

MENIFEE COUNTY BOARD OF EDUCATION

FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
And
INDEPENDENT AUDITOR'S REPORTS

Year Ended June 30, 2014

Denise M. Keene
Certified Public Accountant
P.O. Box 1444
Georgetown, Kentucky 40324
502-857-2579

MENIFEE COUNTY BOARD OF EDUCATION
 TABLE OF CONTENTS

	Pages
Unmodified Opinions on Basic Financial Statements Accompanied By Required Supplementary Information and Other Information - State or Local Governmental Entity Independent Auditor’s Report	4-6
Management’s Discussion and Analysis	7-12
Basic Financial Statements:	
District-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	15
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the District-Wide Statement of Activities	18
Statement of Net Position – Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	20
Statement of Cash Flows – Proprietary Funds	21
Statement of Net Position – Fiduciary Funds	22

MENIFEE COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS

	Pages
Notes to the Financial Statements	23-41
Supplementary Information:	
Budget Comparison:	
Budgetary Comparison Schedule for the General Fund	43
Budgetary Comparison Schedule for Special Revenue	44
Combining Statements – Nonmajor Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	45
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	46
Combining Statements – School Activity Funds	
Combining Statement of Net Position – School Activity Funds	47
Combining Statement of Receipts, Disbursements, and Due to Student Groups – School Activity Funds	48
Statement of Receipts, Disbursements, and Due to Student Groups Menifee County High School	49-50
Schedule of Expenditures of Federal Awards	51-52
Notes to the Schedule of Expenditures of Federal Awards	53
Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> (for a Governmental Entity) (No Material Weaknesses Identified, Significant Deficiencies Identified, No Reportable Instances of Noncompliance, or Other Matters Identified)	54-55
Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures Of Federal Awards Required by OMB Circular A-133 (Unmodified Opinion On Compliance for each Major Program; No Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance Identified)	56-58
Schedule of Findings and Questioned Costs	59-61
Schedule of Prior Year Audit Findings	62
Management Letter	63-75

DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
502-857-2579

**Unmodified Opinions on Basic Financial Statements Accompanied by
Required Supplementary Information and Other
Information – State or Local Governmental Entity**

INDEPENDENT AUDITOR'S REPORT

State Committee For School District Audits
Members of the Board of Education
Menifee County Board of Education
Frenchburg, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Menifee County Board of Education as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board'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; the provisions of Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Board as of June 30, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 12 and budgetary comparison information on pages 42 and 43 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 Board's basic financial statements. The combining statements for nonmajor governmental funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Menifee County High School, and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Menifee County High School, and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Menifee County High School, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken 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 Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
November 10, 2014

**MENIFEE COUNTY BOARD OF EDUCATION
FRENCHBURG, KENTUCKY**

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

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

FINANCIAL HIGHLIGHTS

The beginning cash balance, including activity funds, for the District was \$571,761
The ending cash balance, including activity funds, for the District was \$18,733

The General Fund had \$8,041,189 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding inter-fund transfer, there were \$8,316,954 in General Fund expenditures. This includes on-behalf payments of \$1,641,282.

On June 4, 2014, the Franklin Circuit Court issued an order instructing the Rehabilitator to assess the former members of the Kentucky School Boards Insurance Trust Workers Compensation Fund. The District was assessed \$52,259. The district has elected to pay 25% down and the balance in equal installments for 6 years.

The compensating rate for property taxes was taken. Motor vehicle taxes remained at 49.2 cents per \$100.

Charles Mitchell, Superintendent, retired effective June 30, 2014.
Kirk Peck, Assistant Superintendent, retired effective June 30, 2014.

The Board hired Benny Patrick as Interim Superintendent effective July 1, 2014

The District completed the Menifee County High School addition during the year.

The District completed the Menifee County Elementary roofing project during the year.

The District was awarded a grant for three years totalling \$432,761 from the U.S. Department of Education for Menifee County School District -Menifefitness Project. The program will increase student time spent in physical activity during the school day, and enhance nutrition and wellness curricula District-wide.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) 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.

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

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

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

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

The district-wide financial statements can be found on pages 13 and 14 of this report.

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

The basic governmental fund financial statements can be found on pages 15-22 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 district-wide and fund financial statements. The notes to the financial statements can be found on pages 23-41 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$3,799,567 as of June 30, 2014.

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

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

	Net Position (in thousands)					
	Governmental		Business-type		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Assets	\$12,984	\$11,394	\$167	\$83	\$13,151	\$11,477
Liabilities	\$9,069	\$9,728		\$1	\$9,069	\$9,729
Deferred Inflows of Resources	\$115	\$294			\$115	\$294
Investment in capital assets (net of debt)	\$3,742	\$1,118	\$29	\$31	\$3,771	\$1,149
Restricted	85	449	138	51	223	500
Unrestricted	<u>(27)</u>	<u>(195)</u>			<u>(27)</u>	<u>(195)</u>
Total Net Position	\$3,800	\$1,372	\$167	\$82	\$3,967	\$1,454

Budgetary Implications

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal year, but are reflected in the district overall budget. By law the budget must have a minimum 2 percent contingency. The district adopted a budget with \$151,724 in contingency, which is 2 percent.

Comments on Budget Comparisons

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

Changes in Net Position (in thousands)						
	Governmental		Business-type		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues						
Local Revenue Sources	\$1,299	\$1,286	\$124	\$62	\$1,423	\$1,348
State Revenue Sources	7,983	8,565	91	135	8,074	8,700
Federal Revenue Sources	1,136	1,135	791	622	1,927	1,757
Investments	<u>5</u>	<u>58</u>	<u>1</u>	<u>1</u>	<u>6</u>	<u>59</u>
Total Revenues	10,423	11,044	1,007	820	11,430	11,864
Expenses	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Instruction	5,085	5,989			5,085	5,989
Student Support Services	911	963			911	963
Instructional Support	619	448			619	448
District Administration	504	408			504	408
School Administration	484	440			484	440
Business Support	463	384			463	384
Plant Operations	818	897			818	897
Student Transportation	747	828			747	828
Other Instruction	0	0			0	0
Facilities Acquisition & Construction	375	2,142			375	2,142
Community Support	150	234			150	234
Food Service		1	885	901	885	902
Debt Service	<u>922</u>	<u>974</u>			<u>922</u>	<u>974</u>
Total Expenses	11,078	13,708	885	901	11,963	14,609
Transfers	37		(37)		0	0
Loss Compensation	44				44	0
Capital Lease Proceeds	<u>83</u>				<u>83</u>	<u>0</u>
Change in Net Position	(491)	(2,664)	85	(81)	(406)	(2,745)
Beginning Net Position	<u>694</u>	<u>3,358</u>	<u>82</u>	<u>163</u>	<u>776</u>	<u>3,521</u>
Ending Net Position	\$203	\$694	\$167	\$82	\$370	\$776

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

INFRASTRUCTURE

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

Analysis of balances and transactions of individual funds (in thousands)

Fund	Beginning	Revenues	Expenses	Transfer	Ending
General Fund	\$306	\$8,124	\$8,317	\$13	\$126
Special Revenue	\$0	\$1,617	\$1,632	\$15	\$0
Capital Outlay	\$0	\$97	\$0	(\$87)	\$10
Building	\$0	\$354	\$0	(\$354)	\$0
Construction	\$389	\$44	\$375	\$9	\$67
Debt Service	\$0	\$312	\$754	\$442	\$0

Capital Assets and Long-Term Debt Activity (in thousands)

	Beginning	Additions	Deductions	Ending
Governmental				
Capital Assets	\$15,556	\$2,615	\$110	\$18,061
Accumulated Depreciation	\$5,182	\$513	\$110	\$5,585
Business-Type				
Capital Assets	\$220	\$5		\$225
Accumulated Depreciation	\$190	\$6		\$196
Bonds Payable	\$8,310		\$490	\$7,820
Capital Lease Payable	\$946	\$83	\$166	\$863
Sick Leave Payable	\$141	\$94	\$141	\$94
Judgments Payable	\$0	\$52		\$52

CURRENT ISSUES

One of the greatest concerns looking ahead at the future fiscal years is the impact of the federal sequestration - or loss of federal funds for the next eight years, averaging a decline of 7.8% to 9.1%.

Menifee County Elementary needs additional roofing work done on about half of the building.

Menifee County High School has termites in the gym floor. The extent of the damage is not known at this time. It will be assess after basketball season. The floor will be treated for termites immediately.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to reflect the Board's accountability for the monies it receives. Questions about this report or additional financial information should be directed to the Superintendent, Benny Pactrick, or to the Finance Officer, Lisa Ratliff, 606-768-8002, or by mail at 202 Back Street Frenchburg, Kentucky 40322.

MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
DISTRICT WIDE
As of June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents - Note C	\$0	\$98,249	\$98,249
Accounts receivable	499,953	18,089	518,042
Inventory		22,092	22,092
Prepaid expenses	7,565		7,565
Capital assets			
Land and construction in progress	50,600		50,600
Other capital assets, net of depreciation	<u>12,425,614</u>	<u>28,790</u>	<u>12,454,404</u>
Total capital assets	<u>12,476,214</u>	<u>28,790</u>	<u>12,505,004</u>
TOTAL ASSETS	\$12,983,732	\$167,220	\$13,150,952
LIABILITIES			
Bank Overdraft	\$147,728	\$0	\$147,728
Accounts payable	40,742		40,742
Judgments Payable	13,065		13,065
Sick Leave Payable	4,939		4,939
Interest payable	51,979		51,979
Long-term Liabilities			
Due within 1 year	662,329		662,329
Due in more than 1 year	<u>8,148,620</u>		<u>8,148,620</u>
TOTAL LIABILITIES	\$9,069,402	\$0	\$9,069,402
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues	\$114,763		\$114,763
NET POSITION			
Net investment in capital assets	\$3,741,547	\$28,790	\$3,770,337
Restricted			
Prepays	7,565		7,565
Food Service		138,430	138,430
Other	10,347		10,347
Future Construction	67,379		67,379
Unrestricted	<u>(27,271)</u>		<u>(27,271)</u>
TOTAL NET POSITION	\$3,799,567	\$167,220	\$3,966,787

See accompanying notes

MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
DISTRICT WIDE

For the year ended June 30, 2014

FUNCTIONS/PROGRAMS

Governmental Activities

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Net (Expense) Revenue and Changes in Net Position Business-type Activities	Total
Instruction	\$2,881,342	\$0	\$782,417		(\$2,098,925)	\$	(\$2,098,925)
Support services:							
Student	947,172		219,025		(728,147)		(728,147)
Instruction staff	650,762		359,040		(291,722)		(291,722)
District administrative	510,290		14,398		(495,892)		(495,892)
School administrative	486,316				(486,316)		(486,316)
Business	490,718		34,999		(455,719)		(455,719)
Plant operation and maintenance	1,061,395		13,500		(1,047,895)		(1,047,895)
Student transportation	880,343		45,403		(834,940)		(834,940)
Food service	300				(300)		(300)
Community service activities	149,998		148,673		(1,325)		(1,325)
Interest on long-term debt	16,999	0	0	16,999	0	0	0
Total governmental activities	8,075,635	0	1,617,455	16,999	(6,441,181)		(6,441,181)

Business-type Activities

Food service	884,496	124,391	881,909			121,804	121,804
Total business-type activities	884,496	124,391	881,909			121,804	121,804
Total school district	\$8,960,131	\$124,391	\$2,499,364	\$16,999	(\$6,441,181)	\$121,804	(\$6,319,377)

General Revenues

Property taxes	\$680,079						\$680,079
Motor Vehicle taxes	141,712						141,712
Utility taxes	344,513						344,513
State aid-formula grants	7,515,795						7,515,795
Federal funds	26,098						26,098
Investment earnings	4,684			803			5,487
Loss Compensation	43,544						43,544
Transfers	37,406						0
Miscellaneous	75,550						75,550
Total general & special	8,869,381					(36,603)	8,832,778
Change in net positions						85,201	2,513,401
Net position - beginning Note U, V						82,019	1,453,386
Net position - ending						\$167,220	\$3,966,787

See accompanying notes

MENIFEE COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2014

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$85,488	\$	\$67,379	\$10,347	\$163,214
Other receivables	74,248	425,705			499,953
Prepaid expenses	<u>7,565</u>				<u>7,565</u>
TOTAL ASSETS	\$167,301	\$425,705	\$67,379	\$10,347	\$670,732
LIABILITIES					
Bank Overdraft	\$	\$310,942	\$	\$	\$310,942
Accounts payable	40,742				40,742
Sick Leave Payable in Process	<u>665</u>				<u>665</u>
TOTAL LIABILITIES	41,407	310,942			352,349
DEFERRED INFLOWS OF RESOURCES					
Deferred Revenues		114,763			114,763
Fund Balances					
Nonspendable					
Prepays	7,565				7,565
Restricted					
Other				10,347	10,347
Future Construction			67,379		67,379
Unassigned	<u>118,329</u>				<u>118,329</u>
Total fund balances	125,894		67,379	10,347	203,620
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	\$167,301	\$425,705	\$67,379	\$10,347	\$670,732

See accompanying notes

MENIFEE COUNTY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
 THE STATEMENT OF NET POSITION
 As of June 30, 2014

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

Total Fund Balance - Governmental Funds	\$203,620
--	------------------

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 position	12,476,214
---	------------

Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position	Bonds Payable (7,820,000) Capital Lease Payable (862,688) Judgments Payable (52,259) Accrued Interest on Bonds (51,979) Accumulated Sick Leave <u>(93,341)</u>
---	--

Total Net Position - Governmental Activities	\$3,799,567
---	--------------------

See accompanying notes

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

	General	Special	Construction	Other	Total
	Fund	Revenue	Fund	Governmental	Governmental
				Funds	Funds
Revenues					
From local sources					
Property taxes	\$584,857	\$	\$0	\$95,222	\$680,079
Motor vehicle taxes	141,712				141,712
Utility taxes	344,513				344,513
Earnings on investments	4,684				4,684
Other local revenues	75,550	57,910			133,460
Intergovernmental - State	6,863,775	450,250		669,019	7,983,044
Intergovernmental - Federal	<u>26,098</u>	<u>1,109,295</u>			<u>1,135,393</u>
Total revenues	8,041,189	1,617,455	0	764,241	10,422,885
Expenditures					
Instruction	4,287,939	797,185			5,085,124
Support services					
Student	691,899	219,025			910,924
Instruction staff	260,035	359,040			619,075
District administration	489,988	14,398			504,386
School administration	483,919				483,919
Business	428,017	34,999			463,016
Plant operation and maintenance	804,036	13,500			817,536
Student transportation	701,367	45,403			746,770
Food Service	300				300
Community service activities	1,325	148,673			149,998
Facilities			374,548		374,548
Debt service	<u>168,129</u>			<u>753,894</u>	<u>922,023</u>
Total expenditures	8,316,954	1,632,223	374,548	753,894	11,077,619
Excess(deficit)of revenues over expenditures	(275,765)	(14,768)	(374,548)	10,347	(654,734)
Other Financing Sources (Uses)					
Loss Compensation			43,544		43,544
Bond/Capital Lease Proceeds	82,965				82,965
Operating transfers in	37,406	14,768	9,446	441,410	503,030
Operating transfers out	<u>(24,214)</u>			<u>(441,410)</u>	<u>(465,624)</u>
Total other financing sources (uses)	96,157	14,768	52,990	0	163,915
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(179,608)	0	(321,558)	10,347	(490,819)
Fund balance, July 1, 2013	<u>305,502</u>	<u>0</u>	<u>388,937</u>	<u>0</u>	<u>694,439</u>
Fund balance, June 30, 2014	\$125,894	\$0	\$67,379	\$10,347	\$203,620

See accompanying notes

MENIFEE COUNTY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
 THE DISTRICT-WIDE STATEMENT OF ACTIVITIES
 For The Year Ended June 30, 2014

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

Total net change in fund balances - governmental funds (\$490,819)

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.

Depreciation Expense	(512,903)	
Capital Outlays	<u>2,615,075</u>	2,102,172

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Bond Principal Payments	490,000
Capital Lease Payments	166,624
Capital Lease Proceeds	<u>(82,965)</u>

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.

Change in Accrued Interest	248,400
KSBIT Judgment	(52,259)
Change in Sick Leave	<u>47,047</u>

Total Change in Net Position - Governmental Activities \$2,428,200

See accompanying notes

MENIFEE COUNTY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 As of June 30, 2014

	Business-Type Activities Enterprise Funds Food Service <u>Funds</u>
ASSETS	
Cash and Equivalents	\$98,249
Accounts Receivable	18,089
Inventory	22,092
Capital Assets, net of depreciation	<u>28,790</u>
TOTAL ASSETS	\$167,220
NET POSITION	
Net Investment in Capital Assets	\$28,790
Restricted Net Position	<u>138,430</u>
TOTAL NET POSITION	\$167,220

See accompanying notes

MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For The Year Ended June 30, 2014

	Business-Type Activities Enterprise Funds Food Service <u>Funds</u>
OPERATING REVENUES	
Lunchroom sales	\$93,847
Other revenues	<u>30,544</u>
Total Operating Revenues	124,391
OPERATING EXPENSES	
Salaries and wages	388,408
Contract services	5,600
Materials and supplies	484,020
Depreciation	<u>6,468</u>
Total Operating Expenses	884,496
Operating income (loss)	(760,105)
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	753,785
Commodities received	37,819
State grants	6,255
State on-behalf payments	84,050
Indirect cost to general fund	(37,406)
Interest income	<u>803</u>
Non-operating revenues (expenses)	845,306
Net income (loss) before Capital Contributions	85,201
Increase (decrease) in Net Position	85,201
Net Position, July 1, 2013	<u>82,019</u>
Net Position, June 30, 2014	\$167,220

See accompanying notes

MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2014

Business-Type Activities
Enterprise Funds
Other
Enterprise
Funds

CASH FLOW FROM OPERATING ACTIVITIES

Cash received from customers	\$144,717
Cash paid to employees, including benefits	(304,358)
Cash paid to suppliers	<u>(464,620)</u>
Net cash provided by operating activities	(624,261)

CASH FLOW FROM CAPITAL AND RELATED
FINANCING ACTIVITIES

Capital Assets Purchased	(4,571)
--------------------------	---------

CASH FLOW FROM NONCAPITAL
FINANCING ACTIVITIES

Cash received from government funding	763,294
Indirect cost transfer to general fund	<u>(37,406)</u>
Net cash provided from capital and related financing activities	725,888

CASH FLOW FROM CAPITAL AND RELATED
FINANCING ACTIVITIES

Interest Income	803
Net cash provided from capital and related financing activities	803

Net increase (decrease) in cash	97,859
Cash and equivalents, July 1, 2013	<u>390</u>
Cash and equivalents, June 30, 2014	\$98,249

