

# **Owen County School District**

**Financial Statements with Supplementary Information  
June 30, 2014  
Independent Auditors' Report**

**OWEN COUNTY SCHOOL DISTRICT**  
**June 30, 2014**

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**OWEN COUNTY SCHOOL DISTRICT**  
**June 30, 2014**

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## Independent Auditors' Report

To the Members of the Board of Education  
Owen County School District  
Owenton, KY

### 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 Owen County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Owen County School District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Owen County School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Independent Auditors' Report  
(Continued)**

**Other Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 15-18 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 Owen County School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

**Reporting Other Required by Government Auditing Standards**

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



Crestview Hills, Kentucky  
November 13, 2014

## OWEN COUNTY SCHOOL DISTRICT

### Management's Discussion and Analysis (MD&A) Year Ended June 30, 2014

As management of the Owen County School District (District), we offer readers of the District's financial statement 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 for the District was \$2,850,097.
- A concerted effort remains in place for purchasing in the areas of supplies, food and travel by using effective management strategies to reduce cost for the District. All purchase requests must be budgetary.
- District Staffing Policy is reviewed annually to monitor student reductions and staff per available funding. Any open positions are reviewed to determine if the need is still there to fill the position or restructure the position with another position already in the District.
- The District continues to educate and train the Board of Education in regard to all of the District's budgets.
- The District continues to train the schools' SBDM councils on spending the allocations within the current fiscal year.
- The District continues to strive to maintain a healthy contingency.
- Budgets in the District besides the SBDM budgets provided by the schools have gone through a review process with the Budget Committee to address needs/priorities of each area and adjusted accordingly.
- The District received \$166,476 in state revenue for the Capital Outlay Fund. The District used \$166,588 from Capital Outlay and an additional \$316,335 from the Building Fund to pay expenses normally paid from the General Fund as permitted by the Kentucky Department of Education Capital Funds Request process. Districts have been given flexibility in the use of Local District Capital Funds without forfeiting the district's eligibility to participate in the School Facilities Construction Commission.
- The District administered \$1,827,709 in Federal, State and local grants during the year.
- The District General Fund expenditures for salaries and benefits were \$8,501,881 excluding payments made by the State on Behalf of the District. The amount represents 65% of the total district General fund expenditures in fiscal year 2014.
- The District received local revenues (\$1,248,201) from property taxes and utility taxes deposited in the Building Fund. In addition to the tax revenue the District received \$545,662 FSPK and the Equalized Facility Funding Nickel. The funds were used to pay District debt service payments of (\$1,483,516) and plant operation costs as permitted by the Kentucky Department of Education Capital Funds Request process (\$316,335).

See notes to the financial statements.

**OWEN COUNTY SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)  
(Continued)  
Year Ended June 30, 2014**

**FINANCIAL HIGHLIGHTS (Continued)**

- The District was notified the Kentucky School Board Insurance Trust in dissolving would be invoicing Owen County Board of Education \$140,319 and the Board would need to determine the method of payment in the 2015 school term.
- The average teacher's salary in the District for 2014 was \$47,750. The Owen County Board of Education remains committed to maintaining teachers' salaries at competitive levels.
- The General Fund had \$12,954,957 in revenue excluding interfund transfers of \$318,512 and bond proceeds of \$220,563. General Fund revenues primarily consisted of the state program (SEEK), property, franchise tax, motor vehicle taxes, as well as on-behalf benefits from the state. There was \$13,362,234 in General Fund expenditures, excluding interfund transfers and including the on-behalf benefit payments made by the state.

See notes to the financial statements.

## OWEN COUNTY SCHOOL DISTRICT

### Management's Discussion and Analysis (MD&A) (Continued) Year Ended June 30, 2014

#### 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 are comprised of 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 fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

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

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

The basic governmental fund financial statements can be found on pages 11 through 23 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 24 through 38 of this report.

See notes to the financial statements.

**OWEN COUNTY SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)  
(Continued)  
Year Ended June 30, 2014**

**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 \$17,953,442 as of June 30, 2014.

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

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

**Net Position for the periods ending June 30, 2014 and 2013**

The following is a summary of net position for the fiscal years ended June 30, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Current assets	\$ 2,770,892	\$ 3,057,340
Non-current assets	<u>35,681,686</u>	<u>36,579,825</u>
<b>Total assets</b>	<u><u>\$ 38,452,578</u></u>	<u><u>\$ 39,637,165</u></u>
Current liabilities	\$ 1,899,451	\$ 661,791
Non-current liabilities	<u>18,599,685</u>	<u>20,819,381</u>
<b>Total liabilities</b>	<u><u>\$ 20,499,136</u></u>	<u><u>\$ 21,481,172</u></u>
<b>Net position</b>		
Investment in capital assets (net of debt)	\$ 16,431,686	\$ 15,739,294
Restricted	1,111,176	1,536,738
Unassigned	<u>410,580</u>	<u>879,961</u>
<b>Total net position</b>	<u><u>\$ 17,953,442</u></u>	<u><u>\$ 18,155,993</u></u>

**Comments on General Fund Budget Comparisons**

- The District's total revenues in the General Fund for the fiscal year ended June 30, 2014, were \$12,954,957, net of inter-fund transfers and bond proceeds, of \$318,512 and \$220,563, respectively.
- General Fund budgeted revenue compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$193,517 more than General Fund Revenue Budgeted.

See notes to the financial statements.

**OWEN COUNTY SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)  
(Continued)  
Year Ended June 30, 2014**

**DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)**

**Comments on General Fund Budget Comparisons (Continued)**

- General Fund actual expenditures were \$13,362,234, net of inter-fund transfers of \$31,240.
- General Fund actual expenditures were less than budgeted expenditures by \$697,708.

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 259,238	\$ 262,449
Operating grants and contributions	2,662,619	2,589,968
Capital grants and contributions	487,652	88,006
Total grant revenues	<u>3,409,509</u>	<u>2,940,423</u>
General revenues:		
Taxes	4,524,654	4,260,611
Grants and entitlements	10,195,803	10,804,350
Earnings on investments	10,029	11,421
Miscellaneous	21,687	16,431
Total general revenues	<u>14,752,173</u>	<u>15,092,813</u>
Total revenues	<u>18,161,682</u>	<u>18,033,236</u>
<b>Expenses</b>		
Instruction	8,504,645	9,208,575
Student support services	853,121	750,325
Instructional support	756,156	663,946
District administration	562,895	572,978
School administration	999,302	1,148,341
Business support	682,212	752,981
Plant operations	1,678,408	1,622,037
Student transportation	1,849,332	1,806,083
Other	3,355	5,301
Community support	172,440	196,473
Food service	1,142,216	1,190,053
Facilities acquisition and construction	26,429	876
Interest	697,823	848,499
Total expenses	<u>17,928,334</u>	<u>18,766,468</u>
<b>Excess (deficit) of revenues over expenses</b>	<u>\$ 233,348</u>	<u>\$ (733,232)</u>

See notes to the financial statements.

**OWEN COUNTY SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)  
(Continued)  
Year Ended June 30, 2014**

**BUDGETARY IMPLICATIONS**

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal programs, operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget with \$502,385 in contingency (3.4%). The cash balance for the beginning of the fiscal year was \$2,850,097.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

Questions regarding this report should be directed to Mr. Robert Stafford (502) 484-3934 or to his representative Ms. Kathy Faulkner, Finance Officer (502)-484-4004 or by mail to: Owen County Board of Education, 1600 Highway 22 East, Owenton, KY 40359.

