant operation and maintenance 10%.

Revenue & Expenditures by Fund

	General	Special	FSPK	Debt Service	Other Gov't Funds	Food Service
Local Revenue	2.68	0.03	0.50	0.05	-	0.13
State Revenue	14.49	1.00	-	0.86	0.21	0.12
Federal Revenue	0.01	2.50	0.53	0.40	-	1.32
Transfers	0.21	0.03	-	1.11	-	-
Other	0.00	-	-	-	1.55	-
	17.39	3.56	1.03	2.42	1.76	1.57
Instruction	9.68	2.37	-	-	-	-
Student Support	0.93	0.41	-	-	-	-
Instructional Staff	0.85	0.47	-	-	-	-
District Admin	0.71	0.02	-	-	-	-
School Admin	1.28	-	-	-	-	-
Business Support	0.63	0.03	-	-	-	-
Plant Operation &	-	-	-	-	-	-
Maintenance	1.75	0.01-	-	-	-	-
Student Transportation	1.88	-	-	-	-	-
Food Service	0.03		-	-	-	1.39
Community Svc.		0.25	-	-	-	-
Facility Acq & Const	-	-		-	-	-
Facility Improvements					1.40	
Other Facilities					0.04	
Bond Issue Costs	-	-	-	-	0.02	-
Depreciation	-	-	-	-	-	0.01
Debt Service	0.08	-	-	2.33	-	-
Transfers	.04	-	1.05	-	.28	-
Other	-	-	-	-	-	-
	17.86	3.56	1.05	2.33	1.74	1.66
Change in Fund Balance	(.47)	0	(.02)	.09	.02	(.09)

Budgetary Implications

In Kentucky, the public school fiscal year is July 1 to 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 2.0% contingency in the Working Budget. The contingency was above the minimum for 2014. The district continues to leave the two unfunded days in the instructional calendar. This continues to have an impact on district funds.

Issues that continue to impact future budgets include:

- Federal funding not maintaining the pace of mandated pay increases, insurance, and retirement costs
- Insufficient funding of the state transportation formula
- Loss of local funding due to the 4% cap on increases in property taxes, which in turn results in a penalty to the District in the state SEEK funding formula.

Questions regarding this report should be directed to the Superintendent, Mr. Bert Hensley or the Director of Finance/Treasurer, Ms. Angela D. Howell at (606) 723-2181 or by mail at P.O. Box 930, Irvine, KY 40336

Estill County School District
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	**Business-type Activities**	**Total**
ASSETS			
Cash and cash equivalents	$ 4,778,264	$ 274,989	$ 5,053,253
Receivables (net)	780,762	1,636	782,398
Prepaid expenses	86,690		86,690
Inventories		8,774	8,774
Capital assets:			
Land, improvements, and construction in progress	930,741		930,741
Other capital assets, net of depreciation	35,008,330	38,731	35,047,061
Total capital assets	35,939,071	38,731	35,977,802
Total assets	41,584,787	324,131	41,908,918
DEFERRED OUTFLOWS OF RESOURCES			
Loss for the difference in reacquisition and carrying value of refunding debt	130,238		130,238
LIABILITIES			
Accounts payable and accrued expenses	217,774	6,943	224,717
Payroll taxes payable	174,609		174,609
Accrued interest payable	234,436		234,436
Unearned revenue	466,712		466,712
Long-term liabilities:			
Due within 1 year:			
Bond obligations	1,357,000		1,357,000
Capital lease obligations	56,173		56,173
Total due within 1 year	1,413,173	-	1,413,173
Due in more than 1 year:			
Bond obligations	22,554,000		22,554,000
Capital lease obligations	329,805		329,805
KSBIT payable	430,175		430,175
Sick leave	478,148		478,148
Total due in more than 1 year	23,792,128	-	23,792,128
Total liabilities	26,298,833	6,943	26,305,776
NET POSITION			
Net Investment in capital assets	11,772,331	38,731	11,811,062
Restricted for:			
Expendable restricted for capital projects	1,173,379		1,173,379
Expendable restricted for debt service	233,560		233,560
Expendable restricted for food services		278,456	278,456
Expendable restricted for prepaids	86,690		86,690
Expendable restricted for trust	1,374		1,374
Nonexpendable restricted for trust	200,374		200,374
Unrestricted	1,948,484		1,948,484
Total net position	$ 15,416,193	$ 317,188	$ 15,733,380

See the accompanying notes to the financial statements.

Estill County School District
Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position – Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position – Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position – Primary Government: Total
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	$ 12,110,476	$ 59,355	$ 2,322,351	$ -	$ (9,728,770)		$ (9,728,770)
Support Services							
Student	1,341,357		404,413		(936,944)		(936,944)
Instructional Staff	1,315,744		455,746		(859,999)		(859,999)
District Administration	731,716		20,726		(710,990)		(710,990)
School Administration	1,283,256				(1,283,256)		(1,283,256)
Business	662,184		27,610		(634,574)		(634,574)
Plant Operation & Maintenance	1,771,298		15,093	749,671	(1,006,534)		(1,006,534)
Student Transportation	1,881,165				(1,881,165)		(1,881,165)
Food Service Operations	35,828				(35,828)		(35,828)
Community Services Operations	257,952		252,820		(5,131)		(5,131)
Amortization	13,568				(13,568)		(13,568)
Depreciation	662,752				(662,752)		(662,752)
Interest on long-term debt	1,006,074			1,290,000	283,926		283,926
Total governmental activities	23,073,370	59,355	3,498,759	2,039,671	(17,475,584)		(17,475,584)
Business-type activities:							
Food service operations	1,652,688	126,613	1,443,019			$ (83,056)	(83,056)
Depreciation	11,020					(11,020)	(11,020)
Total business-type activities	1,663,708	126,613	1,443,019	-	-	(94,076)	(94,076)
Total primary government	$ 24,737,078	$ 185,969	$ 4,941,778	$ 2,039,671	(17,475,584)	(94,076)	(17,569,660)
General revenues:							
Taxes:							
Property taxes					1,775,483		1,775,483
Motor vehicle taxes					433,446		433,446
Franchise					228,743		228,743
Uitility taxes					715,057		715,057
State and formula grants					14,494,231		14,494,231
Unrestricted investment earnings					16,131	616	16,747
Loss compensation					5,736		5,736
Total general revenues					17,668,826	616	17,669,443
Change in net position					193,242	(93,460)	99,783
Net position - beginning					15,046,954	410,647	15,457,601
Prior period adjustment					175,996		175,996
Restated net posiiton - beginning					15,222,950	410,647	15,633,597
Net position - ending					$ 15,416,193	$ 317,188	$ 15,733,380

See the accompanying notes to the financial statements.