Reconciliation of Operating income (loss) to Net Cash

Provided by Operating Activities	
Operating income (loss)	(\$760,105)
Adjustments to reconcile net income to cash provided by operating activities	
Depreciation	6,468
On-behalf payments	84,050
Commodities used	37,819
Decrease (increase) in accounts receivable	21,665
Decrease (Increase) in inventory	(12,802)
Increase (decrease) in deferred revenue	(1,339)
Increase (decrease) in accounts payable	<u>(17)</u>
Net cash provided by operating activities and increase in cash and equivalents	(\$624,261)

Schedule of Non-Cash Financing Activities

Donated commodities	\$37,819
On Behalf payments	\$84,050

See accompanying notes

MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
As of June 30, 2014

	Agency Fund
ASSETS	
Cash and equivalents	\$68,212
Accounts receivable	<u>3,690</u>
TOTAL ASSETS	\$71,902
LIABILITIES	
Accounts payable	\$571
Due to student groups	<u>71,331</u>
TOTAL LIABILITIES	\$71,902

See accompanying notes

MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Menifee 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 Menifee County School District (District). The Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

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

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

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

Menifee County School District Finance Corporation (the Corporation) – the Menifee County Board of Education has established the Menifee County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Menifee County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

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

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

MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

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

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

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for and reports all financial resources not accounted for and reported in another fund. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

- (C) Capital Project Funds are used to account for and report financial resource that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 3. The Construction Fund includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or renovations. This is a major fund.

II. Debt Service Fund

The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds are used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years are reported in debt service funds.

III. Proprietary Funds (Enterprise Fund)

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

IV. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

1. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.
2. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments. The District does not currently have any Private Purpose Trust Funds.

MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

V. Permanent Funds

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry.

Basis of Accounting

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

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

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

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

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

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

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.

MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

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.

The property tax rates assessed for the year ended June 30, 2014, to finance operations were \$.431 per \$100 valuation for real property, \$.431 per \$100 valuation for business personal property with .07 added to recover prior years losses due to exonerations. Motor vehicle tax rates were set at \$.492 per \$100 valuation.

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

Fund Balance Classification Policies and Procedures

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

Nonspendable Fund Balance

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

Restricted Fund Balance

Fund Balance will be reported as restricted when constraints placed on the use of resources are either; (a) externally imposed by creditors, grantors, contributors, or laws or regulations or other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The Board will use restricted amounts before unrestricted amounts when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

Unassigned Fund Balance is the residual classification for the general fund.

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

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.

MENIFEE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2014

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

Accumulated Unpaid Sick Leave Benefits

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

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

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

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

MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

Budgetary Process

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

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

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

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

Cash and Cash Equivalents

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

Inventories

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

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

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

Prepaid Assets

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

MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

Accrued Liabilities and Long-Term Obligations

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

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

Net Position

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

Operating Revenues and Expenses

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

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.

Subsequent Events

Subsequent events were considered through November 10, 2014, which represents the date of my report.

MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

Interfund Activity

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

Uses of Estimates

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

Encumbrances

Encumbrances are not liabilities and therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

NOTE B – PROPERTY TAX CALENDAR

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

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

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

MENIFEE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2014

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's total cash and cash equivalents was \$18,733. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

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

	Bank Balance	Book Balance
General Checking Account		
Fund 1 (General Fund)	\$	\$ 85,488
Fund 2 (Special Revenue Fund)		(310,942)
Fund 310 (Capital Outlay Fund)		10,347
Fund 320 (Building Fund)		0
Fund 360 (Construction Fund)		67,379
Fund 51 (Food Service)		<u>98,249</u>
Total General Checking Account	421,124	(49,479)
Activity and Trust Funds	68,731	68,212
Debt Service Funds	<u>0</u>	<u>0</u>
TOTALS	\$ 489,855	\$ 18,733

Breakdown per financial statements:

Governmental Funds	\$ (147,728)
Proprietary Funds	98,249
Agency Funds	<u>68,212</u>
TOTALS	\$ 18,733

NOTE D – CAPITAL ASSETS

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

Instruction	\$ 31,533
Support Services	
Student	36,248
Instructional staff	31,687
District administration	5,904
School administration	2,397
Business	27,702
Plant operations & maintenance	243,859
Student transportation	<u>133,573</u>
Total Depreciation expense, governmental activities	\$ 512,903

MENIFEE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2014

NOTE D - CAPITAL ASSETS

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

Governmental Activities	Beginning	Additions	Deletions	Ending
Land	\$50,600			\$50,600
Land Improvements	272,052			272,052
Buildings/Bldg Improvements	8,843,993	5,583,865		14,427,858
Technology Equipment	1,340,949	98,846		1,439,795
Vehicles	1,768,721		110,191	1,658,530
General Equipment	211,806			211,806
Construction Work In Process	<u>3,067,636</u>		<u>3,067,636</u>	<u>0</u>
Totals at historical cost	15,555,757	5,682,711	3,177,827	18,060,641
Less Accumulated Depreciation				
Land Improvements	176,887	10,665		187,552
Buildings/Bldg Improvements	3,146,667	242,985		3,389,652
Technology Equipment	990,661	108,521		1,099,182
Vehicles	703,231	142,260	110,191	735,300
General Equipment	<u>164,269</u>	<u>8,472</u>		<u>172,741</u>
Total accumulated depreciation	5,181,715	512,903	110,191	5,584,427
Governmental Activities Capital Assets - Net	\$10,374,042	\$5,169,808	\$(3,067,636)	\$12,476,214
Business-Type Activities				
Food Service				
Buildings/Bldg Improvements	\$0			\$0
Technology Equipment	3,396			3,396
Vehicles	0			0
General Equipment	<u>216,952</u>	<u>4,571</u>		<u>221,523</u>
Totals at historical cost	220,348	4,571		224,919
Less Accumulated Depreciation				
Buildings/Bldg Improvements	0			0
Technology Equipment	3,396			3,396
Vehicles	0			0
General Equipment	<u>186,265</u>	<u>6,468</u>		<u>192,733</u>
Total accumulated depreciation	189,661	6,468		196,129
Business-Type Activities Capital Assets - Net	\$30,687	(\$1,897)	\$0	\$28,790

MENIFEE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2014

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued aggregating the original amount of each issue, the issue date, and interest rates are summarized below:

Issue Date	Proceeds	Rates
2008R	\$ 970,000	2.25% - 3.30%
2009R	635,000	2.20% - 3.70%
2011	5,450,000	2.00% - 4.50%
2012R	2,345,000	0.50% - 2.15%

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

There are a number of limitations and restrictions contained in the various bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions as of June 30, 2014.

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

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

	Beginning			Ending
	Balance	Additions	Payments	Balance
Bonds	\$8,310,000	\$0	\$490,000	\$7,820,000
Sick Leave	\$140,388	\$94,281	\$140,663	\$94,006
Capital Leases	\$946,347	\$82,965	\$166,624	\$862,688
Judgments	\$0	\$52,259	\$0	\$52,259

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

MENIFEE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2014

Year	Menifee County School		SFCC		Total
	Principal	Interest	Principal	Interest	
2014-15	286,864	153,233	208,136	101,881	750,114
2015-16	291,514	148,890	213,486	97,174	751,064
2016-17	300,380	141,459	209,620	91,823	743,282
2017-18	304,953	133,695	205,047	86,612	730,307
2018-19	320,551	125,766	194,449	81,551	722,317
2019-20	324,464	117,809	150,536	75,628	668,437
2020-21	330,071	109,949	154,929	71,238	666,187
2021-22	340,165	101,588	159,835	66,331	667,919
2022-23	339,928	92,553	165,072	61,095	658,648
2023-24	216,805	83,468	143,195	55,679	499,147
2024-25	226,437	75,338	148,563	50,309	500,647
2025-26	235,494	66,280	154,506	44,366	500,646
2026-27	244,160	56,625	160,840	38,031	499,656
2027-28	252,565	46,614	167,435	31,437	498,051
2028-29	265,449	35,880	174,551	24,321	500,201
2029-30	269,797	24,466	185,203	16,815	496,281
2030-31	281,385	12,662	193,615	8,713	496,375
	4,830,982	1,526,275	2,989,018	1,003,004	10,349,279

NOTE F – COMMITMENTS UNDER NONCAPITALIZED LEASES

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

Year ending June 30,

2015	\$ 24,480
2016	24,480
2017	19,441
2018	7,388
2019	4,219
Later years	<u>0</u>
Total	\$ 80,008

MENIFEE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2014

NOTE G – CAPITAL LEASE PAYABLE

The District leases buses under capital leases with KISTA. The leases expire on various dates from June 2015 through June 2024.

<u>Classes of Property</u>	Book value as of
Buses	<u>June 30, 2014</u>
	\$ 923,230

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.

<u>Year Ending</u> <u>June 30,</u>	<u>Capital Lease</u> <u>Payable</u>
2015	\$ 191,941
2016	171,332
2017	160,587
2018	148,830
2019	106,444
Thereafter	<u>171,692</u>
Total minimum lease payments	\$ 950,826
Less Amount representing interest	(<u>88,138</u>)
Present Value of Net Minimum Lease Payments	\$ 862,688

NOTE H – RETIREMENT PLANS

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

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers’ Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS web site at <http://www.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 before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions.

MENIFEE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2014

NOTE H – RETIREMENT PLANS (continued)

Medical Insurance Plan

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

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

Funding policy – In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members’ gross salaries. Member contributions are 2.25% of salary. Also, the premiums collected from retirees as described in the plan and description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.5% of member’s salary for the 2013-2014 fiscal year.

