

ROBERTSON COUNTY BOARD OF EDUCATION

FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
And
INDEPENDENT AUDITOR'S REPORTS

Year Ended June 30, 2014

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

INDEPENDENT AUDITOR'S REPORT

State Committee For School District Audits
Members of the Board of Education
Robertson County Board of Education
Mt. Olivet, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Robertson County Board of Education as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 12 and budgetary comparison information on pages 42 and 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The combining statements for nonmajor governmental funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Robertson County School, and the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements for nonmajor funds and fiduciary funds, the statement of receipts, disbursements, and due to student groups-Robertson County School, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
October 24, 2014

**ROBERTSON COUNTY SCHOOLS
MT. OLIVET, KENTUCKY**

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

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

FINANCIAL HIGHLIGHTS

The beginning balance for cash and cash equivalents July 1, 2013 was \$1,318,884. The ending balance for cash and cash equivalents June 30, 2014 was \$2,819,622.

The General Fund had \$2,735,347 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding inter-fund transfer, there were \$2,779,336 in General Fund expenditures. The closing balance as of June 30, 2014 is general fund \$276,920; construction fund \$375,813; debt service \$1,899,465; non-major funds \$10,980; for a total of \$2,563,178.

The district levied tax rates of 58.4 cents (real estate and tangible property) and 55.9 cents (motor vehicles) per \$100 of assessed value, and continued the 3% utility tax.

The District issued a bond of \$635,000 in March 2014 to fund a BG-1 construction for the new K-12 School Phase II, Deming Site Cleanup and Greenhouse.

The District received an Appalachian Area Development grant for \$58,080 for "Creating Workforce Skills Utilizing Robotics in the Classroom."

There was a Kentucky Department of Education (KDE) site visit in February 2013 to review budget issues, followed by another visit in May to advise the Board of serious budget issues. This was followed with the assignment of a financial consultant for the district in June 2013 and staff reductions for the 2013-2014 year. Mr. Jim Hamm was assigned to the District to assist with instructional improvements.

The Superintendent's salary was reduced by \$10,000 and his extended days were reduced by 20. The Superintendent, Charles Brown retired effective December 31, 2013.

Patti Price was hired as the Interim Superintendent on January 1, 2014.

The Board hired David Franklin Murray as Superintendent for a salary of \$87,000 for a term of four years beginning July 1, 2014 and ending June 30, 2018.

A Capital Outlay Fund Request was approved for \$85,202 for Insurance of \$35,835 and electricity of \$49,367.

The district developed and implemented procedures within their policies for faculty and staff to utilize.

During the fiscal year the District was notified the Kentucky School board Insurance Trust (KSBIT) would be dissolving as the self insurance provider for school districts in Kentucky. KSBIT has informed Districts there is an unfunded liability. The assessment for the District for Workers' Compensation is \$24,643. The Board has elected to pay 25% down and the remaining over 6 years.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 15-22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 23-40 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$653,698 as of June 30, 2014.

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

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

2013 District-wide net position compared to 2014 are as follows:

	Net Position (in thousands)					
	Governmental		Business-type		Total	
	2014	2013	2014	2013	2014	2013
Assets	\$20,379	\$18,772	\$1,493	\$1,553	\$21,872	\$20,325
Liabilities	\$19,669	\$19,297	\$0	\$0	\$19,669	\$19,297
Deferred Inflows of Resources	\$56	\$20	\$0	\$0	\$56	\$20
Investment in capital assets (net of debt)	22	1,253	1,430	1,480	1,452	2,733
Restricted	2,293	1,106	63	73	2,356	1,179
Unrestricted Fund Balance	<u>(1,661)</u>	<u>(2,904)</u>	<u>0</u>	<u>0</u>	<u>(1,661)</u>	<u>(2,904)</u>
Total Net Position	\$654	(\$545)	\$1,493	\$1,553	\$2,147	\$1,008

Budgetary Implications

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal year, but are reflected in the district overall budget. By law the budget must have a minimum 2 percent contingency. The district adopted a budget with \$217,079 in contingency, which is 9 percent.