See notes to the financial statements.

**OWEN COUNTY SCHOOL DISTRICT**

**Statement of Net Position- District Wide  
Year Ended June 30, 2014**

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b>Assets</b>			
<b>Current:</b>			
Cash and cash equivalents	\$ 2,051,505	\$ 93,628	\$ 2,145,133
Investments	297,933	-	297,933
Accounts receivable	282,480	-	282,480
Inventories for consumption	-	45,346	45,346
Total current	<u>2,631,918</u>	<u>138,974</u>	<u>2,770,892</u>
<b>Noncurrent:</b>			
Nondepreciated capital assets:			
Construction in progress	524,728	-	524,728
Land	460,244	-	460,244
Depreciated capital assets:			
Land improvements	1,332,244	-	1,332,244
Buildings and improvements	42,751,482	-	42,751,482
Equipment	1,248,702	630,567	1,879,269
Furniture and equipment	3,054,300	-	3,054,300
Less accumulated depreciation	<u>(13,925,684)</u>	<u>(394,897)</u>	<u>(14,320,581)</u>
Total noncurrent	<u>35,446,016</u>	<u>235,670</u>	<u>35,681,686</u>
Total assets	<u>38,077,934</u>	<u>374,644</u>	<u>38,452,578</u>
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
<b>Current:</b>			
Current portion of bonds payable	1,145,000	-	1,145,000
Current portion of capital leases payable	76,029	-	76,029
Accounts payable	47,041	-	47,041
Accrued interest	135,430	-	135,430
Accrued sick leave	88,238	-	88,238
Accrued payroll and related expenses	73,926	-	73,926
Assessed KISBIT liability	140,319	-	140,319
Other current liabilities	12,053	-	12,053
Unearned revenues	181,415	-	181,415
Total current	<u>1,899,451</u>	<u>-</u>	<u>1,899,451</u>
<b>Noncurrent:</b>			
Accrued sick leave	49,545	-	49,545
Capital leases payable	445,140	-	445,140
Bond obligations	18,105,000	-	18,105,000
Total noncurrent	<u>18,599,685</u>	<u>-</u>	<u>18,599,685</u>
Total liabilities	<u>20,499,136</u>	<u>-</u>	<u>20,499,136</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	16,196,016	235,670	16,431,686
Restricted	972,202	138,974	1,111,176
Unrestricted	410,580	-	410,580
Total net position	<u>\$ 17,578,798</u>	<u>\$ 374,644</u>	<u>\$ 17,953,442</u>

See notes to the financial statements

**OWEN COUNTY SCHOOL DISTRICT**

**Statement of Activities- District Wide  
Year Ended June 30, 2014**

Functions/Programs	Program Revenues				Net (expense) Revenues and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental Activities:</b>							
Instructional	\$ 8,504,645	\$ -	\$ 1,204,905	\$ -	\$ (7,299,740)	\$ -	\$ (7,299,740)
Student support services	853,121	-	58,048	-	(795,073)	-	(795,073)
Staff support services	756,156	-	343,818	-	(412,338)	-	(412,338)
District administration	562,895	-	-	-	(562,895)	-	(562,895)
School administration	999,302	-	-	-	(999,302)	-	(999,302)
Business support services	682,212	-	18,751	-	(663,461)	-	(663,461)
Plant operation and maintenance	1,678,408	-	-	-	(1,678,408)	-	(1,678,408)
Student transportation	1,849,332	-	-	-	(1,849,332)	-	(1,849,332)
Other	3,355	-	-	-	(3,355)	-	(3,355)
Community service operations	172,440	-	171,118	-	(1,322)	-	(1,322)
Facility acquisition and construction	26,429	-	-	487,652	461,223	-	461,223
Interest on long-term debt	697,823	-	-	-	(697,823)	-	(697,823)
Total governmental activities	16,786,118	-	1,796,640	487,652	(14,501,826)	-	(14,501,826)
<b>Business-type Activities</b>							
Food service	1,142,216	259,238	865,979	-	-	(16,999)	(16,999)
Total business-type activities	1,142,216	259,238	865,979	-	-	(16,999)	(16,999)
Total school district	\$ 17,928,334	\$ 259,238	\$ 2,662,619	\$ 487,652	\$ (14,501,826)	\$ (16,999)	\$ (14,518,825)
			<b>General revenues:</b>				
			Taxes		\$ 4,524,654	\$ -	\$ 4,524,654
			State and federal sources		10,195,803	-	10,195,803
			Investment earnings		9,781	248	10,029
			Miscellaneous		21,687	-	21,687
			Total general and special revenues		14,751,925	248	14,752,173
			Change in net position		250,099	(16,751)	233,348
			Net position - beginning		17,764,598	391,395	18,155,993
			Adjustment to net position		(435,899)	-	(435,899)
			Net position - ending		\$ 17,578,798	\$ 374,644	\$ 17,953,442

See notes to the financial statements

**OWEN COUNTY SCHOOL DISTRICT**

**Balance Sheet- Governmental Funds  
Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Building Fund</u>	<u>Construction Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
<b>Current:</b>						
Cash (overdraft) and cash equivalents	\$ 1,382,804	\$ 17,933	\$ 551,587	\$ 87,128	\$ 12,053	\$ 2,051,505
Investments	-	-	-	297,933	-	297,933
Accounts receivable	81,012	165,914	35,554	-	-	282,480
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current	<u>\$ 1,463,816</u>	<u>\$ 183,847</u>	<u>\$ 587,141</u>	<u>\$ 385,061</u>	<u>\$ 12,053</u>	<u>\$ 2,631,918</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 44,609	\$ 2,432	\$ -	\$ -	\$ -	\$ 47,041
Accrued payroll and related expenses	73,926	-	-	-	-	73,926
Other current liabilities	-	-	-	-	12,053	12,053
Unearned revenues	-	181,415	-	-	-	181,415
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current	<u>118,535</u>	<u>183,847</u>	<u>-</u>	<u>-</u>	<u>12,053</u>	<u>314,435</u>
<b>Fund Balances</b>						
Restricted:						
SFCC	-	-	424,368	-	-	424,368
Capital projects	-	-	162,773	385,061	-	547,834
Committed:						
Sick Leave Payable	49,545	-	-	-	-	49,545
Site-Based carryforward	10,581	-	-	-	-	10,581
Unassigned	1,285,155	-	-	-	-	1,285,155
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balance	<u>1,345,281</u>	<u>-</u>	<u>587,141</u>	<u>385,061</u>	<u>-</u>	<u>2,317,483</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	<u>\$ 1,463,816</u>	<u>\$ 183,847</u>	<u>\$ 587,141</u>	<u>\$ 385,061</u>	<u>\$ 12,053</u>	<u>\$ 2,631,918</u>

See notes to the financial statements

**OWEN COUNTY SCHOOL DISTRICT**

**Reconciliation of the Balance Sheet  
Governmental Funds to the Statement of Net Position  
As of June 30, 2014**

Total governmental fund balance		\$	2,317,483
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			
Cost of capital assets	49,371,700		
Accumulated depreciation	<u>(13,925,684)</u>		
			35,446,016
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
Long-term liabilities at year end consist of:			
Bonds payable			(19,250,000)
Capital leases payable			(521,169)
Accrued interest on bonds			(135,430)
Assessed KISBIT liability			(140,319)
Accrued sick leave			<u>(137,783)</u>
Total net position - governmental		\$	<u>17,578,798</u>

See notes to the financial statements.