Estill County School District
Balance Sheet
Governmental Funds
June 30, 2014

	Governmental Funds					
	General	**Special Revenue**	**FSPK**	**Debt Service**	**Other Governmental Funds**	**Total**
ASSETS						
Cash and cash equivalents	$ 3,343,303	$ -	$ 711,708	$ 233,560	$ 697,183	$ 4,985,754
Receivables, net						
Taxes-current	30,528					30,528
Taxes-delinquent	3,612					3,612
Accounts	21,626	9,218				30,843
Intergovernmental-state		50,147				50,147
Intergovernmental-federal		665,631				665,631
Prepaid expenditures	86,690					86,690
Total assets	3,485,760	724,996	711,708	233,560	697,183	5,853,207
LIABILITIES						
Accounts payable	133,216	50,794			33,763	217,774
Cash shortage		207,490				207,490
Payroll taxes payable	174,609					174,609
Unearned revenue		466,712				466,712
Total liabilities	307,825	724,996	-	-	33,763	1,066,585
FUND BALANCE						
Nonspendable	86,690				200,374	287,065
Restricted			711,708	233,560	463,045	1,408,313
Unassigned	3,091,244					3,091,244
Total fund balance	$ 3,177,934	$ -	$ 711,708	$ 233,560	$ 663,419	$ 4,786,622

See the accompanying notes to the financial statements.

Estill County School District

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

June 30, 2014

Total fund balance per fund financial statements	$	4,786,622
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net positon.		35,939,071
Capitalized the defeasance costs of the sale/refunding bonds and amortized over the life of the refunded bond.		130,238
Certain liabilities are not reported in the fund financial statement because they are not due and payable, but they are presented in the statement of net position as follows:		
Accrued interest payable		(234,436)
KSBIT payable		(430,175)
Bonds payable		(23,911,000)
Capital lease obligations		(385,978)
Noncurrent sick leave payable		(478,148)
Net position of governmental activities	$	15,416,193

See the accompanying notes to the financial statements.

Estill County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014

	General	Special Revenue	FSPK	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES						
From Local Sources						
Taxes						
Property	$ 1,270,297	$ -	$ 505,186	$ -	$ -	$ 1,775,483
Motor vehicle	433,446					433,446
Franchise	228,743					228,743
Utilities	715,057					715,057
Tuition		7,343				7,343
Earnings on investments	8,950	154		5,752	1,275	16,131
Other local revenue	26,302	28,850			(3,140)	52,012
Intergovernmental - state	14,483,653	1,001,413	532,828	876,106	216,668	17,110,668
Intergovernmental - federal	10,579	2,497,346		414,070		2,921,994
Total revenues	17,177,026	3,535,106	1,038,014	1,295,927	214,803	23,260,876
EXPENDITURES						
Instruction	9,675,592	2,369,487				12,045,079
Support Services						
Student	928,735	412,622				1,341,357
Instructional Staff	850,748	464,996				1,315,744
District Administration	710,569	21,147				731,716
School Administration	1,283,256					1,283,256
Business	634,013	28,171				662,184
Plant Operation & Maintenance	1,755,899	15,399				1,771,298
Student Transportation	1,881,165					1,881,165
Food Service Operations	35,828					35,828
Community Services Operations		257,952				257,952
Building Acquisitions & Construction					1,397,738	1,397,738
Building Improvements					28,257	28,257
Other Facilities					44,995	44,995
Debt Service	77,012			2,335,977		2,412,989
Total expenditures	17,832,818	3,569,773	-	2,335,977	1,470,990	25,209,558
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(655,792)	(34,667)	1,038,014	(1,040,050)	(1,256,187)	(1,948,682)
OTHER FINANCING SOURCES (USES)						
Loss compensation	5,736					5,736
Bond principal proceeds					1,555,000	1,555,000
Operating transfers in	212,085	34,667		1,123,217		1,369,969
Operating transfers (out)	(34,667)		(1,055,110)		(280,193)	(1,369,969)
Total other financing sources and (uses)	183,154	34,667	(1,055,110)	1,123,217	1,274,807	1,560,736
NET CHANGE IN FUND BALANCE	(472,638)	-	(17,096)	83,168	18,621	(387,946)
FUND BALANCE - BEGINNING	3,520,690	-	728,804	150,393	644,798	5,044,685
PRIOR PERIOD ADJUSTMENT	129,882					129,882
RESTATED FUND BALANCE - BEGINNING	3,650,573	-	728,804	150,393	644,798	5,174,567
FUND BALANCE - ENDING	$ 3,177,934	$ -	$ 711,708	$ 233,560	$ 663,419	$ 4,786,622

See the accompanying notes to the financial statements.

Estill County School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2014

Net change in total fund balances per fund financial statements	$	(387,946)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.		839,423
Cost of issuance of bonds are capitalized and amortized over the life of the bond.		(13,568)
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.		(156,369)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
Accrued interest payable		8,284
Noncurrent portion of accumulated sick leave		(96,583)
Change in net position of governmental activities	$	193,242

See the accompanying notes to the financial statements.