Substantially all other employees (classified personnel) are covered under the County Employee’s Retirement System (“CERS”), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5% and a District contribution of 18.89% of the employee’s total compensation subject to contribution.

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

The following are payroll and retirement amounts for the years ended June 30, 2014, 2013, and 2012.

	2014	2013	2012
Total payroll	\$6,067,379	\$6,835,951	\$7,088,148
KTRS total payroll	\$4,594,401	\$5,100,615	\$5,347,494
CERS total payroll	\$1,360,104	\$1,756,100	\$1,767,200
Contribution requirement for CERS	\$327,851	\$416,252	\$411,325
District portion - CERS contribution	\$256,922	\$328,447	\$322,965
Employee portion - CERS contribution	\$70,929	\$87,805	\$88,360
KTRS contribution - Commonwealth of KY	\$526,549	\$590,638	\$625,559
KTRS contribution - district federal employees	\$87,274	\$88,773	\$83,406

NOTE I – INSURANCE AND RELATED ACTIVITIES

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

MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE J - CONTINGENCIES

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

NOTE K – ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the district an amount equal to 30% of the value of accumulated sick leave. At June 30, 2014, this amount totaled \$94,006.

NOTE L – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2014, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
None		

NOTE M – RISK MANAGEMENT

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

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

NOTE N – DEFICIT OPERATING/FUND BALANCES

Funds with a current year deficit of revenues over expenditures	
Fund 1	(179,608)
Fund 360	(321,558)

NOTE O – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss. The District notifies the Department of Employee Insurance (DEI) when an employee is no longer employed. DEI sends the employee the COBRA requirements

MENIFEE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2014

NOTE P – TRANSFER OF FUNDS

The following transfers were made during the year.

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	1	2	KETS Matching	\$ 9,768
Operating	1	2	Community Ed	5,000
Construction	1	360	Construction	9,446
Operating	51	1	Indirect Cost	37,406
Debt Service	310	400	Bond Payment	87,330
Debt Service	320	400	Bond Payment	354,080

NOTE Q – ON-BEHALF PAYMENTS

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

Health Insurance	\$ 1,246,270
Life Insurance	2,576
Administrative Fees	12,173
Health Reimbursement Account	22,410
Federal Reimbursement	(147,571)
KTRS	530,508
Technology On Behalf Payments	58,966
Debt Service On Behalf Payments	<u>312,484</u>
Total On-Behalf Payments	\$ 2,037,816

General Fund	\$ 1,641,282
Debt Service	312,484
Food Service	<u>84,050</u>
Total On-Behalf Payments	\$ 2,037,816

NOTE R – DEPOSITS AND INVESTMENTS

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

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

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

MENIFEE COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2014

NOTE R – DEPOSITS AND INVESTMENTS (continued)

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2014, the District's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District's behalf and the FDIC insurance.

NOTE S – KSBIT JUDGMENT

On June 4, 2014, the Franklin Circuit Court issued an order instructing the Rehabilitator to assess the former members of the Kentucky School Boards Insurance Trust Workers' Compensation Fund. The District was assessed \$52,259. The District has elected to pay 25% down, and the balance in equal installments for 6 years.

The following is a schedule by years of the future payments under the agreement.

Year Ending <u>June 30.</u>	<u>Amount</u>
2015	\$ 13,065
2016	6,532
2017	6,532
2018	6,532
2019	6,532
2020	6,532
2021	<u>6,534</u>
Total	\$ 52,259

NOTE T – GASB 68

In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 68, Accounting and Financial Reporting for Pensions. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The provisions of the statement must be implemented by the District no later than the fiscal year beginning July 1, 2014.

NOTE U – RESTATEMENT OF NET POSITION – DISTRICT WIDE

GASB Statement 65, *Reporting Items Previously Recognized as Assets and Liabilities*, which reclassifies certain items reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources or, in other cases to expenses/expenditure. Previously Debt Issuance Costs were included on the District Wide Financial Statements. Now, Debt Issuance Costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. As a result of this change, the following restatement of beginning balance for Net Position – District Wide is made:

June 30, 2013, Original	\$ 870,269
Removal of Bond Issuance Costs	(<u>267,811</u>)
June 30, 2013, Restated	\$ 602,458

MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE V – PRIOR PERIOD ADJUSTMENT

The District has been written up for the past two years for not recording all of their assets. The District's general ledger amounts for some fixed asset accounts did not agree with the detail depreciation schedule. Several assets were not included on the detail depreciation schedule. In order to correct the problems with fixed assets a prior period adjustment was made.

	Governmental
Total Fixed Assets (net of Depreciation) June 30, 2013, Original	\$ 9,605,133
Prior Period Adjustment	<u>768,909</u>
Total Fixed Assets (net of Depreciation) June 30, 2013 Corrected	\$10,374,042

SUPPLEMENTARY INFORMATION

MENIFEE COUNTY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 For The Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	967,000	967,000	1,071,082	104,082
Other Local Sources	79,000	79,000	80,234	1,234
State Sources	5,246,000	5,192,551	6,863,775	1,671,224
Federal Sources	<u>52,000</u>	<u>52,000</u>	<u>26,098</u>	<u>(25,902)</u>
TOTAL REVENUES	6,344,000	6,290,551	8,041,189	1,750,638
EXPENDITURES				
Instruction	3,210,315	3,183,175	4,287,939	(1,104,764)
Support Services				
Student	560,980	549,453	691,899	(142,446)
Instructional Staff	181,705	201,955	260,035	(58,080)
District Administration	338,735	366,860	489,988	(123,128)
School Administration	370,975	338,425	483,919	(145,494)
Business	268,850	275,383	428,017	(152,634)
Plant Operation and Maintenance	786,753	782,003	804,036	(22,033)
Student Transportation	536,655	514,737	701,367	(186,630)
Food Service	1,875	1,875	300	1,575
Community Services	500	500	1,325	(825)
Debt Service	168,157	168,157	168,129	28
Contingency	<u>147,500</u>	<u>151,724</u>		<u>151,724</u>
TOTAL EXPENDITURES	6,573,000	6,534,247	8,316,954	(1,782,707)
Excess (Deficit) of Revenues Over Expenditures	(229,000)	(243,696)	(275,765)	(32,069)
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	2,000	2,000	0	(2,000)
Capital Lease Proceeds	0	0	82,965	82,965
Operating Transfers In	0	0	37,406	37,406
Operating Transfers Out	<u>(23,000)</u>	<u>(23,000)</u>	<u>(24,214)</u>	<u>(1,214)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(21,000)	(21,000)	96,157	117,157
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(250,000)	(264,696)	(179,608)	85,088
Fund Balance, July 1, 2013	<u>250,000</u>	<u>264,696</u>	<u>305,502</u>	<u>40,806</u>
Fund Balance, June 30, 2014	\$0	\$0	\$125,894	\$125,894

On-Behalf payments are not budgeted. Both revenues and expenditures are equally increased by the amount of on-behalf payments totalling \$1,641,282

MENIFEE COUNTY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR SPECIAL REVENUE
 For The Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
State Sources	\$100,400	\$429,043	\$450,250	21,207
Federal Sources	518,753	905,839	1,109,295	203,456
Local Sources	<u>0</u>	<u>14,000</u>	<u>57,910</u>	<u>43,910</u>
TOTAL REVENUES	619,153	1,348,882	1,617,455	268,573
EXPENDITURES				
Instruction	369,385	762,270	797,185	(34,915)
Support Services				
Student	128,775	217,616	219,025	(1,409)
Instructional Staff	104,638	172,170	359,040	(186,870)
District Administration		0	14,398	(14,398)
Business	36,000	31,258	34,999	(3,741)
Plant Operations & Maintenance		13,500	13,500	0
Student Transportation	3,355	43,906	45,403	(1,497)
Community Service Operations	<u>0</u>	<u>128,791</u>	<u>148,673</u>	<u>(19,882)</u>
TOTAL EXPENDITURES	642,153	1,369,511	1,632,223	(262,712)
Excess (Deficit) of Revenues Over Expenditures	(23,000)	(20,629)	(14,768)	5,861
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	<u>23,000</u>	<u>20,629</u>	<u>14,768</u>	<u>(5,861)</u>
TOTAL OTHER FINANCING SOURCES (USES)	23,000	20,629	14,768	(5,861)
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	0	0	0	0
Restricted Fund Balance, July 1, 2013	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Restricted Fund Balance, June 30, 2014	\$0	\$0	\$0	\$0

MENIFEE COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 As of June 30, 2014

	SEEK Capital Outlay Fund	Building Fund	Debt Service Fund	Total
ASSETS AND RESOURCES				
Cash and equivalents	\$10,347	\$0	\$0	\$10,347
TOTAL ASSETS AND RESOURCES	\$10,347	\$0	\$0	\$10,347
FUND BALANCES				
Restricted - Other	\$10,347	\$0	\$0	\$10,347
TOTAL FUND BALANCES	10,347	\$0	\$0	\$10,347
TOTAL LIABILITIES AND FUND BALANCES	\$10,347	\$0	\$0	\$10,347

MENIFEE COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended June 30, 2014