**OWEN COUNTY SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Building Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
Taxes	\$ 3,276,453	\$ -	\$ 1,248,201	\$ -	\$ -	\$ 4,524,654
Earnings on investments	6,676	1,332	2,173	820	112	11,113
State sources	9,623,856	539,957	545,662	-	487,652	11,197,127
Federal sources	26,285	1,187,195	-	-	-	1,213,480
Other sources	21,687	68,156	-	-	-	89,843
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	12,954,957	1,796,640	1,796,036	820	487,764	17,036,217
<b>Expenditures</b>						
Instructional	6,866,749	1,233,968	-	-	-	8,100,717
Student support services	793,719	58,048	-	-	-	851,767
Staff support services	411,452	343,818	-	-	-	755,270
District administration	400,963	-	-	-	-	400,963
School administration	997,519	-	-	-	-	997,519
Business support services	663,461	18,751	-	-	-	682,212
Plant operation and maintenance	1,709,062	-	-	-	-	1,709,062
Student transportation	1,467,406	-	-	-	-	1,467,406
Food service operation	3,355	-	-	-	-	3,355
Community service operations	922	171,118	-	-	-	172,040
Facility acquisition and construction	-	-	-	553,693	-	553,693
Debt service:						
Principal	39,626	-	-	-	1,130,000	1,169,626
Interest	8,000	-	-	-	674,692	682,692
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	13,362,234	1,825,703	-	553,693	1,804,692	17,546,322
Excess (deficit) of revenues over expenditures	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(407,277)	(29,063)	1,796,036	(552,873)	(1,316,928)	(510,105)
<b>Other financing sources (uses)</b>						
Loan and bond proceeds	220,563	-	-	-	-	220,563
Operating transfers in	318,512	31,240	-	412,799	1,483,516	2,246,067
Operating transfers out	(31,240)	(2,177)	(1,633,263)	(412,799)	(166,588)	(2,246,067)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	507,835	29,063	(1,633,263)	-	1,316,928	220,563
Net change in fund balance	100,558	-	162,773	(552,873)	-	(289,542)
Fund balance, July 1, 2013	1,244,723	-	424,368	937,934	-	2,607,025
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, June 30, 2014	\$ 1,345,281	\$ -	\$ 587,141	\$ 385,061	\$ -	\$ 2,317,483

See notes to the financial statements.

**OWEN COUNTY SCHOOL DISTRICT**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2014**

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

Net changes-governmental funds		\$ (289,542)
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.</p>		
Depreciation expense	(1,195,748)	
Construction in progress	524,728	
Capital outlays	<u>239,614</u>	
		(431,406)
<p>Bond and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Principal paid		1,130,000
Capital lease proceeds		(220,563)
Capital lease principal paid		39,684
<p>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.</p>		
		<u>21,926</u>
Changes in net position of governmental activities		<u>\$ 250,099</u>

See notes to the financial statements.

**OWEN COUNTY SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance –  
Budget to Actual – General Fund  
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Taxes	\$ 3,163,697	\$ 3,163,697	\$ 3,276,453	\$ 112,756
Other local sources	13,450	13,450	28,363	14,913
State sources	9,684,583	9,684,583	9,623,856	(60,727)
Federal sources	7,000	7,000	26,285	19,285
Other sources	431,785	431,785	539,075	107,290
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	13,300,515	13,300,515	13,494,032	193,517
<b>Expenditures</b>				
Instructional	7,290,152	7,297,414	6,866,749	430,665
Student support services	673,955	753,955	793,719	(39,764)
Staff support services	494,078	493,678	411,452	82,226
District administration	390,652	389,762	400,963	(11,201)
School administration	1,099,689	1,093,718	997,519	96,199
Business support services	720,010	720,010	663,461	56,549
Plant operation and maintenance	1,916,635	1,916,635	1,709,062	207,573
Student transportation	1,359,526	1,309,526	1,467,406	(157,880)
Food service operation	8,158	8,158	3,355	4,803
Community service operations	-	-	922	(922)
Debt Service	70,326	70,326	47,626	22,700
Contingency	502,385	472,384	-	-
Other	38,000	38,000	31,240	6,760
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	14,563,566	14,563,566	13,393,474	697,708
Net change in fund balance	(1,263,051)	(1,263,051)	100,558	891,225
Fund balance, July 1, 2013	1,263,051	1,263,051	1,244,723	(18,328)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, June 30, 2014	\$ -	\$ -	\$ 1,345,281	\$ 872,897

See notes to the financial statements.

**OWEN COUNTY SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance –  
Budget to Actual – Special Revenue  
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Other local sources	\$ 31,031	\$ 61,694	\$ 69,488	\$ 7,794
State sources	564,408	567,538	539,957	(27,581)
Federal sources	1,142,277	1,227,477	1,187,195	(40,282)
Other sources	38,000	38,000	31,240	(6,760)
	<u>1,775,716</u>	<u>1,894,709</u>	<u>1,827,880</u>	<u>(66,829)</u>
<b>Expenditures</b>				
Instructional	1,268,072	1,355,351	1,233,968	121,383
Student support services	2,393	29,943	58,048	(28,105)
Staff support services	282,083	303,912	343,818	(39,906)
Business support services	35,924	35,924	18,751	17,173
Community service operations	187,244	166,191	171,118	(4,927)
Other	-	3,388	2,177	1,211
	<u>1,775,716</u>	<u>1,894,709</u>	<u>1,827,880</u>	<u>66,829</u>
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2013	-	-	-	-
Fund balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to the financial statements.

**OWEN COUNTY SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance –  
Budget to Actual – Building Fund  
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Taxes	\$ 1,163,000	\$ 1,163,000	\$ 1,248,201	\$ 85,201
Other local sources	2,000	2,000	2,173	173
State sources	542,676	542,676	545,662	2,986
Total revenues	<u>1,707,676</u>	<u>1,707,676</u>	<u>1,796,036</u>	<u>88,360</u>
<b>Expenditures</b>				
Other	<u>1,721,895</u>	<u>1,721,895</u>	<u>1,633,263</u>	<u>88,632</u>
Total expenditures	<u>1,721,895</u>	<u>1,721,895</u>	<u>1,633,263</u>	<u>88,632</u>
Net change in fund balance	(14,219)	(14,219)	162,773	176,992
Fund balance, July 1, 2013	<u>14,219</u>	<u>14,219</u>	<u>424,368</u>	<u>410,149</u>
Fund balance, June 30, 2014	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 587,141</u></u>	<u><u>\$ 587,141</u></u>

See notes to the financial statements.

**OWEN COUNTY SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance –  
Budget to Actual – Construction Fund  
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Other local sources	\$ -	\$ -	\$ 820	\$ 820
Other sources	36,325	36,525	412,799	376,274
Total revenues	<u>36,325</u>	<u>36,525</u>	<u>413,619</u>	<u>377,094</u>
<b>Expenditures</b>				
Plant operation and maintenance	502,479	-	-	-
Facility acquisition and construction	36,325	36,525	553,693	(517,168)
Other	36,525	-	412,799	(412,799)
Total expenditures	<u>575,329</u>	<u>36,525</u>	<u>966,492</u>	<u>(929,967)</u>
Net change in fund balance	(539,004)	-	(552,873)	(552,873)
Fund balance, July 1, 2013	<u>539,004</u>	-	<u>937,934</u>	<u>937,934</u>
Fund balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 385,061</u>	<u>\$ 385,061</u>

See notes to the financial statements.