Estill County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2014

	Budgeted Amounts				Variance with Final Budget Favorable (Unfavorable)
	Original	Final		Actual	
REVENUES					
From Local Sources					
Taxes					
Property	$ 1,205,000	$ 1,390,000		$ 1,270,297	$ (119,703)
Motor vehicle	400,000	350,000		433,446	83,446
Franchise				228,743	228,743
Utilities	700,000	600,000		715,057	115,057
Earnings on investments	9,000	15,000		8,950	(6,050)
Other local revenue	1,005	2,005		26,302	24,297
Intergovernmental - state	13,418,604	11,149,304	*	11,063,576	(85,728)
Intergovernmental - federal	10,000	10,000		10,579	579
Total revenues	15,743,609	13,516,309		13,756,949	240,640
EXPENDITURES					
Instruction	9,630,102	7,199,729	*	7,350,192	(150,463)
Support Services					
Student	917,179	750,188	*	728,714	21,474
Instructional Staff	793,086	606,844	*	662,630	(55,786)
District Administration	702,048	560,479	*	659,624	(99,145)
School Administration	1,179,211	1,072,316	*	1,022,122	50,194
Business	620,321	298,772	*	533,102	(234,330)
Plant Operation & Maintenance	1,768,641	1,794,342	*	1,650,562	143,780
Student Transportation	2,023,371	1,407,921	*	1,696,371	(288,450)
Food Service Operations	36,647	35,398	*	32,412	2,986
Debt Service	77,932	31,999		77,012	(45,013)
Building Improvements		19,357			19,357
Total expenditures	17,748,537	13,777,344		14,412,741	(635,397)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,004,928)	(261,035)		(655,792)	(394,758)
OTHER FINANCING SOURCES (USES)					
Loss compensation	2,000	5,000		5,736	736
Operating transfers in				212,085	212,085
Operating transfers out	(50,000)			(34,667)	(34,667)
Total other financing sources and (uses)	(48,000)	5,000		183,154	178,154
NET CHANGE IN FUND BALANCE	(2,052,928)	(256,035)		(472,638)	(216,604)
FUND BALANCE - BEGINNING	3,075,746	3,520,690		3,520,690	-
PRIOR PERIOD ADJUSTMENT				129,882	129,882
RESTATED FUND BALANCE - BEGINNING	3,075,746	3,520,690		3,650,573	129,882
FUND BALANCE - ENDING	$ 1,022,818	$ 3,264,656		$ 3,177,934	$ (86,721)

* The on-behalf payments (please see the accompanying notes to the financial statements) were not budgeted, therefore, to better compare the actual to the budgeted amounts these amounts were deducted from both revenue and expenditures in the amount of $3,420,077.

See the accompanying notes to the financial statements.

Estill County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund
Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
From Local Sources				
Tuition	$ -	$ 1,000	$ 7,343	$ 6,343
Earnings on investments			154	154
Food Service		500		(500)
Student Activities		3,500		(3,500)
Other local revenue	8,250	44,309	28,850	(15,459)
Intergovernmental - state	950,503	1,045,730	1,001,413	(44,316)
Intergovernmental - federal	1,984,699	3,093,223	2,497,346	(595,878)
Total revenues	2,943,452	4,188,261	3,535,106	(653,155)
EXPENDITURES				
Instruction	859,774	2,348,466	2,369,487	(21,021)
Support Services				
Student	597,829	999,627	412,622	587,005
Instructional Staff	1,120,783	491,534	464,996	26,538
District Administration	20,000	20,500	21,147	(647)
Business	90,000	1,073	28,171	(27,098)
Plant Operation & Maintenance	28,276	15,399	15,399	-
Community Services Operations	276,790	289,991	257,952	32,039
Total expenditures	2,993,452	4,166,590	3,569,773	596,817
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(50,000)	21,672	(34,667)	(56,339)
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	50,000	21,667	34,667	13,000
Total other financing sources and (uses)	50,000	21,667	34,667	13,000
NET CHANGE IN FUND BALANCE	-	43,339	-	(43,339)
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	$ -	$ 43,339	$ -	$ (43,339)

See the accompanying notes to the financial statements.

Estill County School District
Statement of Net Position
Proprietary Funds
June 30, 2014

		School Food Services
ASSETS		
Cash and cash equivalents	$	274,989
Accounts receivable, net		1,636
Inventories		8,774
Capital assets:		
Other capital assets, net of depreciation		38,731
Total assets		324,131
LIABILITIES		
Accounts Payable		6,943
Total Liabilities		6,943
NET POSITION		
Net Investment in capital assets		38,731
Restricted for:		
Expendable Restricted for Food Service		278,456
Total net position	$	317,188

See the accompanying notes to the financial statements.

Estill County School District

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2014

		School Food Services
OPERATING REVENUES		
Lunchroom sales	$	126,613
Total operating revenues		126,613
OPERATING EXPENSES		
Depreciation		11,020
Food service operations		
Employee services		808,225
Operational expenses		844,463
Total operating expenses		1,663,708
Operating income (loss)		(1,537,095)
NONOPERATING REVENUES (EXPENSES)		
Federal grants		1,326,871
State grants		116,148
Earnings from investments		616
Total nonoperating revenues		1,443,635
CHANGE IN NET POSITION		(93,460)
NET POSITION, BEGINNING		410,647
NET POSITION, ENDING	$	317,188

See the accompanying notes to the financial statements.

Estill County School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014

		School Food Services
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	126,613
Payments to suppliers		(836,304)
Payments to employees		(808,225)
Net cash provided (used) by operating activities		(1,517,916)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental revenue		1,443,019
Net cash provided (used) by noncapital financing activities		1,443,019
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest		616
Net cash provided (used) by investing activities		616
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(74,281)
CASH AND CASH EQUIVALENTS, BEGINNING		349,270
CASH AND CASH EQUIVALENTS, ENDING	$	274,989
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income (loss)	$	(1,537,095)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation		11,020
Changes in assets and liabilities:		
Receivables		1,216
Accounts Payable		6,943
Net cash used by operating activities	$	(1,517,916)

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received $76,311 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of $102,476 provided by state government.

See the accompanying notes to the financial statements.