Comments on Budget Comparisons

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

The District recorded "On-Behalf" payments as revenues and expenditures during the fiscal year. On-Behalf payments were not included in the budget. Therefore budget comparisons have some large negative variances. Caution should be used when reading the budget comparison reports.

Changes in Net Position (in thousands)						
	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	2014	2013	2014	2013	2014	2013
Revenues						
Local Revenue Sources	648	744	51	62	699	806
State Revenue Sources	3,488	3,396	63	63	3,551	3,459
Federal Revenue Sources	1,162	1,273	192	185	1,354	1,458
Investments	<u>42</u>	<u>20</u>	<u>0</u>	<u>0</u>	<u>42</u>	<u>20</u>
Total Revenues	5,340	5,433	306	310	5,646	5,743
Expenses						
Instruction	1,899	2,214			1,899	2,214
Student Support Services	94	165			94	165
Instructional Support	40	103			40	103
District Administration	471	446			471	446
School Administration	145	169			145	169
Business Support	90	112			90	112
Plant Operations	325	217			325	217
Student Transportation	193	234			193	234
Facilities Acquisition & Construction	407	7,661			407	7,661
Community Support	102	112			102	112
Food Service			367	329	367	329
Debt Service	<u>986</u>	<u>936</u>			<u>986</u>	<u>936</u>
Total Expenses	4,752	12,369	367	329	5,119	12,698
Bond Proceeds	635	205			635	205
Sale of assets	19	58		(10)	19	48
Loss Compensation	161				161	0
Transfers		4		(4)	0	0
Capital Contributions		<u>(1,497)</u>		<u>1,497</u>	<u>0</u>	<u>0</u>
Change in Net Position	1,403	(8,166)	(61)	1,464	1,342	(6,702)
Beginning Net Position	<u>1,160</u>	<u>9,326</u>	<u>1,553</u>	<u>89</u>	<u>2,713</u>	<u>9,415</u>
Ending Net Position	\$2,563	\$1,160	\$1,492	\$1,553	\$4,055	\$2,713

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

INFRASTRUCTURE

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

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

Fund	Beginning	Revenues	Expenses	Transfer	Ending
General Fund	\$61	\$2,915	\$2,780	\$81	\$277
Special Revenue	\$0	\$602	\$607	\$5	\$0
Capital Outlay	\$1	\$32	\$0	(\$30)	\$3
Building	\$0	\$234	\$0	(\$226)	\$8
Construction	\$162	\$1	\$407	\$620	\$376
Debt Service	\$936	\$2,371	\$959	(\$449)	\$1,899

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

	Beginning	Additions	Deductions	Ending
Governmental				
Capital Assets	\$19,282	\$604	\$16	\$19,870
Accumulated Depreciation	\$1,711	\$474	\$16	\$2,169
Business-Type				
Capital Assets	\$1,506	\$1	\$0	\$1,507
Accumulated Depreciation	\$26	\$51	\$0	\$77
Bonds Payable	\$18,920	\$635	\$101	\$19,454
Capital Lease Payable	\$161	\$0	\$54	\$107
Sick Leave Payable	\$86	\$16	\$88	\$14
Judgments Payable	\$0	\$18	\$0	\$18

CURRENT ISSUES

The following positions were eliminated for the 2014-2015 school year, Assistant Superintendent, Custodian Supervisor, and Custodian Assistant Supervisor. In addition, the Special Education Director position was reduced from 1.0 FTE to .75 FTE.

All staff were given the mandatory 1% raise.

The Board approved property tax rates at the 4% above compensating rate.

The tax rate of 60.4 cents/100 dollars assessed value for real estate and personal property.

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to reflect the Board's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to the Superintendent, David Murray, or to the Treasurer, Tracy Teegarden at 606-724-5421, or by mail at 1762 Sardis Road, Mt. Olivet, KY 41064.