**OWEN COUNTY SCHOOL DISTRICT**

**Statement of Net Position – Proprietary Funds  
As of June 30, 2014**

	<u>Food Service</u>	<u>Total</u>
<b>Assets</b>		
<b>Current:</b>		
Cash and cash equivalents	\$ 93,628	\$ 93,628
Inventories for consumption	<u>45,346</u>	<u>45,346</u>
Total current	<u>138,974</u>	<u>138,974</u>
<b>Noncurrent:</b>		
Furniture and fixtures	630,567	630,567
Less: accumulated depreciation	<u>(394,897)</u>	<u>(394,897)</u>
Total noncurrent	<u>235,670</u>	<u>235,670</u>
Total assets	<u>374,644</u>	<u>374,644</u>
<b>Liabilities and Net Position</b>		
<b>Current:</b>		
Accounts payable	<u>-</u>	<u>-</u>
Total current	<u>-</u>	<u>-</u>
<b>Net Position</b>		
Invested in assets, net of debt	235,670	235,670
Restricted	<u>138,974</u>	<u>138,974</u>
Total net position	<u>374,644</u>	<u>374,644</u>
Total liabilities and net position	<u>\$ 374,644</u>	<u>\$ 374,644</u>

See notes to the financial statements.

**OWEN COUNTY SCHOOL DISTRICT**

**Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds  
Year Ended June 30, 2014**

	<u>Food Service</u>	<u>Total</u>
<b>Operating Revenues</b>		
Lunchroom sales	\$ 258,968	\$ 258,968
Other operating revenues	270	270
	<hr/>	<hr/>
Total operating revenues	259,238	259,238
	<hr/>	<hr/>
<b>Operating Expenses</b>		
Salaries and benefits	590,266	590,266
Contract services	23,320	23,320
Materials and supplies	494,606	494,606
Depreciation	30,834	30,834
Other operating expenses	3,190	3,190
	<hr/>	<hr/>
Total operating expenses	1,142,216	1,142,216
	<hr/>	<hr/>
Operating loss	(882,978)	(882,978)
	<hr/>	<hr/>
<b>Nonoperating Revenues</b>		
Federal grants	659,559	659,559
State grants	136,586	136,586
Donated commodities and other donations	69,834	69,834
Interest income	248	248
	<hr/>	<hr/>
Total nonoperating revenues	866,227	866,227
	<hr/>	<hr/>
Net income	(16,751)	(16,751)
	<hr/>	<hr/>
Total net position, July 1, 2013	391,395	391,395
	<hr/>	<hr/>
Total net position, June 30, 2014	\$ 374,644	\$ 374,644
	<hr/>	<hr/>

See notes to the financial statements.

**OWEN COUNTY SCHOOL DISTRICT**

**Statement of Cash Flows – Proprietary Funds  
Year Ended June 30, 2014**

	<b>Food Service Fund</b>	<b>Total</b>
<b>Cash flows from operating activities</b>		
Cash received from lunchroom sales	\$ 258,968	\$ 258,968
Cash received from other activities	64,662	64,662
Cash payments to employees for services	(590,266)	(590,266)
Cash payments to suppliers for goods and services	(521,625)	(521,625)
	(788,261)	(788,261)
Net cash used in operating activities		
<b>Cash flows from capital financing activities</b>		
Net cash used in capital financing activities	-	-
<b>Cash flows from noncapital financing activities</b>		
Non-operating revenues received	865,979	865,979
	865,979	865,979
Net cash provided by noncapital financing activities		
<b>Cash flows from investing activities</b>		
Interest on investments	248	248
	248	248
Net cash flows provided by investing activities		
Net increase (decrease) in cash and cash equivalents	77,966	77,966
Cash (overdraft) and cash equivalents - beginning	15,662	15,662
Cash (overdraft) and cash equivalents - ending	\$ 93,628	\$ 93,628
<b>Reconciliation of operating loss to net cash used in operating activities</b>		
Operating loss	\$ (882,978)	\$ (882,978)
<b>Adjustments to reconcile operating loss to net cash used in operating activities</b>		
Depreciation	30,834	30,834
Changes in assets and liabilities:		
(Decrease) increase in accounts payable	(509)	(509)
(Increase) decrease in accounts receivable	64,392	64,392
	(788,261)	(788,261)
Net cash used in operating activities		
<b>Schedule of non-cash transactions</b>		
Donated commodities received from federal government	\$ 69,834	\$ 69,834

See notes to the financial statements.

**OWEN COUNTY SCHOOL DISTRICT**

**Statement of Net Position – Fiduciary Funds  
As of June 30, 2014**

	<u>Dush Scholarship</u>	<u>Bourne Scholarship</u>	<u>School Activity Funds</u>	<u>Total</u>
<b>Assets</b>				
<b>Current</b>				
Cash and cash equivalents	\$ 150,574	\$ 120,131	\$ 195,636	\$ 466,341
Total current	<u>150,574</u>	<u>120,131</u>	<u>195,636</u>	<u>466,341</u>
Total assets	<u>150,574</u>	<u>120,131</u>	<u>195,636</u>	<u>466,341</u>
<b>Liabilities</b>				
<b>Current</b>				
Due to student groups	<u>-</u>	<u>-</u>	<u>195,636</u>	<u>195,636</u>
Total current	<u>-</u>	<u>-</u>	<u>195,636</u>	<u>195,636</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>195,636</u>	<u>195,636</u>
<b>Net Position</b>				
Restricted	<u>150,574</u>	<u>120,131</u>	<u>-</u>	<u>270,705</u>
Total net position	<u>150,574</u>	<u>120,131</u>	<u>-</u>	<u>270,705</u>
Total liabilities and net position	<u>\$ 150,574</u>	<u>\$ 120,131</u>	<u>\$ 195,636</u>	<u>\$ 466,341</u>

See notes to the financial statements.

**OWEN COUNTY SCHOOL DISTRICT**

**Statement of Changes in Fiduciary Net Position  
As of June 30, 2014**

	<u>Dush Scholarship</u>	<u>Bourne Scholarship</u>	<u>Total</u>
<b>Additions:</b>			
Investment income	\$ 422	\$ 337	\$ 759
Receipts	-	-	-
Private donations	-	-	-
	<hr/>	<hr/>	<hr/>
Total additions	422	337	759
	<hr/>	<hr/>	<hr/>
<b>Deductions:</b>			
Disbursements	-	-	-
Instruction	2,499	2,000	4,499
	<hr/>	<hr/>	<hr/>
Total operating expenses	2,499	2,000	4,499
	<hr/>	<hr/>	<hr/>
Change in net position	(2,077)	(1,663)	(3,740)
Net position - July 1, 2013	152,651	121,794	274,445
	<hr/>	<hr/>	<hr/>
Net position - June 30, 2014	\$ 150,574	\$ 120,131	\$ 270,705
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See notes to the financial statements.

## OWEN COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### ***Reporting Entity***

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

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Owen 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 Parent-Teacher Associations, etc.

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

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

Owen County School District Finance Corporation - The Board authorized the establishment of the Owen 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 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Owen 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 District 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 reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

## OWEN COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements (Continued)

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### *Basis of Presentation (Continued)*

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

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

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

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 financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on pages 45. This is a major fund of the District.