Estill County School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	School Activity Funds	Private Purpose Trust Funds	Fiduciary Fund Total
ASSETS			
Cash and cash equivalents	$ 204,441	$ 40,420	$ 244,860
TOTAL ASSETS	204,441	40,420	244,860
LIABILITIES			
Accounts payable	2,826	450	3,276
Due to student groups	201,615	-	201,615
TOTAL LIABILITIES	204,441	450	204,891
NET POSITION HELD IN TRUST	$ -	$ 39,970	$ 39,970

See the accompanying notes to the financial statements.

Estill County School District
Statement of Changes in Net Position
Fiduciary Funds
June 30, 2014

		Private Purpose Trust Funds
Additions		
Trust Activities	$	2,268
Earnings from investments		110
Total Additions		2,378
Deductions		
Benefits paid		5,250
Decrease in net position		(2,872)
Net position, June 30, 2013		42,842
Net position, June 30, 2014	$	39,970

See the accompanying notes to the financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Estill County Board of Education Finance Corporation

The Board authorized establishment of the Estill County Board of Education Finance Corporation a non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the "Corporation") to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Estill County Board of Education.

Basis of Presentation

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

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from

the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

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

The District has the following funds:

I. Governmental Fund Types

(A) General Fund

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

(B) Special Revenue (Grant) Fund

The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trust funds or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant

programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

(C) Capital Project Funds

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

SEEK Capital Outlay Fund

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 as identified in the District's facility plan.

Building (FSPK) Fund

The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy that is 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. This is a major fund of the district.

Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling.

(D) Debt Service Fund

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

(E) Permanent Fund

The Permanent Fund reports resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting governments programs.

<u>II. Proprietary Funds (Enterprise Funds)</u>

Food Service Fund

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

The District applies all GASB pronouncements to proprietary funds.

III. Fiduciary Fund Types

Agency Funds

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with "Accounting Procedures for Kentucky School Activity Funds."

Trust Funds

Trust Funds report resources that are contributed by various people, and organizations to be spent for students for purposes that support the reporting governments programs.

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis, On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

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

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

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

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

Property Taxes

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

The property tax rates (including exonerations) assessed for the year ended June 30, 2014, to finance the General Fund operations were $.455 per $100 valuation of real property, $.455 per $100 valuation for business personal property and $.548 per $100 valuation for motor vehicles.

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

Capital Assets

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

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

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

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

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.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, a certified and classified employee will receive from the district an amount equal to 30% of the value of accumulated sick leave.

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

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

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

Budgetary Process

The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used to prepare the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Each budget is prepared and controlled

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

The Kentucky Department of Education does not require the Capital Project Funds and Debt Service Funds to prepare budgets.

Cash and Cash Equivalents

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

Inventories

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

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

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2013 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure/expense is reported in the year in which services are consumed.

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balances

Fund balance is divided into five categories as defined by GASB 54 as follows:

Nonspendable: Permanently nonspendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.

Restricted	Legally restricted under legislation, bond authority, or grantor contract.
Committed	Commitments of future funds for specific purposes passed by the Board.
Assigned	Funds that are intended by management to be used for a specific purpose, including encumbrances.
Unassigned	Funds available for any purpose.

The Board has adopted a GASB 54 spending policy which states that the spending order of funds is to first use restricted funds, followed by committed, assigned, and unassigned fund funds.

Net Position

The Statement of Net Position presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as Net Position. Net Position are reported in three categories: 1) net investment in capital assets – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of the assets; 2) restricted net position – resulting from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation adopted by the School District; 3) unrestricted net position – those assets that do not meet the definition of restricted net position or net investment in capital assets. It is the District's policy to first apply restricted net position and then unrestricted net position when an expense is incurred for which both restricted and unrestricted net position are available.

Operating and Non-Operating Revenues and Expenses

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

Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

Contributions of Capital

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

Interfund Activity

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

NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS AND INVESTMENTS

The District's cash and cash equivalents are interest bearing accounts with a local depository secured by FDIC and pledged assets of the bank. Due to the liquidity nature of these accounts the carrying value is the fair market value. Investments are certificates of deposits with a local depository with a maturity greater than 90 days.

		Bank Balance
Citizens Guaranty Bank		**Demand**
FDIC	$	250,000
Securities pledged to district		6,337,834
Bank balance	$	6,587,834

		Book Balance
		Cash and equivalents
Governmental Activities	$	4,778,264
Business-type Activities		274,989
Fiduciary Funds		
School Activity Funds		204,441
Trust Fund		40,420
Total carrying amount	$	5,298,114

NOTE D – CAPITAL ASSETS

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

Governmental Activities	July 1, 2013	Additions	Deductions	June 30, 2014
Land	$ 442,930	$ -	$ -	$ 442,930
Land improvements	1,170,421	-	-	1,170,421
Buildings	40,765,890	983,179	-	41,749,069
Technology equipment	3,220,330	31,185	-	3,251,515
Vehicles	2,631,438	-	-	2,631,438
General equipment	616,915	-	-	616,915
Construction in progress	-	1,470,990	983,179	487,811
Total at historical cost	$ 48,847,925	$ 2,485,354	$ 983,179	$ 50,350,100
Less: Accumulated depreciation				
Land improvements	$ 757,683	$ 34,501	$ -	$ 792,183
Buildings	7,462,763	295,210	-	7,757,973
Technology equipment	2,696,388	227,425	-	2,923,813
Vehicles	2,456,109	64,502	-	2,520,611
General equipment	375,334	41,114	-	416,448
Total accumulated depreciation	$ 13,748,277	$ 662,752	$ -	$ 14,411,029
Governmental Activities				
Capital Assets-net	$ 35,099,647	$ 1,822,602	$ 983,179	$ 35,939,071

Business-Type Activities	July 1, 2013	Additions	Deductions	June 30, 2014
Vehicles	$ 109,961	$ -	$ -	$ 109,961
Technology equipment	38,240	-	-	38,240
General equipment	335,116	-	-	335,116
Total at historical cost	$ 483,317	$ -	$ -	$ 483,317
Less: Accumulated depreciation				
Vehicles	$ 79,900	$ 6,030	$ -	$ 85,930
Technology equipment	38,240	-	-	38,240
General equipment	315,427	4,989	-	320,416
Total accumulated depreciation	$ 433,566	$ 11,020	$ -	$ 444,586
Business-Type Activities				
Capital Assets-net	$ 49,751	$ (11,020)	$ -	$ 38,731

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

NOTE E – BONDED DEBT OBLIGATIONS

The amount shown in the accompanying financial statements as bonded debt obligations represent the District's future obligations to make payments relating to the bonds issued by the Estill County School District Finance Corporation aggregating $23,911,000 and $1,357,000 is the portion due within one year.