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

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents - Note C	\$2,594,950	\$59,765	\$2,654,715
Accounts receivable	75,725		75,725
Inventory		3,741	3,741
Prepaid expenses	7,012		7,012
Capital assets			
Land and construction in progress	450,079		450,079
Other capital assets, net of depreciation	<u>17,250,787</u>	<u>1,429,592</u>	<u>18,680,379</u>
Total capital assets	<u>17,700,866</u>	<u>1,429,592</u>	<u>19,130,458</u>
TOTAL ASSETS	20,378,553	1,493,098	21,871,651
LIABILITIES			
Accounts payable	52,108	893	53,001
Interest payable	16,225		16,225
Judgments payable	6,161		6,161
Long-term Liabilities			
Due within 1 year	91,896		91,896
Due in more than 1 year	<u>19,502,225</u>		<u>19,502,225</u>
TOTAL LIABILITIES	19,668,615	893	19,669,508
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues	56,240		56,240
NET POSITION			
Net investment in capital assets	21,679	1,429,592	1,451,271
Restricted			
Prepays	7,012		7,012
Food Service		62,613	62,613
SFCC	1,064		1,064
Other	9,916		9,916
Future Construction BG-1	375,813		375,813
Debt Service	1,899,465		1,899,465
Unrestricted - Note U	<u>(1,661,251)</u>		<u>(1,661,251)</u>
TOTAL NET POSITION	\$653,698	\$1,492,205	\$2,145,903

See accompanying notes

ROBERTSON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
DISTRICT WIDE

For the year ended June 30, 2014

FUNCTIONS/PROGRAMS

Governmental Activities

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Net (Expense) Revenue and Changes in Net Position Business-type Activities	Total
Instruction	\$2,034,842		\$423,350		(\$1,611,492)	\$	(\$1,611,492)
Support services:							
Student	93,993				(93,993)		(93,993)
Instruction staff	44,344		3,895		(40,449)		(40,449)
District administrative	475,583		26,296		(449,287)		(449,287)
School administrative	145,289		37,234		(108,055)		(108,055)
Business	97,441		9,363		(88,078)		(88,078)
Plant operation and maintenance	281,005		30		(281,005)		(281,005)
Student transportation	208,397		101,741		(208,367)		(208,367)
Community service activities	101,741		0		0		0
Interest on long-term debt	839,461		0		(784,906)		(784,906)
Total governmental activities	4,322,096		601,909	54,555	(3,665,632)		(3,665,632)

Business-type Activities

Food service	366,677	51,449	254,704			(60,524)	(60,524)
Total business-type activities	366,677	51,449	254,704			(60,524)	(60,524)
Total school district	\$4,688,773	\$51,449	\$856,613	\$54,555	(\$3,665,632)	(\$60,524)	(\$3,726,156)

General Revenues

Property taxes	\$345,766						\$345,766
Motor Vehicle taxes	71,238						71,238
Utility taxes	105,871						105,871
Other taxes	84,113						84,113
State aid-formula grants	3,253,869						3,253,869
Federal aid	761,034						761,034
Investment earnings	41,993					83	42,076
Gain on sale of assets	18,608						18,608
Loss compensation	160,756						160,756
Miscellaneous	20,258						20,258
Total general & special	4,863,506					83	4,863,589
Change in net positions	1,197,874					(60,441)	1,137,433
Net position - beginning	(544,176)					1,552,646	1,008,470
Net position - ending	\$653,698					\$1,492,205	\$2,145,903

See accompanying notes

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

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$292,708	\$2,418	\$389,379	\$1,899,465	\$10,980	\$2,594,950
Other receivables	21,903	53,822				75,725
Prepaid expenses	7,012					7,012
TOTAL ASSETS	\$321,623	\$56,240	\$389,379	\$1,899,465	\$10,980	\$2,677,687
LIABILITIES						
Accounts payable	\$38,542	\$	\$13,566	\$	\$	\$52,108
Judgments payable	6,161					6,161
TOTAL LIABILITIES	44,703	0	13,566	0	0	58,269
DEFERRED INFLOWS OF RESOURCES						
Deferred Revenues		56,240				56,240
Fund Balances						
Nonspendable						
Prepaids	7,012					7,012
Restricted						
SFCC					1,064	1,064
Other					9,916	9,916
Future Construction BG-1			375,813			375,813
Debt Service				1,899,465		1,899,465
Unassigned	269,908					269,908
Total fund balances	276,920		375,813	1,899,465	10,980	2,563,178
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	\$321,623	\$56,240	\$389,379	\$1,899,465	\$10,980	\$2,677,687