	SEEK Capital Outlay Fund	Building Fund	Debt Service Fund	Total
REVENUES				
Property Taxes	\$	\$95,222	\$	\$95,222
Intergovernmental-State	<u>97,677</u>	<u>258,858</u>	<u>312,484</u>	<u>669,019</u>
TOTAL REVENUES	97,677	354,080	312,484	764,241
EXPENDITURES				
Debt Service			<u>753,894</u>	<u>753,894</u>
TOTAL EXPENDITURES	0	0	753,894	753,894
Excess (deficit) revenues over expenditures	97,677	354,080	(441,410)	10,347
OTHER FINANCING SOURCES (USES)				
Operating transfers in			441,410	441,410
Operating transfers out	<u>(87,330)</u>	<u>(354,080)</u>	<u> </u>	<u>(441,410)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(87,330)	(354,080)	441,410	0
Excess (deficit) revenues and other financing sources over expenditures and other financing uses	10,347	0	0	10,347
Restricted Fund Balance, July 1, 2013	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Restricted Fund Balance, June 30, 2014	\$10,347	\$0	\$0	\$10,347

MENIFEE COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 SCHOOL ACTIVITY FUNDS
 As of June 30, 2014

	Menifee County High School	Menifee County Elementary School	Botts Elementary School	Total
ASSETS				
Cash and equivalents	\$29,855	\$12,021	\$26,336	\$68,212
Accounts receivable	<u>3,498</u>	<u>192</u>	<u>0</u>	<u>3,690</u>
TOTAL ASSETS	\$33,353	\$12,213	\$26,336	\$71,902
LIABILITIES				
Accounts payable	\$571	\$0	\$0	\$571
Due to student groups	<u>32,782</u>	<u>12,213</u>	<u>26,336</u>	<u>71,331</u>
TOTAL LIABILITIES	\$33,353	\$12,213	\$26,336	\$71,902

MENIFEE COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
 SCHOOL ACTIVITY FUNDS

For The Year Ended June 30, 2014

	Cash Balances		Receipts	Disbursement	Cash Balances June 30, 2014	Accounts Receivable		Accounts Payable	Due To Student Groups June 30, 2014
	July 1, 2013	June 30, 2014				June 30, 2014	June 30, 2014		
Menifee County High School	\$23,859	\$133,127	\$127,131	\$29,855	\$3,498	\$571	\$32,782		
Menifee County Elementary	\$17,085	\$48,348	\$53,412	\$12,021	192	0	\$12,213		
Botts Elementary School	<u>\$28,587</u>	<u>\$19,701</u>	<u>\$21,952</u>	<u>\$26,336</u>	<u>0</u>	<u>0</u>	<u>\$26,336</u>		
TOTAL ACTIVITY FUNDS	\$69,531	\$201,176	\$202,495	\$68,212	\$3,690	\$571	\$71,331		

MENIFEE COUNTY BOARD OF EDUCATION
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
 MENIFEE COUNTY HIGH SCHOOL
 For The Year Ended June 30, 2014

	Cash Balances Beginning	Receipts	Disbursements	Transfers	Cash Balances Ending	Accounts Receivable Ending	Accounts Payable Ending	Due To Student Groups Ending
General Fund	\$146	\$1,229	\$1,655	\$733	\$453	\$0	\$0	\$453
Vending	55	323		(378)	0	37	3	34
Faculty Vending	42	171	179		34	32		66
Attendance	141	200	100	(241)	0			0
Now-Interest	14	33		(44)	3			3
Textbook	269	189	176		282			282
Parking Account	82	260	232	(110)	0			0
Volleyball	246				246			246
Wrestling	100		32	(38)	30		12	18
Athletic Concession	585	14,900	9,123	(6,250)	112			112
Baseball-Boys	125	1,657	3,122	1,620	280		12	268
Basketball-Boys	1,282	6,694	5,762	(920)	1,294			1,294
Basketball-Girls	278	5,958	5,467		769			769
Cross-Country-Boys	156		201	100	55	113		168
Softball-Girls	770	2,304	4,893	1845	26		12	14
Track-Boys/Girls	52		614	677	115		12	103
Golf-Boys/Girls	1,438	895	1,793	(83)	457			457
Soccer-Boys	1,013	5,450	6,050	517	930			930
Soccer-Girls	299	4,820	4,799	516	836			836
Varsity Cheerleaders	1,621		353		1,268			1,268
Bass Fishing Team	0	150	348	427	229		11	218
Archery	0	493	471	(12)	10		11	(1)
FCCLA	1,759	12,744	15,521	2,885	1,867		450	3,372
FFA	1,674	18,700	17,095	160	3,439	1,955		4,365
Yearbook	6,378	7,064	1,913	215	11,744	926		11,744
Junior Class	500	9,610	8,842	(1,140)	128		19	109
Senior Class	848	21,705	22,244	(160)	149		29	120
Beta Club	60	429	163		326			326
F.B.L.A.	312				312			312
Band Fund	506	1,849	1,996		359	400		759
Donations	0	425	232		193			193
Special Education	21	2,335	2,296		60			60
Library	97	93	99		91			91
Academic-KY High	161		72		89			89
F.C.A.	265	900	870		265			265
FFA Dues	615				645			645
FEA Future Educators	55				55			55
Spanish Class	197	513	513		197			197
Student Council	331	3,105	2,711		725			725

MENIFEE COUNTY BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
MENIFEE COUNTY HIGH SCHOOL
For The Year Ended June 30, 2014

	Cash Balances Beginning	Receipts	Disbursements	Transfers (4)	Cash Balances Ending	Accounts Receivable Ending	Accounts Payable Ending	Due To Student Groups Ending
Technology Fund	\$4				\$0			\$0
Cats	201				201			201
Book Club	416				416			416
Start-Up Change	0	500	500		0			0
KASA	315			(315)	0			0
Guidance Account	230	1,198	718		710	35		745
Y-Club	0	6,231	5,976		255			255
Scoreboard	<u>200</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>200</u>	<u>0</u>		<u>200</u>
Total	23,859	133,127	127,131	0	29,855	3,498	571	32,782

MENIFEE COUNTY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended June 30, 2014

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through Kentucky Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	7750002 14	\$354,686
National School Lunch Program	10.555	7750002 13	77,464
School Breakfast Program	10.553	7760005 14	179,314
School Breakfast Program	10.553	7760005 13	54,243
Summer Food Service Program for Children	10.559	7690024 13	3,338
Summer Food Service Program for Children	10.559	7740023 13	32,025
Commodities	10.555	510 4950	<u>37,819</u>
Total Child Nutrition Cluster			738,889
Child and Adult Care Food Program (CACFP)	10.558	7790021 13	7,656
Child and Adult Care Food Program (CACFP)	10.558	7790021 14	30,446
Child and Adult Care Food Program (CACFP)	10.558	7800016 13	608
Child and Adult Care Food Program (CACFP)	10.558	7800016 14	2,416
Fresh Fruit and Vegetable Program	10.582	7720012 13	2,144
Fresh Fruit and Vegetable Program	10.582	7720012 14	9,445
Passed through Bath County Schools			
RUS - Distance Learning and Telemedicine Grant	10.855	RDUP-07-01-DLT	<u>179,250</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			970,854
<u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education			
Improving America's School Act of 1994			
Title I, Part A			
Title I Grants to Local Educational Agencies	84.010	3100002 13	514,016
Title I Grants to Local Educational Agencies	84.010	3100002 12	<u>51,451</u>
		subtotal	565,467
Special Education Cluster (IDEA)			
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 13	211,184
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 12	7,969
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 11	13,356
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002 13	<u>8,740</u>
		subtotal	241,249

The accompanying notes are an integral part of this schedule

MENIFEE COUNTY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended June 30, 2014

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education			
Rural Education	84.358	3140002 13	19,557
Race to the Top	84.413A	3960002 11	3,082
Career and Technical Education - Basic Grants To States	84.048	3710002 13	13,007
Career and Technical Education - Basic Grants To States	84.048	3710002 12	<u>792</u>
		subtotal	13,799
Improving Teacher Quality State Grants	84.367	3230002 13	82,647
TOTAL U.S. DEPARTMENT OF EDUCATION			925,801
Appalachian Regional Commission			
Passed through Morehead State University			
Appalachian Higher Education Network (KY AHED)	23.011	6884	4,244
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$1,900,899

The accompanying notes are an integral part of this schedule

MENIFEE COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2014

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Menifee County School District (the "District") under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities disbursed, totaling \$37,819.

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
502-857-2579**

REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(for a Governmental Entity)
(No Material Weaknesses Identified, Significant Deficiencies Identified,
No Reportable Instances of Noncompliance, or Other Matters Identified)

Independent Auditor's Report

State Committee For School District Audits
Members of the Board of Education
Menifee County School District
Frenchburg, Kentucky

We have audited, 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, the provisions of Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-profit Organizations, and the audit requirement prescribed by the Kentucky Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Menifee County Board of Education as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board'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 the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies 2014-001, 2014-002, 2014-003, 2014-004, 2014-005, and 2014-006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

District's Response to Findings

District's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

I noted certain matters that I reported to management of the District in a separate letter dated November 10, 2014.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
November 10, 2014

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
502-857-2579**

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133
(Unmodified Opinion on Compliance for each Major Program; No Material Weaknesses or
Significant Deficiencies in Internal Control Over Compliance Identified)

INDEPENDENT AUDITOR'S REPORT

State Committee For School District Audits
Members of the Board of Education
Menifee County School District
Frenchburg, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Menifee County School District's (the "District") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The 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 the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Menifee County School District as of and for the year ended June 30, 2014, and have issued our report thereon dated November 10, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
November 10, 2014

MENIFEE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2014

Section I – Summary of Auditor's Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not
considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not
Considered to be material weakness(es)? yes none reported

An unmodified opinion was issued on compliance for all major programs.