The District, through the General Fund (including utility taxes), Building (FSPK) Fund, and the SEEK Capital Outlay Fund is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Estill County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The original amount of outstanding issues, the issue dates, maturity dates, interest rates, and outstanding balances, at June 30, 2014 are summarized below:

Bond Issue Date	Original Amount	Maturity Date	Interest Rates	2013 Outstanding Balance	Additions	Retirements	2014 Outstanding Balance
2007A Issue	$ 6,275,000	1/1/2027	3.625-3.875%	$ 4,830,000	$ -	$ 265,000	$ 4,565,000
2010 BAB	5,630,000	9/1/2030	.7-5%	5,460,000		85,000.00	5,375,000
2010 QSCB	7,350,000	9/1/2027	4.94%	7,350,000		-	7,350,000
2012R	1,690,000	6/1/2024	1.0 - 2.25%	1,645,000		25,000.00	1,620,000
2003 Issue	490,000	6/1/2014	2-3.7%	60,000		60,000.00	-
2013 Issue	1,555,000	11/1/2033	1.4 - 4.25%	-	1,555,000	-	1,555,000
2004 Issue	2,350,000	6/1/2024	3.5-4.75%	180,000		90,000.00	90,000
2004R Issue	6,760,000	8/1/2016	2-3.6%	3,370,000		780,000.00	2,590,000
2007B Issue	440,000	1/1/2028	4.15-4.2%	365,000		20,000.00	345,000
2009R	$ 460,000	3/1/2018	3.50%	428,000		7,000.00	421,000
				$ 23,688,000	$1,555,000	$ 1,332,000	$ 23,911,000

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

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

Year Ended	Principal		Urgent Need		Interest		Principal	Interest
June 30	Local	SFCC	Principal	Interest	Local	SFCC	Total	Total
2015	$ 833,299	$ 289,090	$ 234,611	$ 598,910	$ 273,072	$ 118,386	$ 1,357,000	$ 990,369
2016	862,115	298,226	242,659	589,499	245,350	108,751	1,403,000	943,600
2017	892,693	284,298	251,009	579,675	215,622	100,853	1,428,000	896,150
2018	482,891	245,322	259,787	569,187	199,666	93,600	988,000	862,454
2019	155,724	250,377	268,899	558,153	184,867	86,764	675,000	829,784
2020-2024	806,908	1,387,239	1,520,853	2,603,670	880,985	317,620	3,715,000	3,802,275
2025-2029	8,787,532	1,598,338	1,094,130	1,660,970	728,782	115,235	11,480,000	2,504,988
2030-2034	2,692,305	172,695	-	31,369	202,181	8,371	2,865,000	241,920
	$15,513,467	$ 4,525,585	$ 3,871,948	$ 7,191,432	$ 2,930,527	$ 949,581	$ 23,911,000	$11,071,539

The District sold a 2010 Qualified School Construction Bond (QSCB bond) for which they are making semi-annual payments into an escrow account. These payments are being invested and accumulating interest for which will be used to retire the bond on September 21, 2027. As of June 30, 2014 the escrow account had accumulated $233,560.

NOTE F – CAPITAL LEASE PAYABLE

The following is an analysis of the leased property under capital lease by class:

KISTA Issue Date	Original Amount	Maturity Date	Interest Rates	2013 Outstanding Balance	Additions	Retirements	2014 Outstanding Balance
2012	$ 463,299	3/1/2022	2.0 - 2.625%	$ 412,909	$ -	$ 52,170	$ 360,739
2006 Issue	$ 132,792	3/1/2016	3.3-4%	39,700		14,461	25,239
				$ 452,609	$ -	$ 66,631	$ 385,978

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2014:

Year Ending 30-Jun	Principal	Interest	Total Payments
2015	$ 56,173	$ 8,795	$ 64,968
2016	57,559	7,449	65,008
2017	45,582	6,041	51,623
2018	46,472	5,129	51,601
2019	47,541	4,199.00	51,740
2020-2022	132,651	6,529	132,651
	$ 385,978	$ 38,142	$ 417,591

Total minimum lease payments	$	417,591
Less: Amount representing interest		(38,142)
Present Value of Net Minimum Lease Payments	$	385,978

NOTE G – RETIREMENT PLANS

Kentucky Teachers' Retirement System

Plan Description – The Estill County School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by Kentucky Department of Education (KDE).

KTRS was created by the 1938 General Assemble and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601 or from the KTRS web site at http://ktrs.ky.gov/.

Funding Policy – Contribution rates are established by KRS. Members are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members hired before July 1, 2008 and 14.105% of salaries for members after July 1, 2008. The federal program for any salaries paid by that program pays the matching contribution 14.605%.

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 Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy –In order to fund the post-retirement healthcare benefit, four and one half percent (4.5%) of the gross annual payroll of members before July 1, 2008 is contributed. Two and one quarter percent (2..25%) is paid by member contributions and three quarters percent (.75%) from state appropriation and one and one half percent (1.50%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

The Estill County Schools' total payroll for the year was $14,194,809. The payroll for employees covered under KTRS was $10,819,723. For the year ended June 30, 2014, the Commonwealth contributed $1,262,335 to KTRS for the benefit of our participating employees. The School district's contributions to KTRS for the year ending June 30, 2014 were $185,189, which represents those employees covered by federal programs.

The District's required contributions (both withholding and match) for pension obligations to KTRS for the years ended June 30, 2014, 2013, and 2012 were $1,557,719, $1,686,526, and $1,719,145, respectively.