See accompanying notes

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

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

Total Fund Balance - Governmental Funds		\$2,563,178
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position		17,700,866
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position		
	Bonds Payable	(19,454,512)
	Capital Lease Payable	(106,945)
	KSBIT Judgment	(18,482)
	Accrued Interest on Bonds	(16,225)
	Accumulated Sick Leave	<u>(14,182)</u>
Total Net Position - Governmental Activities		\$653,698

See accompanying notes

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

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
From local sources						
Property taxes	\$258,910	\$	\$	\$	\$86,856	\$345,766
Motor vehicle taxes	71,238					71,238
Utility taxes	105,871					105,871
Other taxes	84,113					84,113
Earnings on investments	317		327	41,281	68	41,993
Other local revenues	20,258	20,806				41,064
Intergovernmental - State	2,177,429	179,927		951,366	179,629	3,488,351
Intergovernmental - Federal	<u>17,211</u>	<u>401,176</u>		<u>743,823</u>		<u>1,162,210</u>
Total revenues	2,735,347	601,909	327	1,736,470	266,553	5,340,606
Expenditures						
Instruction	1,470,724	428,219				1,898,943
Support services						
Student	93,916					93,916
Instruction staff	36,010	3,895				39,905
District administration	444,630	26,296				470,926
School administration	107,867	37,234				145,101
Business	80,368	9,363				89,731
Plant operation and maintenance	325,187					325,187
Student transportation	193,124	30				193,154
Community service activities		101,741				101,741
Facilities			406,747			406,747
Debt service	<u>27,510</u>			<u>959,002</u>		<u>986,512</u>
Total expenditures	2,779,336	606,778	406,747	959,002	0	4,751,863
Excess(deficit)of revenues over expenditures	(43,989)	(4,869)	(406,420)	777,468	266,553	588,743
Other Financing Sources (Uses)						
Sale of assets	18,814					18,814
Loss compensation	160,756					160,756
Bond/Capital Lease Proceeds				635,000		635,000
Operating transfers in	85,558	4,869	620,155	171,435		882,017
Operating transfers out	<u>(4,869)</u>			<u>(620,511)</u>	<u>(256,637)</u>	<u>(882,017)</u>
Total other financing sources (uses)	260,259	4,869	620,155	185,924	(256,637)	814,570
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	216,270	0	213,735	963,392	9,916	1,403,313
Fund balance, July 1, 2013	<u>60,650</u>	<u>0</u>	<u>162,078</u>	<u>936,073</u>	<u>1,064</u>	<u>1,159,865</u>
Fund balance, June 30, 2014	\$276,920	\$0	\$375,813	\$1,899,465	\$10,980	\$2,563,178

See accompanying notes

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

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

Total net change in fund balances - governmental funds \$1,403,313

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.

	Depreciation Expense	(474,183)	
	Capital Outlays	<u>603,756</u>	129,573
	Loss on sale of assets		(206)

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

	Bond Principal Payments		100,774
	Capital Lease Payments		53,395
	Bond Proceeds		<u>(635,000)</u>

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

	Change in Accrued Interest		(7,118)
	KSBIT liability		81,176
	Change in Sick Leave		<u>71,967</u>

Total Change in Net Position - Governmental Activities \$1,197,874

See accompanying notes

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

	Food Service <u>Fund</u>
ASSETS	
Cash and Equivalents	\$59,765
Inventory	3,741
Capital Assets, net of depreciation	<u>1,429,592</u>
TOTAL ASSETS	\$1,493,098
LIABILITIES	
Accounts Payable	\$893
TOTAL LIABILITIES	<u>893</u>
NET POSITION	
Net Investment in Capital Assets	1,429,592
Restricted Net Position	<u>62,613</u>
TOTAL NET POSITION	\$1,492,205