**OWEN COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basis of Presentation (Continued)***

I. Governmental Fund Types (Continued)

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

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

II. Debt Service Fund

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

III. Proprietary Fund (Enterprise Fund)

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

IV. Fiduciary Fund Type (Agency and Trust Funds)

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

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

## OWEN COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements (Continued)

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### ***Basis of Accounting***

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

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

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

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The 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.

##### ***Taxes***

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

## OWEN COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements (Continued)

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### ***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) of the United States of America. 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).

##### ***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***

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

##### ***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 district-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 district-wide statement of net position and in the respective funds.

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

**OWEN COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Capital Assets (Continued)***

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	10-12 years
Furniture and fixtures	7 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 District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

***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.

***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.

## OWEN COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements (Continued)

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### ***Fund Balance Reserves***

Beginning with fiscal year 2012 the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

##### ***Net Position***

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position 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.

**OWEN COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Interfund Activity***

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

**NOTE 2 - ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in 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 general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The District maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The amounts exceeding the federally insured limits are covered by a collateral agreement and the collateral is held by the pledging banks' trust departments in the District's name. The District has not experienced any losses in such accounts and the District believes it is not exposed to any significant credit risk on cash and cash equivalents.

**OWEN COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 4 – CAPITAL ASSETS**

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

<u>Governmental Activities</u>	Balance July 01, 2013	Additions	Deductions	Balance June 30, 2014
Land	\$ 460,244	\$ -	\$ -	\$ 460,244
Land improvements	1,332,244	-	-	1,332,244
Buildings and improvements	40,357,644	2,393,838	-	42,751,482
Technology equipment	1,248,702	-	-	1,248,702
Vehicles	2,527,436	237,078	-	2,764,514
General equipment	289,786	-	-	289,786
Construction in progress	2,391,302	524,728	2,391,302	524,728
<b>Totals at historical cost</b>	<b>48,607,358</b>	<b>3,155,644</b>	<b>2,391,302</b>	<b>49,371,700</b>
Less: accumulated depreciation				
Land improvements	-	-	-	-
Buildings and improvements	9,946,224	862,121	-	10,808,345
Technology equipment	796,145	166,327	-	962,472
Vehicles	1,775,260	153,555	-	1,928,815
General equipment	212,307	13,745	-	226,052
<b>Total accumulated depreciation</b>	<b>12,729,936</b>	<b>1,195,748</b>	<b>-</b>	<b>13,925,684</b>
<b>Governmental activities capital assets - net</b>	<b>\$ 35,877,422</b>	<b>\$ 1,959,896</b>	<b>\$ 2,391,302.00</b>	<b>\$ 35,446,016</b>
 <u>Business - Type Activities</u>				
General equipment	\$ 623,302	\$ -	\$ -	\$ 623,302
Technology equipment	7,265	-	-	7,265
<b>Totals at historical cost</b>	<b>630,567</b>	<b>-</b>	<b>-</b>	<b>630,567</b>
Less: accumulated depreciation				
General equipment	356,798	30,834	-	387,632
Technology equipment	7,265	-	-	7,265
<b>Total accumulated depreciation</b>	<b>364,063</b>	<b>30,834</b>	<b>-</b>	<b>394,897</b>
<b>Business - type activities capital assets - net</b>	<b>\$ 266,504</b>	<b>\$ (30,834)</b>	<b>\$ -</b>	<b>\$ 235,670</b>

**NOTE 5 - ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2014 this amount totaled approximately \$275,565 for those employees with twenty-seven or more years of experience or fifty-nine and a half years old.

**OWEN COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 6 – COMMITMENTS UNDER CAPITAL LEASES**

The District is the lessee of buses under capital leases expiring between 2021 and 2024. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense.

Future minimum lease payments under capital leases as of June 30, 2014 for each of the next five years and in the aggregate are as follows:

Year Ending <u>June 30,</u>	<u>Capital Lease Payable</u>
2014-2015	\$ 76,029
2015-2016	72,436
2016-2017	68,060
2017-2018	68,655
2018-2019	68,126
Thereafter	<u>230,051</u>
Total minimum payments	583,357
Less amount representing interest	<u>62,188</u>
Present value of net minimum lease payments	<u><u>\$ 521,169</u></u>

**NOTE 7 - LEASE OBLIGATIONS AND BONDED DEBT**

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.

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
March 1, 2003	\$ 355,000	2.000% - 2.900%
May 28, 2009	15,720,000	2.000% - 4.000%
August 8, 2010	6,460,000	2.000% - 2.875%
January 31, 2012	1,545,000	1.000% - 3.250%
June 1, 2011	211,584	2.000% - 3.600%
March 7, 2013	175,592	2.000%
March 1, 2014	220,631	2.000% - 3.000%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Owen County School District Finance Corporation to construct school facilities.

## OWEN COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements (Continued)

#### NOTE 7 - LEASE OBLIGATIONS AND BONDED DEBT (Continued)

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 17 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 has been recorded in the financial statements.

All issues 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 reported in Note 17.

#### NOTE 8 - RETIREMENT PLANS

##### Kentucky Teachers Retirement System

The Kentucky Local 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. Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

Funding policy – Contribution rates are established by Kentucky Revised Statutes. Members are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement system before July 1, 2008 and 14.105% 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. The contribution requirement for KTRS for the year ended June 30, 2014, was \$990,652, which consisted of \$190,636 from the District and \$800,016 from the employees. Total contributions for the year ended June 30, 2013 and 2012 were \$1,003,473 and \$1,056,370, respectively. The contributions have been contributed in full for fiscal years 2014, 2013 and 2012.

##### County Employees Retirement System

Classified employees who work an average of 80 hours per month over the actual days worked during the school year participate in the County Employees Retirement System (CERS). This is a cost sharing, multiple-employer, public employers retirement plan created and maintained by Kentucky legislature and provides retirement, death and disability benefits to Plan members.

Participating employees contribute 5% of creditable compensation. Participants hired after August 31, 2008 are required to contribute 6%. Matching contributions are made by the state at a rate as required by the Board of Trustees to be necessary for the actuarial soundness per Kentucky Revised Statute 61.565. The contribution requirement for CERS for the year ended June 30, 2014, was \$538,521, which consisted of \$422,305 from the District and \$116,216 from the employees. Total contributions for the year ended June 30, 2013 and 2012 were \$606,139 and \$613,983 respectively. The contributions have been contributed in full for fiscal years 2014, 2013 and 2012.

The District's total payroll for the year was \$9,343,342. The payroll for employees covered under KTRS was \$7,045,497 and for CERS was \$2,235,604.

## OWEN COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements (Continued)

#### NOTE 8 - RETIREMENT PLANS (Continued)

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

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits which is adjusted for the effects of projected salary increases and step-rate benefits that are estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligations for individual employers. KTRS and CERS both issue a publicly available financial report that includes all financial statements and required supplementary information. The reports can be obtained in writing from the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 and the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, KY 40601.

#### NOTE 9 - CONTINGENCIES

##### Grant Fund Approval

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 the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and 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 the programs.

#### NOTE 10 - 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 are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, which includes workers' compensation insurance.