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? yes no

MENIFEE COUNTY SCHOOL DISTRICT
SCHEDULE FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2014

Section II – Financial Statement Findings

2014-001

Criteria: Board Policy 04.11 states “The Superintendent shall develop administrative procedures necessary to implement the fiscal management policies of the Board.”

Condition: Administrative procedures have not been developed.

Cause: The Superintendent did not develop administrative procedures as required.

Effect: Staff does not have procedures to assist them in implementing the fiscal management policies of the Board.

Views of Responsible Officials and Planned Corrective Actions: Superintendent will oversee the development of administrative procedures related to board policy 04.11. He will seek guidance from the Kentucky Department of Education and Kentucky School Board Association. Procedures will be in place no later than July 2015.

2014-002

Criteria: The District does not have adequate segregation of duties for payroll processing.

Condition: The payroll officer sets up and maintains employee records, does payroll entry, processing and printing of payroll advices, making payroll tax payments and filing payroll tax returns. The payroll officer has access to all MUNIS areas.

Cause: The finance office does not have adequate segregation of duties.

Effect: Proper segregation of duties have not been established.

Views of Responsible Officials and Planned Corrective Actions: Access to MUNIS by multiple employees was discovered in July 2014. The finance personnel from Wolfe County Schools have been assisting Menifee County finance staff in limiting MUNIS access for Menifee County employees. This task has proven to be more complex than anyone imagined. An effort to correct this is ongoing and a solution to this issue should be in place by January 1, 2015. The new payroll officer, who began her duties on July 14, 2014, attempted to continue the payroll duties as she understood those duties were performed by her predecessor. The District shall remove personnel-related menu access within MUNIS for the payroll officer. All employment status changes shall be made by the finance officer beginning immediately. Written procedures shall be developed as a guide between the payroll officer and the finance officer and be implemented by January 1, 2015. The finance officer shall be responsible for reconciling and filing payroll tax payments and payroll tax returns beginning immediately.

2014-003

Criteria: The District does not have adequate segregation of duties for account payable processing.

Condition: The accounts payable clerk sets up and maintains vendors, does invoice and purchase order entry, processes and prints checks. She has full access to MUNIS.

Cause: The finance office does not have adequate segregation of duties.

Effect: Proper segregation of duties have not been established.

Views of Responsible Officials and Planned Corrective Actions: The district is in the process of limiting MUNIS access to employees as stated in previous management’s response. Procedures for communication between the finance officer and accounts payable clerk will be developed and in place by January 1, 2015. These procedures shall include all vendor additions and or changes to be made by finance officer after appropriate communication from AR personnel. The finance officer shall be responsible for the distribution of all vendor checks.

MENIFEE COUNTY SCHOOL DISTRICT
SCHEDULE FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2014

Section II – Financial Statement Findings (continued)

2014-004

Criteria: The District does not have adequate segregation of duties for deposit processing.

Condition: The person in charge of recording receipts, also prepares the deposit slip and takes the deposit to the bank. The same person also prepares the bank reconciliation.

Cause: The finance office does not have adequate segregation of duties.

Effect: Proper segregation of duties have not been established.

Views of Responsible Officials and Planned Corrective Actions: The accounts payable clerk will continue doing the bank deposit slips. The personnel officer will be delivering the deposit slips to the bank and bringing back the deposit receipts to the accounts payable clerk. The finance officer will be completing the bank reconciliation beginning immediately. Written procedures shall be in place by January 1, 2015.

2014-005

Criteria: Too many employees have total access to MUNIS.

Condition: The accounts payable clerk, payroll clerk, attendance clerk, and fixed asset clerk all have full access to MUNIS.

Cause: The finance office does not have adequate segregation of duties.

Effect: Proper segregation of duties have not been established.

Views of Responsible Officials and Planned Corrective Actions: The finance officer shall be granted all administration rights in MUNIS and will develop the procedures. The finance officer will develop and implement after being approved by the superintendent and board, recommended procedures that will dictate which finance employees have access to in MUNIS to complete their job. The procedures will include processes to be used in granting, changing and terminating user access to MUNIS. Administrative staff shall review and sign off on all procedures indicating they have read and agree to abide by and follow set procedures. This shall become effective no later than January 1, 2015.

2014-006

Criteria: Fixed Assets purchased should be added to the depreciation schedule and general ledger.

Condition: For the past three audit reports the District has been written up for not maintaining Fixed Assets in MUNIS. The problem continued for the current year.

Cause: The person responsible for fixed assets did not record all fixed assets purchased.

Effect: Fixed Assets were understated.

Views of Responsible Officials and Planned Corrective Actions: The person in charge of fixed assets shall participate in the next available training, which will be mandatory for this position. Procedures and forms will be developed for tracking fixed assets by January 1, 2015. The full physical inventory of all fixed assets shall be completed by July 1, 2015.

Section III – Federal Award Findings and Questioned Costs

None

MENIFEE COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For The Year Ended June 30, 2014

PRIOR YEAR – FINANCIAL STATEMENT FINDINGS

2013-01 Fixed Assets was not corrected during the year. This is current year finding 2014-006

PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported in prior year.

MANAGEMENT LETTER

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
502-857-2579**

Menifee County Board of Education
Frenchburg, Kentucky

We have audited the financial statements of the Menifee County School District for the year ended June 30, 2014 and have issued our report thereon dated November 10, 2014. As part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary for expressing an opinion on the system of internal accounting control taken as a whole.

The management of the Menifee County School District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors, or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system of internal accounting control. Accordingly, we do not express an opinion on the system of internal accounting control of the Menifee County School District taken as a whole. Our study and evaluation disclosed no condition that we believe to be a material weakness.

The following items from last year's management letter points were corrected during the current fiscal year as outlined in the District's response: 2013-02, 2013-03

The following items from last year's management letter points were not corrected: 2013-02

Denise M. Keene
November 10, 2014

CURRENT YEAR MANAGEMENT POINTS

2014-001

Board policy 04.11, Administrative Procedures, states "The Superintendent shall develop administrative procedures necessary to implement the fiscal management policies of the Board." The Superintendent has not developed administrative procedures as required. I recommend procedures be developed and implemented for staff to utilize.

Management's response:

Superintendent will oversee the development of administrative procedures related to board policy 04.11. He will seek guidance from the Kentucky Department of Education and Kentucky School Board Association. Procedures will be in place no later than July 2015.

2014-002

The District does not have adequate segregation of duties in the finance office. The person responsible for payroll processing has full access to MUNIS. That person sets up and maintains employee records, does payroll entry, processing and printing of payroll advices, making payroll tax payments and filing payroll tax returns. The District does not implement proper segregation of duties between the employee responsible for the entry and maintenance of personnel information and the employee responsible for the payroll processing and payment. I recommend the District remove personnel related menu access within MUNIS for the person in charge of payroll processing. This includes the ability to add, delete, or otherwise change the employment status of employees. All additions, deletions, or other changes to the employment status of District staff should only be conducted by the Finance Officer. Written procedures should be developed to ensure changes to employment status are communicated between the two employees. These written procedures should establish specific criteria and timeframes for when changes to employment status are to be carried out. In addition, I recommend the finance officer be responsible for reconciling and filing payroll tax payments and payroll tax returns.

Management's response:

Access to MUNIS by multiple employees was discovered in July 2014. The finance personnel from Wolfe County Schools have been assisting Menifee County finance staff in limiting MUNIS access for Menifee County employees. This task has proven to be more complex than anyone imagined. An effort to correct this is ongoing and a solution to this issue should be in place by January 1, 2015.

The new payroll officer, who began her duties on July 14, 2014, attempted to continue the payroll duties as she understood those duties were performed by her predecessor. The District shall remove personnel-related menu access within MUNIS for the payroll officer. All employment status changes shall be made by the finance officer beginning immediately. Written procedures shall be developed as a guide between the payroll officer and the finance officer and be implemented by January 1, 2015. The finance officer shall be responsible for reconciling and filing payroll tax payments and payroll tax returns beginning immediately.

CURRENT YEAR MANAGEMENT POINTS(continued)

2014-003

The District does not have adequate segregation of duties in the finance office. The person in charge of accounts payable has full access to MUNIS. That person set up and maintains vendors, does invoice, purchase order entry, processes and prints checks. The District does not implement proper segregation of duties between the employee responsible for the entry and maintenance of vendor information and the employee responsible for accounts payable processing and payment. This includes the ability to add, delete, or otherwise change the vendor status. All additions, deletions, or other changes to the vendor status should only be conducted by the Finance Officer. Written procedures should be developed to ensure changes to vendor status are communicated between the two employees. These written procedures should establish specific criteria and timeframes for when changes to vendor status are to be carried out. In addition, I recommend the finance officer be responsible for the distribution of vendor checks.

Management's response:

The district is in the process of limiting MUNIS access to employees as stated in previous management's response. Procedures for communication between the finance officer and accounts payable clerk will be developed and in place by January 1, 2015. These procedures shall include all vendor additions and or changes to be made by finance officer after appropriate communication from AR personnel. The finance officer shall be responsible for the distribution of all vender checks.

2014-004

The District does not have adequate segregation of duties in the finance office. The person in charge of recording receipts, also prepares the deposit slip and takes the deposit to the bank. The same person also prepares the bank reconciliation. I recommend someone other than the person preparing the deposit slip, take the deposit to the bank. I also recommend the finance officer prepare the bank reconciliation each month. Written procedures should be developed to address this process.