See accompanying notes

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

	Food Service <u>Fund</u>
OPERATING REVENUES	
Lunchroom sales	\$51,449
Total Operating Revenues	51,449
OPERATING EXPENSES	
Salaries and wages	188,714
Contract services	6,346
Materials and supplies	120,977
Depreciation	<u>50,640</u>
Total Operating Expenses	366,677
Operating income (loss)	(315,228)
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	181,057
Commodities received	11,124
State grants	2,069
State on-behalf payments	60,454
Interest income	<u>83</u>
Non-operating revenues (expenses)	254,787
Net income (loss) before Capital Contributions	(60,441)
Capital Contribution	0
Increase (decrease) in Net Position	(60,441)
Net Position, July 1, 2013	<u>1,552,646</u>
Net Position, June 30, 2014	\$1,492,205

See accompanying notes

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

	Food Service <u>Fund</u>
CASH FLOW FROM OPERATING ACTIVITIES	
Cash received from customers	\$51,449
Cash paid to employees, including benefits	(128,260)
Cash paid to suppliers	<u>(111,715)</u>
Net cash provided by operating activities	(188,526)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from government funding	<u>198,285</u>
Net cash provided from capital and related financing activities	198,285
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(662)
Interest Income	<u>83</u>
Net cash provided from capital and related financing activities	(579)
Net increase (decrease) in cash	9,180
Cash and equivalents, July 1, 2013	<u>50,585</u>
Cash and equivalents, June 30, 2014	\$59,765
Reconciliation of Operating income (loss) to Net Cash Provided by Operating Activities	
Operating income (loss)	(\$315,228)
Adjustments to reconcile net income to cash provided by operating activities	
Depreciation	50,640
On-behalf payments	60,454
Commodities used	11,124
Decrease in inventory	4,094
Increase (decrease) in accounts payable	<u>390</u>
Net cash provided by operating activities and increase in cash and equivalents	(\$188,526)
Schedule of Non-Cash Financing Activities	
Donated commodities	\$11,124
On Behalf payments	\$60,454

See accompanying notes

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

	Agency Fund
ASSETS	
Cash and equivalents	\$164,907
Accounts receivable	<u>0</u>
TOTAL ASSETS	\$164,907
LIABILITIES	
Accounts payable	\$0
Due to student groups	<u>164,907</u>
TOTAL LIABILITIES	\$164,907

See accompanying notes

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

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

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

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

Basis of Presentation

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

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

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

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

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

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

The District has the following funds:

I. Governmental Fund Types

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

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

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

II. Debt Service Fund

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

III. Proprietary Funds (Enterprise Fund)

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

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

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

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

V. Permanent Funds

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

Basis of Accounting

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

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

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

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

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

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

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

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

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2014, to finance operations were \$.584 per \$100 valuation for real property, \$.584 per \$100 valuation for business personal property and \$.559 per \$100 valuation for motor vehicles.

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

Fund Balance Classification Policies and Procedures

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

The Board will use restricted amounts before unrestricted amounts when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

Interfund Balances

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

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

Capital Assets

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

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

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

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

Accumulated Unpaid Sick Leave Benefits

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

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

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

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

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

Budgetary Process

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

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

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

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

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

Cash and Cash Equivalents

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

Inventories

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

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

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

Prepaid Assets

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Net Position

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

Operating Revenues and Expenses

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

Contributions of Capital

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

Subsequent Events

Subsequent events were considered through October 24, 2014, which represents the date of my report.