#### NOTE 11 - 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 errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

**OWEN COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 11 - RISK MANAGEMENT (Continued)**

The District is self-insured for unemployment insurance benefits. The District reimburses the state for any claims paid. The District purchases workers' compensation insurance through the Kentucky School Boards Insurance Trust. 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 12 - DEFICIT OPERATING/FUND BALANCES**

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

Construction Fund	\$ 552,873
Food Service Fund	16,751
Dush Scholarship Fund	2,077
Bourne Scholarship Fund	1,663
Maurice Bowling Middle School	9,494
Owen County Primary	360
Owen County High School	9,358

**NOTE 13 - COBRA**

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

**NOTE 14 - CONTINGENT LIABILITY**

The District is a participant in the Kentucky School Board Insurance Trust in which the District purchases general liability and workers' compensation insurance. As of June 30, 2014, the District has been notified of a deficit in the trust and has been given a preliminary assessment of its portion of the deficit of \$140,319. This contingent liability has been recorded in the District Wide Financial Statements but not included in the Governmental Financial Statements.

**NOTE 15 - TRANSFER OF FUNDS**

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Building Fund	General Fund	Operating	\$ 316,335
General Fund	Special Revenue Fund	Matching	31,240
Special Revenue Fund	General Fund	Operating	2,177
Capital Outlay Fund	Debt Service Fund	Debt Service	166,588
Building Fund	Debt Service Fund	Debt Service	1,316,928
Construction Fund	Construction Fund	Construction	412,799

**OWEN COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 16 - ON-BEHALF PAYMENTS**

For the year ended June 30, 2014 total payments of \$2,877,132 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 2,429,388
Debt Service	321,176
Food Service	<u>126,568</u>
 Total On-Behalf	 <u>\$ 2,877,132</u>

**NOTE 17 - SCHEDULE OF LONG-TERM DEBT**

2003, 2009, 2010, 2011 Kista Issues, 2012, 2013 Kista Issues, and 2014 Kista Issues

FISCAL YEAR	Owen County School District			KY School Facilities Construction Commission			TOTAL REQUIREMENTS
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	
2014-2015	\$ 908,240	\$ 572,554	\$ 1,480,794	\$ 236,760	\$ 78,226	\$ 314,986	\$ 1,795,780
2015-2016	930,446	552,748	1,483,194	224,554	73,262	297,816	1,781,010
2016-2017	950,436	531,178	1,481,614	229,564	68,252	297,816	1,779,430
2017-2018	975,110	508,411	1,483,521	234,890	62,925	297,815	1,781,336
2018-2019	999,441	484,354	1,483,795	240,559	57,257	297,816	1,781,611
2019-2020	1,027,861	456,160	1,484,021	247,139	50,677	297,816	1,781,837
2020-2021	1,062,071	422,692	1,484,763	252,929	42,888	295,817	1,780,580
2021-2022	1,093,866	388,090	1,481,956	96,134	34,902	131,036	1,612,992
2022-2023	1,140,304	345,240	1,485,544	99,696	31,343	131,039	1,616,583
2023-2024	1,181,610	300,696	1,482,306	103,390	27,647	131,037	1,613,343
2024-2025	1,232,772	254,406	1,487,178	107,228	23,810	131,038	1,618,216
2025-2026	1,212,190	206,235	1,418,425	107,810	19,828	127,638	1,546,063
2026-2027	1,263,478	157,748	1,421,226	111,522	15,627	127,149	1,548,375
2027-2028	1,314,617	107,209	1,421,826	115,383	11,279	126,662	1,548,488
2028-2029	1,365,602	54,624	1,420,226	124,398	6,776	131,174	1,551,400
2029-2030	-	-	-	20,000	1,950	21,950	21,950
2030-2031	-	-	-	20,000	1,299	21,299	21,299
2031-2032	-	-	-	20,000	649	20,649	20,649
	<u>\$ 16,658,044</u>	<u>\$ 5,342,345</u>	<u>\$ 22,000,389</u>	<u>\$ 2,591,956</u>	<u>\$ 608,597</u>	<u>\$ 3,200,553</u>	<u>\$ 25,200,942</u>

A summary of the changes in the principal of the outstanding bond obligations and the capital leases for the District during the year ended June 30, 2014, is as follows:

Governmental Activities	Balance July 1, 2013		Payments	Balance June 30, 2014	
		Additions			
Bond Obligations	\$ 20,380,000	\$ -	\$ 1,130,000	\$ 19,250,000	
Capital Leases	\$ 340,290	\$ 220,563	\$ 39,684	\$ 521,169	

**OWEN COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 18 – PRIOR PERIOD ADJUSTMENT**

For the year ended June 30, 2014, the District adopted GASB 65 *Items Previously Reported as Assets and Liabilities*. As a result of this adoption, the beginning net position of the government fund activities have been decreased by \$435,899. The governmental funds had a balance at June 30, 2013 of \$17,764,598. The balance should have been \$17,328,699. The change is the result of the write off of the amortized costs associated with the deferred loss on a bond's refunding. The net effect of these restatements was \$435,899.

**NOTE 19 - SUBSEQUENT EVENTS**

Subsequent events were considered through November 13, 2014, which represents the release date of our report.

SUPPLEMENTARY  
INFORMATION

**OWEN COUNTY SCHOOL DISTRICT**

**Combining Balance Sheet – Nonmajor Governmental Funds  
Year Ended June 30, 2014**

	<u>Capital Outlay Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>			
<b>Current:</b>			
Cash and cash equivalents	\$ -	\$ 12,053	\$ 12,053
Accounts receivable	-	-	-
	<hr/>	<hr/>	<hr/>
Total current	-	12,053	12,053
	<hr/>	<hr/>	<hr/>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Other current liabilities	-	12,053	12,053
	<hr/>	<hr/>	<hr/>
Total current	-	12,053	12,053
	<hr/>	<hr/>	<hr/>
<b>Fund Balances</b>			
Restricted:			
Capital projects fund	-	-	-
Prior year encumbrances	-	-	-
Debt service fund	-	-	-
Unrestricted	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	-	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ -	\$ 12,053	\$ 12,053
	<hr/>	<hr/>	<hr/>

**OWEN COUNTY SCHOOL DISTRICT**

**Combining Statement of Revenues Expenditures and  
Changes in Fund Balances – Nonmajor Governmental Funds  
Year Ended June 30, 2014**

	<u>Capital Outlay Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>			
Earnings on investments	\$ 112	\$ -	\$ 112
State sources	166,476	321,176	487,652
	<hr/>	<hr/>	<hr/>
Total revenues	166,588	321,176	487,764
	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>			
Debt service:			
Principal	-	1,130,000	1,130,000
Interest	-	674,692	674,692
	<hr/>	<hr/>	<hr/>
Total expenditures	-	1,804,692	1,804,692
	<hr/>	<hr/>	<hr/>
Excess (deficit) of revenues over expenditures	166,588	(1,483,516)	(1,316,928)
	<hr/>	<hr/>	<hr/>
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	-	1,483,516	1,483,516
Operating transfers out	(166,588)	-	(166,588)
	<hr/>	<hr/>	<hr/>
Total other financing sources(uses)	(166,588)	1,483,516	1,316,928
	<hr/>	<hr/>	<hr/>
Net change in fund balance	-	-	-
Fund balance, July 1, 2013	-	-	-
	<hr/>	<hr/>	<hr/>
Fund balance, June 30, 2014	\$ -	\$ -	\$ -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**OWEN COUNTY SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances  
Bond and Interest Redemption Funds  
Year Ended June 30, 2014**