County Employees Retirement System

Employees who work an average of 100 hours per month participate in the County Employees Retirement System of Kentucky (CERS), a cost sharing, multiple-employer public employee retirement system created by and operating under Kentucky Law.

The County Employees Retirement System covers substantially all regular non-certified full-time employees of the school District. The plan provides for retirement, disability and death benefits. CERS issues a publicly available financial report that includes financial statements and required

supplementary information. The report may be obtained in writing from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, and Frankfort, Kentucky, 40601.

For participating employees who established an account prior to July 1, 2008, they contribute 5% of the creditable compensation. For employees hired after July 1, 2008, they contribute 6% of the creditable compensation. Employer contribution rates are intended to fund the normal cost on a current basis plus one percent (1%) of un-funded past service costs per annum plus interest at the actuarial assumed rate. The Board of Trustees of the Kentucky Retirement Systems determines such contribution rates each biennium. The current District contribution rate for employees is 18.89%. The District contributed $598,782 of the employee's compensation during the fiscal year ended June 30, 2014.

The District's required contributions (both withholding and match) for pension obligation to CERS for the fiscal years ended June 30, 2014, 2013, and 2012 were $757,968, $757,968, and $747,305 respectively.

Recently Issued Accounting Standards

GASB Statement No. 68, Accounting and financial Reporting for Pensions, will require that unfunded portions of future pension benefit obligations shall be recorded as a liability of governments. This pronouncement will be mandatory for fiscal periods beginning after June 15, 2015. Although the data is not available from the Kentucky Teachers Retirement System or the County Employees Retirement System at this time, we believe that this implementation will have a material effect on future financial statements.

NOTE H - CONTINGENCIES

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

NOTE I - LITIGATION

The Estill County School District currently has no pending litigation.

NOTE J – INSURANCE AND RELATED ACTIVITIES

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

NOTE K – RISK MANAGEMENT

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

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

NOTE L – DEFICIT FUND AND OPERATING BALANCES

The following funds had an operating deficit at the end of the fiscal year causing a reduction in the fund balance.

Fund		Reduction in Fund Balance / Net Position
Business-Type Activities	$	(93,460)
General Fund		(472,638)
FSPK Fund		(17,096)
School Food Service		(93,460)
Private Purpose Trust		(2,872)
Capital Outlay Fund		(63,525)
School Activity Fund	$	(4,820)

NOTE M - COBRA

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

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

From Fund	To Fund		Amount	Purpose
General	Special Revenue	$	34,667	KETS Matching Funds
Capital Outlay	General		212,085	Operations
Capital Outlay	Debt Service		68,107	Debt Payments
FSPK	Debt Service		1,055,110	Debt Payments
		$	1,369,969	

NOTE O – ON-BEHALF PAYMENTS

The financial statements include payments made by the State of Kentucky on – behalf of the Estill County School District for teacher's retirement, health insurance, life insurance, administrative fees, technology, debt service, and state operated vocational schools where applicable. The amounts were recorded, but not budgeted, within the General, Debt Service and School Food Services Funds. The amounts recorded for both revenues and expenditures (expenses) are $3,420,077 for the General Fund, $876,106 for Debt Service Fund and $102,476 for the School Food Service Fund.

NOTE P – RESTRICTED FUND BALANCES

The following funds had restricted fund balances as of June 30, 2014:

Fund	Amount	Purpose
Construction	$ 461,671	Future Construction
Debt Service	233,560	Debt Service
FSPK	711,708	School Faciliites Construction Commission Requirement
Permanent	1,374	Trust Agreement
Proprietary	$ 278,456	School Food Service

NOTE Q – PRIOR PERIOD ADJUSTMENT

Due to the Court ordered assessment of the KSBIT liability, the liability was reduced creating an understatement of Net Position. Also due to an adjustment to prepaid expense and a related liability, the fund balance was understated. They prior period adjustments are as follows:

	Governmental Activities
Net Position July 1, 2013	$15,046,954
Prior Period Adjustment	175,996
Restated Net Position July 1, 2013	15,222,950

	General Fund Balance
Fund Balance July 1, 2013	$3,520,690
Prior Period Adjustment	129,882
Restated Fund Balance July 1, 2013	3,650,573

NOTE R – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 10, 2014, the date of the audit report.

Estill County School District
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2014

	Other Governmental Fund Types			
	Capital Outlay	**Construction**	**Permanent**	**Total**
Assets				
Cash and Cash Equivalents	$	$ 495,435	$ 201,748	$ 697,183
Total Assets	-	495,435	201,748	697,183
Liabilities				
Accounts Payable		33,763		33,763
Total Liabilities	-	33,763	-	33,763
Fund Balances				
Nonspendable			200,374	200,374
Restricted		461,671	1,374	463,045
Total Fund Balances	$ -	$ 461,671	$ 201,748	$ 663,419

See accompanying notes to the financial statements.

Estill County School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year ended June 30, 2014

	Other Governmental Fund Types			
	Capital Outlay	**Construction**	**Permanent**	**Total**
Revenues				
From Local Sources				
Earnings on investments	$ -	$ 879	$ 396	$ 1,275
Other local revenue		(3,140)		(3,140)
Intergovernmental - State	216,668			216,668
Total Revenues	216,668	(2,261)	396	214,803
Expenditures				
Building Acquistions & Construction		1,397,738		1,397,738
Building Improvments		28,257		28,257
Other Facilities		44,995		44,995
Total Expenditures	-	1,470,990	-	1,470,990
Excess (Deficit) of Revenues Over Expenditures	216,668	(1,473,251)	396	(1,256,187)
Other Financing Sources (Uses)				
Bond Principal Proceeds		1,555,000		1,555,000
Transfers In/(Out)	(280,193)			(280,193)
Total Other Financing Sources (Uses)	(280,193)	1,555,000	-	1,274,807
Net Change in Fund Balances	(63,525)	81,749	396	18,621
Fund Balance - Beginning	63,525	379,922	201,352	644,798
Fund balance - Ending	$ -	$ 461,671	$ 201,748	$ 663,419

See accompanying notes to the financial statements.