Management's response:

The accounts payable clerk will continue doing the bank deposit slips. The personnel officer will be delivering the deposit slips to the bank and bringing back the deposit receipts to the accounts payable clerk. The finance officer will be completing the bank reconciliation beginning immediately. Written procedures shall be in place by January 1, 2015.

2014-005

Too many employees have total access to MUNIS. Access to MUNIS should be limited to only those tasks assigned to that employee. The finance officer should be the only person with total administrative access. I recommend the District develop and implement adequate logical security controls governing user access to MUNIS. Written procedures should be developed and implemented for administrative staff to follow when granting, changing, and terminating user access.

Management's response:

The finance officer shall be granted all administration rights in MUNIS and will develop the procedures. The finance officer will develop and implement, after being approved by the superintendent and board, recommended procedures that will dictate which finance employees have access to in MUNIS to complete their job. The procedures will include processes to be used in granting, changing and terminating user access to MUNIS. Administrative staff shall review and sign off on all procedures indicating they have read and agree to abide by and follow set procedures. This shall become effective no later than January 1, 2015.

CURRENT YEAR MANAGEMENT POINTS(continued)

2014-006

For the past three audit reports the District has been written up for not maintaining Fixed Assets in MUNIS. This problem continued for the current year. Comparison of the detail list of active assets to the general ledger resulted in a prior period adjustment. Comparison of the detail list of active vehicles disclosed eight (8) buses and four (4) other vehicles not on the active list. These were corrected during the year for a total of \$582,794. Comparison of the detail list of active buildings disclosed an asset of \$88,010.60 not on the active list. I recommend the District send the person in charge of fixed assets to training. I also recommend procedures be developed and implemented for fixed assets. These procedures should include forms to be used by individuals purchasing fixed assets. The forms are to be given to the person in charge of fixed assets for data entry. In addition, I also recommend a full physical inventory of all fixed assets to be compared to the detail active list of assets.

Management's response:

The person in charge of fixed assets shall participate in the next available training, which will be mandatory for this position. Procedures and forms will be developed for tracking fixed assets by January 1, 2015. The full physical inventory of all fixed assets shall be completed by July 1, 2015.

2014-007

The bank reconciliation did not reconcile from October 2013 to June 30, 2014. I recommend the finance officer prepare the bank reconciliation. The form should have a signature line for the preparer to sign and date. The bank reconciliation should be reviewed by the Superintendent. The form should have a signature line for the reviewer to sign and date. Old outstanding checks should be followed up on and resolved. The bank reconciliation should be part of the monthly packet for Board review.

Management's response:

The finance officer shall reconcile all bank statements beginning November 1st, 2014. A document shall be developed for the superintendent to sign that the bank reconciliation has been reviewed and approved. Old outstanding checks shall be followed up on and resolved within a timely fashion. Copies of all documents shall be provided in the monthly packets for the school board members to review.

2014-008

The District did not publish their tax rates as required by KRS 424.250. I recommend the publishing of tax rates be put on a schedule of due dates along with report filings.

Management's response:

Current tax rate information shall be published in a timely manner. The tax rate due dates shall be added to the schedule of due dates of other report filings.

CURRENT YEAR MANAGEMENT POINTS(continued)

2014-009

Procedures for the use of the District credit card need to be developed and implemented. There were several purchases on the credit card that included sales tax. In addition several items on credit card statements were paid from the statement without the original invoice. There were interest and late fees paid on the credit card bill. Board Policy, 04-31, Authority to Encumber and Expend Funds, states, "The Superintendent shall establish a process consistent with Board policy to regulate use of credit cards and credit card accounts. This process will include procedures for recovery of District funds for any unauthorized purchases." I recommend that procedures be developed for the use of the credit card, including providing the tax exempt number for vendors, the requirement that original invoices be turned in, and payment be made timely to eliminate interest and late fees.

Management's response:

Procedures for the use of District credit cards shall be developed and implemented in accordance to Menifee County School Board policy 04-31. These procedures shall include processes for recovering district funds for any unauthorized purchases, correct use of any school related credit cards, providing tax exempt number for vendors when school credit cards are used for purchases and requirements of original invoices for district accounting purposes. Procedures shall also include language that insures all credit card payments are made in a timely manner in order to eliminate all interest and late fees.

2014-010

Procedures for purchasing need to be developed and implemented. Testing disclosed a number of problems with the purchasing cycle. Out of 114 expenditures tested, 32 did not have a date on the Requisition Form, 18 had not been approved, and 2 did not have an invoice attached. Board Policy 04.31, Authority to Encumber and Expend Funds, states "All purchases shall require the prior approval of the Superintendent or the Superintendent's designee." I recommend procedures be developed to implement Board Policy 04.31.

Management's response:

Procedures already exist in the purchasing cycle. These procedures shall be documented in writing and copies of the procedures shall be given to all applicable employees.

2014-011

Travel reimbursement for board members were not properly approved. In addition, two board members did not sign their travel reimbursement requests. I recommend reimbursements for board members be properly signed and approved prior to payment of the reimbursement request.

Management's response:

Current procedures need to be recorded and followed. Current procedures include all travel reimbursement request contain signatures of both board members and superintendent or designee accompanied by the date of the request.

CURRENT YEAR MANAGEMENT POINTS(continued)

2014-012

Payroll testing disclosed numerous problems. Payroll procedures need to be developed and implemented.

- A. Personnel files need to be reviewed and organized. Contracts for some employees could not be found. Certifications for some certified staff could not be found. Bus driver contracts are not maintained in their personnel folders.
- B. Certified staff do not do work calendars. I recommend that certified staff turn in work calendars to document the days worked.
- C. The salary schedule does not cover rate of pay for classified subs, bus driver's extra curricular pay, and after school detention. The salary schedule should include all pay types.
- D. Testing disclosed seven staff were overpaid during the year. One was paid more than the salary schedule, one was overpaid for substitute bus driving, two did not work all the contract days, an employee exempt from overtime was paid overtime, that same employee was paid her supervisor rate for after school detention, one was paid for more days than his contract, and another had overtime computed incorrectly.
- E. Bus drivers and subs should complete and sign timesheets which should be turned into payroll each pay period.
- F. The finance officer's contract amount was greater than the salary schedule for that position.
- G. The District was fined \$1,000 for filing a monthly report late (the March 2014 CERS report).

Management's response:

Item A: By July 1, 2015, procedures will be developed and implemented in which all personnel files will be reviewed and organized. Files will be organized in sections within their personnel folders and checklist will be placed in front of each file in the items that need to be contained within the folder. The payroll officer shall be in charge of organizing and reviewing all employee folders. Original bus driver contracts will be maintained in personnel folders with a copy provided for the transportation director.

Item B: Procedures will be developed and implemented relating to certified staff utilizing work calendars.

Item C: All staff salary schedules will be redesigned to address several identified issues. Areas to be addressed include: rate of pay for classified substitutes, bus drivers' extracurricular pay, after school detention pay, and number of days required by each employee by July 1, 2015.

Item D: Management feels that with an updated and approved salary schedule along with the restructured duties of the finance department that the issues found in Item D will be addressed and corrected for the future.

Item E: Bus Drivers and substitute bus drivers shall complete and sign standard timesheets which shall be turned in to the payroll officer on the same schedule as other employee timesheets immediately.

Item F: With a new finance officer and with reorganized salary schedule to be approved by the board of education, management feels this item will have been corrected.

Item G: The current finance staff will adhere to all required report timelines to insure that the Board of Education will not be fined due to unsubmitted reports.

CURRENT YEAR MANAGEMENT POINTS(continued)

2014-013

The high school principal signed the lease agreement for two copiers. Leases are to be approved by the Board and should be signed by the Board Chair or the Superintendent. A principal does not have the authority to enter into a lease agreement. I recommend all leases be approved by the Board and signed by the Board Chair or the Superintendent.

Management's response:

All district principals will receive written instructions concerning leases, contracts, and other agreements by January 1, 2015. All current copier leases will be re-evaluated and corrected if necessary to meet the board policy procedures.

Auditor's Comment on New Red Book governing School Activity Funds. The New Red Book went into effect July 1, 2013. It has taken a significant amount of time for the actual requirements to be absorbed and implemented correctly throughout each school district. The Kentucky Department of Education (KDE) has addressed Red Book questions throughout the year and some questions relate to challenging and unique circumstances, which are not specifically addressed in the Red Book. Some of the following management letter points are directly related to the New Red Book guidelines. The District continues to learn and adjust to the new information.

Menifee County High School

2014-014

According to the Red Book, "Students third grade and above must sign the Multiple Receipt Form." Testing disclosed that some teachers were not having their students sign the Multiple Receipt Form. The Principal should remind teachers/sponsors who are receiving money to have the students sign the Multiple Receipt Form.

Management's Response:

An email was sent to staff on October 6, 2014 reminding them that students must actually sign the form.

2014-015

The revised Red Book effective July 1, 2013 does not allow expenditures for operational costs. There were 4 out of 32 expenditures not allowed because they were for operational costs. The school treasurer and principal should not approve purchases that are not allowed by the Red Book.

Management's Response:

We were told that forms could be purchased from this account because they benefited all students. Also name plates as that directed students how to locate staff members. We will make arrangements for these items to be purchased via SBDM general supplies in the future or district activity accounts.

Menifee County High School (continued)

2014-016

According to the Redbook, "...always use a Purchase Order to initiate a purchase..." Purchase order forms are not being used or generated for all purchases. The standard invoice form is being use instead as a stand alone document. I recommend a Purchase Order form be used for all purchases, including when a standard invoice is generated.