	<u>Issue of 2003</u>	<u>Issue of 2009</u>	<u>Issue of 2010</u>	<u>Issue of 2011 KISTA</u>	<u>Issue of 2012</u>	<u>Issue of 2013 KISTA</u>	<u>Total</u>
<b>Cash at July 1, 2013</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Receipts</b>							
Transfers and miscellaneous deposits	36,523	964,903	662,735	24,925	140,473	22,759	1,852,318
<b>Disbursements</b>							
Bonds paid	35,000	430,000	550,000	20,437	115,000	19,247	1,169,684
Interest coupons	1,523	534,903	112,735	4,488	25,473	3,512	682,634
Transfers and miscellaneous	-	-	-	-	-	-	-
Call fee	-	-	-	-	-	-	-
Total disbursements	36,523	964,903	662,735	24,925	140,473	22,759	1,852,318
Excess of receipts over disbursements	-	-	-	-	-	-	-
<b>Cash at June 30, 2014</b>	-	-	-	-	-	-	-
<b>Accounts Receivable and Payable</b>							
Matured interest and bonds outstanding	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-	-	-
<b>Fund Balance at June 30, 2014</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**OWEN COUNTY SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances  
Owen County High School Activity Funds  
Year Ended June 30, 2014**

	<b>Fund Balance July 1, 2013</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Fund Balance June 30, 2014</b>
"Y" Club	\$ -	\$ 2,380	\$ 2,260	\$ 120
Ag Class	-	290	-	290
Art Club	296	642	585	353
Athletics Director	2,798	37,115	34,048	5,865
Band	-	18,940	18,380	560
Banking & Finance	682	808	874	616
Baseball	1,111	14,055	11,863	3,303
BEKA Memorial Scholarship Fund	540	-	526	14
Beta Club	1,162	850	1,134	878
Boys Basketball	5,016	28,166	32,495	687
Boys Golf	1,051	2,485	1,071	2,465
Boys Soccer	5,017	1,024	2,605	3,436
Business Classes	-	617	599	18
Café Rebel	361	11,095	10,471	985
Chess Club	55	400	328	127
Concessions	-	17,284	17,284	-
Cross Country	1,269	2,288	2,390	1,167
Drama Club	3,839	318	389	3,768
Due to Student Body	2	-	-	2
FBLA	-	3,941	3,777	164
FCA	91	-	-	91
FEA	252	660	828	84
FFA	2,101	7,307	9,325	83
FHA/FCCLA	-	1,289	787	502
Football	2,828	8,004	9,814	1,018
Foreign Language	38	-	-	38
Freshman Class	424	310	606	128
Gifted and Talented	766	-	-	766
Girl Power	-	106	100	6
Girls Basketball	2,077	11,598	10,137	3,538
Girls Golf	464	5,634	5,503	595
Girls Soccer	246	3,656	3,872	30
Guidance	1,316	12,016	13,135	197
Industrial Arts	830	11,631	9,620	2,841
Judo Club	824	15,027	9,021	6,830
Junior Class	-	6,244	5,130	1,114
Math Department	1,307	295	1,546	56
Media Center	527	35	515	47
National Honor Society	191	290	351	130
O Club	67	749	606	210
Outdoor Adventure	130	-	-	130
PE Fees	288	1	-	289
Peps/Teacher	1,781	1,417	743	2,455

**OWEN COUNTY SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances  
Owen County High School Activity Funds  
Year Ended June 30, 2014**

	<b>Fund Balance July 1, 2013</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Fund Balance June 30, 2014</b>
SADD	\$ 622	\$ 202	\$ 760	\$ 64
Scholarship Fund	2,674	152	770	2,056
Science Club	267	1,731	1,387	611
Senior Class	2,222	3,276	5,441	57
Soccer Concession	-	751	751	-
Softball	3,131	5,415	7,175	1,371
Sophomore Class	393	362	190	565
STEP	3,247	799	2,410	1,636
STLP	1,860	3,146	3,923	1,083
Student Body	19,495	3,856	16,955	6,396
Student Council	1,282	284	526	1,040
Student Fees	2,457	10,980	7,487	5,950
Tech Ed	1,058	885	1,510	433
Track	1,077	1,713	2,018	772
USDA Grant Greenhouse	7,029	6,020	9,404	3,645
Varsity Cheerleaders	2,690	30,676	29,901	3,465
Veteran's Program Fund	150	1,013	626	537
Volleyball	45	16,275	16,244	76
Webster-Supplies	1,308	4,857	6,165	-
Yearbook	8,046	12,179	5,836	14,389
YSC	932	409	1,109	232
<b>Total</b>	<b>\$ 99,732</b>	<b>\$ 333,948</b>	<b>\$ 343,306</b>	<b>\$ 90,374</b>

**OWEN COUNTY SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances –  
School Activity Funds  
Year Ended June 30, 2014**

	<u>Maurice Bowling Middle School</u>	<u>Owen County Elementary</u>	<u>Owen County Primary</u>	<u>Total</u>
Fund balances at July 1, 2013	\$ 63,313	\$ 16,202	\$ 29,313	\$ 108,828
Add: receipts	121,399	49,877	43,043	214,319
Less: disbursements	<u>(130,893)</u>	<u>(43,589)</u>	<u>(43,403)</u>	<u>(217,885)</u>
Fund balances at June 30, 2014	<u>\$ 53,819</u>	<u>\$ 22,490</u>	<u>\$ 28,953</u>	<u>\$ 105,262</u>

**OWEN COUNTY SCHOOL DISTRICT**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014**

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Agreement Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Education</u></b>			
<b><i>Passed through Kentucky Department of Education</i></b>			
Special Education Cluster			
Special Education Grants to States	84.027	3810002 13	\$ 308,322
Special Education Preschool Grants	84.173	3800002 12	12,770
Special Education Preschool Grants	84.173	3800002 13	12,481
Total Special Education Cluster			<u>333,573</u>
Career and Technical Education - Basic Grants to States	84.048	3710002 13	18,301
Career and Technical Education - Basic Grants to States	84.048	3710002 12	2,028
Total CFDA #84.048			<u>20,329</u>
Title I Grants to Local Educational Agencies	84.010	3100002 12	64,835
Title I Grants to Local Educational Agencies	84.010	3100002 13	412,181
Total CFDA #84.010			<u>477,016</u>
Twenty-First Century Community Learning Centers	84.287	3400002 11	1,000
Twenty-First Century Community Learning Centers	84.287	3400002 12	41,831
Total CFDA #84.287			<u>42,831</u>
Rural Education	84.358	3140002 12	9,546
Rural Education	84.358	3140002 13	15,347
Total CFDA #84.358			<u>24,893</u>
English Language Acquisition State Grants	84.365	3300002 12	6,605
English Language Acquisition State Grants	84.365	3300002 11	798
Total CFDA #84.365			<u>7,403</u>
Title II Improving Teacher Quality State Grants	84.367	3230002 12	48,806
Title II Improving Teacher Quality State Grants	84.367	3230002 13	93,848
Total CFDA #84.367			<u>142,654</u>
National Assessment of Educational Progress	84.902B	9000001 89	122,344
Race to the Top	84.413A	3960002 11	9,630
<b><i>Total passed through Kentucky Department of Education</i></b>			<u>1,180,673</u>
<b><i>Passed through Workforce Development</i></b>			
Adult Education - Basic Grants to States	84.002	3713	4,977
Adult Education - Basic Grants to States	84.002	3732	1,543
<b><i>Total passed through Workforce Development</i></b>			<u>6,520</u>
<b>Total U.S. Department of Education</b>			<u>1,187,193</u>
<b><u>U.S. Department of Agriculture</u></b>			
Child Nutrition Cluster			
<b><i>Passed through Kentucky Department of Education</i></b>			
School Breakfast Program	10.553	7760005 13	31,681
School Breakfast Program	10.553	7760005 14	140,159
National School Lunch Program	10.555	7750002 13	93,344
National School Lunch Program	10.555	7750002 14	394,375
State Administrative Expenses for Child Nutrition	10.560	7850012 13	1,000
<b><i>Total passed through Kentucky Department of Education</i></b>			<u>660,559</u>
<b><i>Passed through Kentucky Department of Agriculture</i></b>			
National School Lunch Program - Food Donation	10.555	4003343	69,834
Total Child Nutrition Cluster			<u>730,393</u>
<b>Total U.S. Department of Agriculture</b>			<u>730,393</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,917,586</u>

**OWEN COUNTY SCHOOL DISTRICT**

**Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Owen County School District under programs of the federal government for the year ended June 30, 2014, and is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Owen County School 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 – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2014, the District reported food commodities expended in the amount of \$69,834.