Estill County School District
Combining Balance Sheet - School Activity Funds, Trust, Scholarships
As of June 30, 2014

	SCHOOL ACTIVITY FUNDS							
	ESTILL COUNTY HIGH SCHOOL	ESTILL COUNTY MIDDLE SCHOOL	ESTILL SPRINGS ELEMENTARY	SOUTH IRVINE ELEMENTARY	WEST IRVINE ELEMENTARY	TRUST	SCHOLARSHIPS	FIDUCIARY FUND TOTAL
ASSETS								
Cash and cash equivalents	$ 110,176	$ 23,880	$ 21,389	$ 22,845	$ 26,151	$ 490	$ 39,929	$ 244,860
Total Assets	110,176	23,880	21,389	22,845	26,151	490	39,929	244,860
LIABILITIES								
Accounts payable	-	-	-	2,826	-		450	3,276
Total Liabilities	-	-	-	2,826	-	-	450	3,276
FUND BALANCE								
School activities	$ 110,176	$ 23,880	$ 21,389	$ 20,019	$ 26,151	$ 490	$ 39,479	$ 241,585

See accompanying notes to the financial statements.

Estill County School District
Combining Statement of Revenues, Expenses and Changes in Fund Balance
School Activity Funds, Trust, Scholarships
For the period ended June 30, 2014

	SCHOOL ACTIVITY FUNDS							
	ESTILL COUNTY HIGH SCHOOL	ESTILL COUNTY MIDDLE SCHOOL	ESTILL SPRINGS ELEMENTARY	SOUTH IRVINE ELEMENTARY	WEST IRVINE ELEMENTARY	TRUST	SCHOLARSHIPS	FIDUCIARY FUND TOTAL
Revenues								
Student revenues	$ 206,744	$ 76,321	$ 51,107	$ 35,934	$ 101,205	$ -	$ -	$ 471,311
Miscellaneous revenues							2,268	2,268
Earnings from investments							110	110
Total Revenues	206,744	76,321	51,107	35,934	101,205	-	2,378	473,689
Expenses								
Student activities	218,353	75,862	51,071	33,823	94,150	-	-	473,260
Instruction							5,250	5,250
Total Expenses	218,353	75,862	51,071	33,823	94,150	-	5,250	478,510
Excess (Deficit) of Revenues Over Expenses	(11,609)	459	36	2,111	7,055	-	(2,872)	(4,820)
Fund balance July 1, 2013	121,785	23,421	21,353	17,908	19,096	490	42,351	246,405
Fund balance June 30, 2014	$ 110,176	$ 23,880	$ 21,389	$ 20,019	$ 26,151	$ 490	$ 39,479	$ 241,585

See the accompanying notes to the financial statements.

Estill County School District

Statement of Revenues, Expenses and Changes in Fund Balance - Estill County High School

For the period ended June 30, 2014

	FUND BALANCE July 1, 2013	REVENUES	EXPENSES	TRANSFERS	FUND BALANCE June 30, 2014
GENERAL FUND	$ 23,976	$ 213	$ 48	$ -	$ 24,141
PARKING PERMITS	14,920	2,684	355	(6,993)	10,256
ADMINISTRATIVE FUNDS	33,172	5,156	11,348	246	27,225
FRESHMAN FUNDS	147	-	-	-	147
ENGINEER GUARANTY BANK	7	-	-	-	7
STUDENT VENDING	31	-	3,271	3,562	322
TEACHERS LOUNGE	4,459	2,575	2,613	(1,600)	2,822
STORE SALES	633	-	-	-	633
ATHLETIC	11,260	72,700	77,539	7,000	13,422
AGRICULTURE	2	-	-	-	2
ACADEMIC	145	-	54	-	90
GREENHOUSE	5,271	5,571	4,180	-	6,662
MUSIC	287	453	554	-	186
SPANISH	-	-	-	-	-
ART CLUB	8	-	-	-	8
AV-READING	1,630	330	983	-	977
BETA CLUB	2,327	7,372	7,420	-	2,278
COMPUTER GAMES	10	-	-	-	10
DECA	71	-	-	-	71
DESIGNER TICKETS	362	154	349	-	167
FBLA	1,782	22,420	23,375	-	827
FCA	127	-	-	-	127
FCCLA	103	2,129	1,702	-	530
FFA	(174)	10,380	8,828	100	1,479
FRENCH CLUB	803	-	-	-	803
GTO/RED CROSS	3	-	-	-	3
KEY CLUB	656	904	655	-	905
LITERARY ARTS	173	-	-	-	173
PEP CLUB	298	-	-	-	298
S.A.D.D.	74	-	-	-	74
SPEECH & DRAMA CLUB	634	-	-	-	634
STUDENT COUNCIL	2,278	-	50	-	2,229
CLASS OF 2010	1,007	-	-	(1,007)	-
CLASS OF 2011	955	-	-	(955)	-
CLASS OF 2012	1,147	-	-	-	1,147
CLASS OF 2013	855	-	605	-	250
CLASS OF 2014	3,229	1,084	3,125	(100)	1,087
CLASS OF 2015	-	7,500	3,914	-	3,586
CLASS OF 2016	-	600	-	(246)	354
LIBRARY COPIES	370	40	191	-	218
YEARBOOK	4,243	1,233	4,866	-	610
CHESS CLUB	237	-	-	-	237
VICA CLUB	35	-	-	-	35
GUIDANCE OFFICE	425	362	277	-	510
SENIOR TRIP	2,600	61,936	61,097	(7)	3,432
ECHS YOUNG DEMOCRATS	78	-	-	-	78
ECHS YOUNG REPUBLICANS	81	-	-	-	81
LOST BOOKS	716	-	-	-	716
TRAVEL CLUB	25	-	-	-	25
TATU	70	-	-	-	70
GREEN TEAM	3	-	-	-	3
ROTC	154	-	-	-	154
CERAMICS CLUB	82	80	90	-	72
FILM CLUB	-	90	90	-	-
HOSA	-	777	773	-	4
	$ 121,785	$ 206,744	$ 218,353	$ -	$ 110,176

See accompanying notes to the financial statements.