Management's Response:

We always use PO request to start a purchase, except for ballgame officials. Will discuss with auditors to clarify proper procedure.

2014-017

According to the revised Red Book, "each external support/booster organization must submit the FEIN and the names of the organization's officers to the principal at the beginning of the school year or within thirty days of the first transaction of the organization. Proof of liability insurance coverage must be submitted to the principal prior to commencing any fundraising activities. Each external support/booster organization must submit an annual External Support/Booster Organization Budget Worksheet to the principal within the first thirty days of the school year or within thirty days of the first transaction of the group. Each external support/booster organization must submit an annual financial report for the fiscal year ending June 30 to the principal by July 15." The booster clubs did not provide all of the above information. The principal should remind booster clubs of their responsibilities. If the booster clubs do not comply, the principal should disassociate with the organization. If the school disassociates with the external organization , the organization shall not use the school name for its activities, conduct any fundraising in the name of the school or athletic group within the school and shall not use the school facilities to conduct such activities.

Management's Response:

We have requested this information from the boosters. Bookkeeper will provide them with another instructional packet. Principal will stress paperwork must be turned in. An email was sent to coaches on October 6, 2014, stating "in order to continue with booster clubs, the coaches will have to take a more active role in helping us make sure all paperwork is in when it is due."

2014-018

According to the new revised Red Book, "the principal or school treasurer, who shall not be the person in charge of sales... Two people (ticket seller, ticket taker) are required to work the gate." Testing disclosed that the principal was the only worker 7 out of 59 times, in addition, the principal was the person in charge 6 out of 59 times. The principal should make sure there are two people working the gate, the principal should not be the person in charge.

Management's Response:

Two people always work the gate, we will make sure they are aware of where to sign on the form. The AD was out on maternity leave last year and we were unable to get someone to cover for her; so the Principal had to take care of the AD job. In the future if the AD is gone; we will ask Assistant AD to help on game night.

Menifee County High School (continued)

2014-019

According to the Red Book, "Amounts may be transferred between activity accounts only by proper completion of a Transfer Form. The sponsor of the remitting (paying) activity account and the principal shall sign the Transfer form." Testing disclosed 18 out of 47 forms were signed only by the Principal, although the paying accounts should have had the sponsor sign. The Principal and bookkeeper should obtain the sponsor's signature before doing a transfer.

Management's Response:

We were under impression it was OK for Principal to sign both spots. We will require both signatures on all future transactions. Principal is the sponsor of some accounts. We will need guidance from the auditors on how to address these accounts.

2014-020

According to the new revised Red Book, "If there is a need to reimburse or refund monies to students, use the Student Refund/Disbursement Form and have students sign as they receive their refund." The school used the standard invoice instead of the Student Refund Form to refund overpayment of senior trip. The school should use the new form when refunds to students are issued.

Management's Response:

We will start using new form immediately.

2014-021

According to the revised Red Book, "Always use a Purchase Order, including for independent contractors..." The school used the standard invoice for referees, but did not do a purchase order as required by the new Red Book. The Principal and bookkeeper should require a purchase order before any payment is made.

Management's Response:

We will ask for guidance from auditors on what paperwork is required and will adjust procedures immediately to comply with suggestion.

2014-022

According to the Red Book, "The purchase order shall be prepared and approved by the sponsor and the principal before the payment is obligated." Testing disclosed 3 out of 32 did not have the sponsor's signature. Testing also disclosed 2 out of 32 had invoice dates prior to the purchase order date. Purchase orders should be prepared prior to the date the obligation occurred and should be signed by the sponsor.

Management's Response:

We will make sure sponsors always sign forms. We will remind staff they are not to make purchases without first obtaining a purchase order. An email was sent, "Reminder to staff that you must first get a PO before you order ANY items!. And all signatures must be on the proper paperwork for POs to be issued."

Menifee County Elementary School

2014-023

The revised Red Book effective July 1, 2013 does not allow expenditures for operational costs. There were 9 out of 21 expenditures not allowed because they were for operational costs. The school treasurer and principal should not approve purchases that are not allowed by the Red Book.

Management's Response:

Some purchases were instructional supplies for the classroom. Laminating file was for teachers use for classroom projects. The laminating machine is in the library for teachers and students use.

2014-024

According to the revised Red Book, "each external support/booster organization must submit the FEIN and the names of the organization's officers to the principal at the beginning of the school year or within thirty days of the first transaction of the organization. Proof of liability insurance coverage must be submitted to the principal prior to commencing any fundraising activities. Each external support/booster organization must submit an annual External Support/Booster Organization Budget Worksheet to the principal within the first thirty days of the school year or within thirty days of the first transaction of the group. Each external support/booster organization must submit an annual financial report for the fiscal year ending June 30 to the principal by July 15." The booster clubs did not provide all of the above information. The principal should remind booster clubs of their responsibilities. If the booster clubs do not comply, the principal should disassociate with the organization. If the school disassociates with the external organization, the organization shall not use the school name for its activities, conduct any fundraising in the name of the school or athletic group within the school and shall not use the school facilities to conduct such activities.

Management's Response:

An instructional packet will be given to all booster clubs requesting required information to be turned in.

2014-025

Fundraiser Approval form should be signed by the Superintendent for all school wide fundraiser, but none were signed by the Superintendent. The principal should get the Superintendent's signature after the board meeting where the fundraiser was approved by the board.

Management's Response:

Fundraiser request forms will be signed by the Principal and Superintendent and by SBDM Council if in the Policy.

2014-026

According to the new revised Red Book, "the principal or school treasurer, who shall not be the person in charge of sales..." Testing disclosed that the principal was the person in charge 5 out of 29 times. The principal should not be the person in charge. In addition, 17 out of 39 did not have the person in charge sign at the top of the form. All signatures should be obtained before turning into the school treasurer.

Management's Response:

Proper signatures will be requested. Principal will put someone in charge if Athletic Director is absent.

Menifee County Elementary School (continued)

2014-027

According to the revised Red Book, "Always use a Purchase Order, including for independent contractors..." The school used the standard invoice for referees, but did not do a purchase order as required by the new Red Book. The Principal and bookkeeper should require a purchase order before any payment is made.

Management's Response:

Purchase orders will be used in addition to standard invoice and requisition.

Botts Elementary School

2014-028

According to the Red Book, "All money collected by a teacher or sponsor shall be given to the school treasurer on the day collected..." Teachers are not turning money into the school treasurer timely. Testing disclosed checks dating four weeks prior to being turned into the school treasurer.

The principal should remind all teachers and sponsors to turn money in daily.

Management's Response:

I have already discussed this with our bookkeeper and the teachers that their monies will have to be turned in on a daily basis.

2014-029

The revised Red Book effective July 1, 2013 does not allow expenditures for operational costs. There were 12 out of 18 expenditures not allowed because they were for operational costs. The school treasurer and principal should not approve purchases that are not allowed by the Red Book.

Management's Response:

I have contacted our Finance Officer about coming up to our school and disclosing a list of items that are operational costs and finding out where the other payments will be coming from.

2014-030

Schools are exempt from the payment of sales tax. Testing disclosed sales tax was paid to a vendor. The Bookkeeper should send a Tax Exemption Certificate with the payment and not pay sales tax that has been charged.

Management's Response:

Tax Exempt Certificates are sent with the payments.

2014-031

According to the Red Book, "Before being processed, each disbursement shall be documented by a completed purchase order and an original vendor invoice." Testing disclosed one check was written without a vendor invoice. The Principal and bookkeeper should not sign or release a check without the original vendor invoice.

Management's Response:

Closer management on invoices will be kept so that this doesn't happen again.

Botts Elementary School (continued)

2014-032

According to the revised Red Book, "each external support/booster organization must submit the FEIN and the names of the organization's officers to the principal at the beginning of the school year or within thirty days of the first transaction of the organization. Each external support/booster organization must submit an annual External Support/Booster Organization Budget Worksheet to the principal within the first thirty days of the school year or within thirty days of the first transaction of the group. Each external support/booster organization must submit an annual financial report for the fiscal year ending June 30 to the principal by July 15." The booster clubs did not provide all of the above information. The principal should remind booster clubs of their responsibilities. If the booster clubs do not comply, the principal should disassociate with the organization. If the school disassociates with the external organization, the organization shall not use the school name for its activities, conduct any fundraising in the name of the school or athletic group within the school and shall not use the school facilities to conduct such activities.

Management's Response:

A reminder to the PTO will be made so that the officers, PTO budget worksheet, and an annual financial report for the fiscal year is turned into the principal each year.

2014-033

Fundraiser Approval form should be signed by the Superintendent for all school wide fundraiser, but none were signed by the Superintendent. The principal should get the Superintendent's signature after the board meeting where the fundraiser was approved by the board.

Management's Response:

All school wide fundraisers will be signed by the Superintendent after the board approves the school wide fundraisers.

2014-034

According to the Red Book, "Amounts may be transferred between activity accounts only by proper completion of a Transfer Form." Testing disclosed 1 out of the 2 forms did not have the amount to be transferred. The transfer form should be completed, including the amount to be transferred before the transfer is completed.

Management's Response:

Bookkeeper will make sure that the amounts being transferred are on both forms.

2014-035

According to the Red Book, "The Principal shall prepare the Principal's Combining Budget." A combining budget was not done for the fiscal year. Individual budgets were prepared, but not the combining. The Principal should prepare the combining budget and send to the finance officer by May 15th of each year.

Management's Response:

I will meet with the Finance Officer to aid in the completion of this budget.