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

To the Members of the Board of Education  
Owen County School District  
Owenton, Kentucky

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

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

We noted other matters that we reported to management of the District in a separate letter dated November 13, 2014.

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

**(Continued)**

**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.

*Burns, Denning & Co., Ltd.*

Crestview Hills, Kentucky  
November 13, 2014



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

Members of the Board of Education  
Owen County School District  
Owenton, Kentucky

**Report on Compliance for Each Major Federal Program**

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

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

**Report on Internal Control over Compliance**

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

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

**Report on Internal Control over Compliance (Continued)**

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.

*Burns, Denning & Co., Ltd.*

Crestview Hills, Kentucky  
November 13, 2014

**OWEN COUNTY SCHOOL DISTRICT**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2014**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes     X     No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes     X     None noted

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes     X     No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes     X     No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes     X     None noted

Type of auditor's report issued on compliance for major programs: Unmodified

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

***Identification of major programs***

	<u>Name of Federal Program or Clusters</u>
84.010	Title I Grants to Local Educational Agencies
84.365	English Language Acquisition State Grants

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

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

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters are reportable

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST**

No matters are reportable

**OWEN COUNTY SCHOOL DISTRICT**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2014**

<u>Reference Number</u>	<u>Summary of Finding</u>	<u>Status</u>
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No matters are reportable

## **OWEN COUNTY SCHOOL DISTRICT**

### **Management Letter Comments Year Ended June 30, 2014**

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

This letter summarizes our comments and suggestions regarding those matters. A separate report dated November 13, 2014 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 13, 2014, on the financial statements of the Owen County School District.

### **CURRENT YEAR RECOMMENDATIONS**

#### **CENTRAL OFFICE**

##### **2014-01: KTRS Retiree Employment report was not filed timely**

Criteria – Per the Form 30 KTRS Retiree Employment Report instructions, the KTRS Retiree Employment Report should be filed by August 1 for all employees who previously contributed to KTRS and are now employed by the school district for a non-KTRS job. Further, this report should be filed even if there is no one to report.

Condition – During payroll testing in September 2014, it was noted the KTRS Retiree Employment Report had not yet been filed.

Effect – The late submission of the report could result in a penalty of up to \$1,000.

Cause – Appears to be an oversight by the school payroll department.

Recommendation – We recommend the District submit the KTRS Retiree Employment Report annually prior to the August 1 deadline.

Board Response: Central Office will develop a proper procedure for the proper staff to follow in order to insure the proper and timely filing of the KTRS Retiree Employment Report.

#### **ACTIVITY FUNDS**

##### **OWEN COUNTY HIGH SCHOOL**

##### **2014-02: Monthly financial statements not reviewed properly**

Criteria – Per best practices recommended by the Kentucky Department of Education, schools should have a process in place to prepare and review the monthly financial reports each month.

Condition – During the testing of the Activity Funds, it was noted that several of the monthly AFRs were included with the bank reconciliation, but were not signed off on.

Effect – Proper documentation of the monthly financial process was not followed.

Cause – Internal controls were not properly followed as designed by the District.

**OWEN COUNTY SCHOOL DISTRICT**

**Management Letter Comments (Continued)  
Year Ended June 30, 2014**

**CURRENT YEAR RECOMMENDATIONS (CONTINUED)**

Recommendation – We recommend that all monthly financial reports are reviewed and signed off on each month.

Board Response – The finance officer has provided additional training to the proper employees to strengthen the controls over review of the monthly financials and bank reconciliations to ensure that they are correctly signed off on after review.

**MAURICE BOWLING MIDDLE SCHOOL**

**2014-03: Monthly financial statements not reviewed properly**

Criteria – Per best practices recommended by the Kentucky Department of Education, schools should have a process in place to prepare and review the monthly financial reports each month.

Condition – During the testing of the Activity Funds, it was noted that several of the monthly AFRs were included with the bank reconciliation, but were not signed off on.

Effect – Proper documentation of the monthly financial process was not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that all monthly financial reports are reviewed and signed off on each month.

Board Response – The finance officer has provided additional training to the proper employees to strengthen the controls over review of the monthly financials and bank reconciliations to ensure that they are correctly signed off on after review.

**OWEN COUNTY ELEMENTARY**

No matters are reportable

**OWEN COUNTY PRIMARY**

No matters are reportable

**FOOD SERVICE**

**2014-04: Invoices are not being marked paid**

Criteria – Per best practices recommended by the Kentucky Department of Education, invoices should be marked paid upon payment.

Condition – During the testing of Food Service, it was noted that several of the paid invoices were not marked as such.

Effect – Proper documentation of the payment process was not followed.

**OWEN COUNTY SCHOOL DISTRICT**

**Management Letter Comments (Continued)  
Year Ended June 30, 2014**

**CURRENT YEAR RECOMMENDATIONS (CONTINUED)**

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that all invoices are marked paid upon payment.

Board Response – The Food Service Director will develop a proper procedure to follow in order to insure invoices are marked paid or defaced in a proper manner.

**2014-05: Travel reimbursements approved and prepared by same individual**

Criteria – Per best practices recommended by the Kentucky Department of Education, submitted travel reimbursements should be approved by an individual with the proper authority.

Condition – During the testing of Food Service, it was noted that the Food Service Director was reimbursed for travel expenses from a reimbursement submission that was also submitted by the Food Service Director.

Effect – Proper documentation of the approval process was not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that all travel reimbursements are approved by an individual with the proper authority and the approver is someone different than the individual submitting the travel reimbursement.

Board Response – The School will develop a proper procedure for the proper staff to follow in order to insure travel reimbursements are approved by a different individual with the proper authority.

**OWEN COUNTY SCHOOL DISTRICT**

**Management Letter Comments (Continued)  
Year Ended June 30, 2014**

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

**CENTRAL OFFICE**

No matters are reportable

**ACTIVITY FUNDS**

**ALL SCHOOLS**

Statement of prior year deficiency: It was noted that certain invoices at the activity fund level were paid, but did not have purchase orders and may have required one to be issued.

Current year follow-up: There were no such instances in the current year.

**OWEN COUNTY HIGH SCHOOL**

No matters are reportable

**MAURICE BOWLING MIDDLE SCHOOL**

No matters are reportable

**OWEN COUNTY ELEMENTARY**

No matters are reportable

**OWEN COUNTY PRIMARY**

No matters are reportable