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Estill County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair value of the commodities disbursed. At June 30, 2014, the District had received food commodities totaling $76,311.

ESTILL COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2014

	Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Pass-Through Grantors Number	Program Award Amount	Total Expenditures
	U.S. Department of Agriculture				
	Passed through State Department of Agriculture				
	Food Donation-Commodities	10.565			
	Fiscal Year 14		510.4950	$ N/A	$ 76,311
	Passed through State Department of Education				
*	**National School Lunch Program**	10.555			
	Fiscal Year 13		7750002 13	N/A	217,921
	Fiscal Year 14		7750002 14	N/A	704,611
*	**School Breakfast Program**	10.553			
	Fiscal Year 13		7760005 13	N/A	76,457
	Fiscal Year 14		7760005 14	N/A	250,405
*	**Summer Food Service Program for Children**	10.559			
	Fiscal Year 13		7690024 13	N/A	115
	Fiscal Year 13		7740023 13	N/A	1,093
	Child Nutrition Cluster Subtotal				1,250,601
	Total U.S. Department of Agriculture				1,326,912
	U.S. Department of Education				
	Passed through State Department of Education				
	Title I Grants to Local Educational Agencies	84.010A			
	Fiscal Year 13		3100002 13	1,146,863	182,322
	Fiscal Year 14		3100002 14	1,113,444	851,429
	Fiscal Year 14M		3100002 14	14,248	14,240
	School Improvement Part A	84.010A			
	Fiscal Year 14E		3100202 14	205,035	198,097
					1,246,088
	Special Education Grants to States	84.027A			
	Fiscal Year 13		3810002 13	580,221	155,995
	Fiscal Year 14		3810002 14	546,990	456,476
	Special Education-Preschool Grants	84.173A			
	Fiscal Year 12		3800002 12	50,961	990
	Fiscal Year 13		3800002 13	50,839	45,253
	Fiscal Year 14		3800002 14	50,498	1,366
	Special Education Cluster Subtotal				660,078
	Vocation Education - Basic Grant to States	84.048			
	Fiscal Year 12S		4621132 12	384	348
	Fiscal Year 14		4621132 14	28,100	24,751
					25,099
	School Improvement Grants, Recovery Act	84.388B			
	Fiscal Year 10C-ARRA		4100302 10	150,000	13,002
	Race to the Top	84.413A			
	Fiscal Year 11		3960002 11	46,706	13,743
	Safe and Drug Free Schools	84.186A			
	Fiscal Year 10		4060	15,532	2,481
*	**Improving Teacher Quality State Grants**	84.367A			
	Fiscal Year 14		3230002 14	170,571	170,571
	Rural Education	84.358B			
	Fiscal Year 12		3140002 12	53,488	52,591
	Fiscal Year 13		3140002 13	47,414	47,140
	Fiscal Year 14		3140002 14	43,831	89
					99,819
	Passed through Berea College				
	Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A			
	Fiscal Year 11L		3791L	10,000	9,854
	Fiscal Year 12K		3792K	43,113	7,611
	Fiscal Year 13M		3793M	71,829	1,787
	Fiscal Year 13P		3793P	150,000	12,593
	Fiscal Year 14A		3794A	76,300	65,409
	Fiscal Year 14B		3794B	4,699	4,697

ESTILL COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2014

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Pass-Through Grantors Number	Program Award Amount	Total Expenditures
Fiscal Year 14C		3794C	56,738	56,738
Fiscal Year 14K		3794K	71,426	71,426
Fiscal Year 14P		3794P	21,912	21,912
				252,027
Passed through Workforce Development Cabinet				
Recruitment, Rentention, and Results	84.002			
Fiscal Year 14		3654	9,642	9,642
Adult Education State Grant Program	84.002			
Fiscal Year 14		3734	51,413	51,182
Adult Education State Grant Program - Developmental Funds	84.002			
Fiscal Year 14X		373X	1,780	1,780
Total Adult Education				62,604
Total U.S. Department of Education				2,545,513
U.S. Department of Health and Human Services				
Passed Through Kentucky School Board Association				
Medical Assistance Program	93.778			
Fiscal Year 14		110.4810	N/A	10,579
Total U.S. Department of Health and Human Services				10,579
U.S. Department of Labor				
Passed through the State Department of Education				
Jobs for Kentucky Graduates	17.278			
Fiscal Year 14		273SR10 14	$ 10,000	10,000
Total U.S. Department of Labor				10,000
Grand Totals of All Federal Progams				$ 3,893,004

* Major Programs

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

To the Estill County Board of Education and
State Committee for School District Audits
Irvine, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Estill County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Estill County School District's basic financial statements, and have issued our report thereon dated November 10, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Estill County School District, in a separate letter dated November 10, 2014.

In addition, the results of our tests disclosed no material deficiencies as it relates to specific state statutes or regulations identified in the audit requirements prescribed by the Kentucky State Committee for School District Audits included in the Kentucky Public School Districts' Audit Contract and Requirements or Appendicies.

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.

White & Associates, PSC

Richmond, Kentucky
November 10, 2014

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

To the Estill County Board of Education and
State Committee for School District Audits
Irvine, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

White & Associates, PSC

Richmond, Kentucky
November 10, 2014

ESTILL COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

SUMMARY OF AUDITOR'S RESULTS

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed?	None Reported
If so, was any significant deficiencies material (GAGAS)?	
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None Reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that Is required to be reported as described in Section 510(a) of OMB A-133?	No
Major Programs	Child Nutrition Cluster [CFDA 10.553, 10.555, 10.559] Improving Teacher Quality State Grants [84.367A]
Dollar threshold of Type A and B programs	$300,000
Low risk auditee?	Yes

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings at the major federal award programs level.

ESTILL COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2014

There were no prior year audit findings.