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

Interfund Activity

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

Uses of Estimates

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

Encumbrances

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

NOTE B – PROPERTY TAX CALENDAR

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

Description	per KRS 134.020
Due date for payment of taxes	Upon receipt
Face value amount payment date	December 31
Delinquent date, 5% penalty	January 1 – 31
Delinquent date, 10% penalty	February 1

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

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

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's total cash and cash equivalents was \$2,819,622. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

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

	Bank Balance	Book Balance
General Checking Account		
Fund 1 (General Fund)	\$	\$ 292,708
Fund 2 (Special Revenue Fund)		2,418
Fund 310 (Capital Outlay Fund)		3,180
Fund 320 (Building Fund)		7,800
Fund 360 (Construction Fund)		389,379
Fund 51 (Food Service)		<u>59,765</u>
Total General Checking Account	1,026,919	755,250
Activity and Trust Funds	165,007	164,907
Debt Service Funds	<u>1,899,465</u>	<u>1,899,465</u>
TOTALS	\$ 3,091,391	\$2,819,622

Breakdown per financial statements:

Governmental Funds	\$ 2,594,950
Proprietary Funds	59,765
Agency Funds	164,907
TOTALS	\$ 2,819,622

NOTE D – CAPITAL ASSETS

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

Instruction	\$ 404,875
Support Services	
Student	77
Instructional staff	4,439
District administration	4,657
School administration	188
Business	7,710
Plant operations & maintenance	36,994
Student transportation	<u>15,243</u>
Total Depreciation expense, governmental activities	\$ 474,183

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

**NOTE D – CAPITAL
 ASSETS**

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

Governmental Activities	Beginning	Additions	Deletions	Ending
Land	\$450,079			\$450,079
Land Improvements	207,766			207,766
Buildings/Bldg Improvements	17,175,433	159,749		17,335,182
Technology Equipment	267,034	39,599	2,833	303,800
Vehicles	261,815	1,333	13,031	250,117
General Equipment	920,083	403,075		1,323,158
Construction Work In Process	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals at historical cost	19,282,210	603,756	15,864	19,870,102
Less Accumulated Depreciation				
Land Improvements	77,233	9,528		86,761
Buildings/Bldg Improvements	1,125,904	337,142		1,463,046
Technology Equipment	91,149	51,284	2,627	139,806
Vehicles	228,839	17,353	13,031	233,161
General Equipment	<u>187,586</u>	<u>58,876</u>	<u>0</u>	<u>246,462</u>
Total accumulated depreciation	1,710,711	474,183	15,658	2,169,236
Governmental Activities Capital Assets – Net	\$17,571,499	\$129,573	\$(206)	\$17,700,866
Business-Type Activities				
Food Service				
Buildings/Bldg Improvements	\$1,181,359			\$1,181,359
Technology Equipment		662		662
Vehicles				
General Equipment	<u>324,432</u>	<u> </u>		<u>324,432</u>
Totals at historical cost	1,505,791	662		1,506,453
Less Accumulated Depreciation				
Buildings/Bldg Improvements	6,807	23,627		30,434
Technology Equipment		77		77
Vehicles				
General Equipment	<u>19,414</u>	<u>26,936</u>		<u>46,350</u>
Total accumulated depreciation	26,221	50,640		76,861
Business-Type Activities Capital Assets – Net	\$1,479,570	\$(49,978)	\$0	\$1,429,592

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

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS

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

Issue Date	Proceeds	Rates
2009	473,000	5.00% - 6.00%
2011	18,380,000	4.50%
2013	205,000	1.50% – 3.625%
2014	635,000	2.80% - 4.00%

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

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

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

The District issued \$635,000 in bonds for the new K-12 School Phase II, Gym, HVAC Renovation and Greenhouse.

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

	Beginning Balance	Additions	Payments	Ending Balance
Bonds	\$18,920,286	\$635,000	\$100,774	\$19,454,512
Sick Leave	\$86,149	16,337	\$88,304	\$14,182
Capital Leases	\$160,340		\$53,395	\$106,945

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

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

Year	Robertson County School		Sinking Fund	SFCC		Sinking Fund	U.S. Treasury	Total
	Principal	Interest		Principal	Interest			
2014-15	32,136	54,938	49,114	15,760	4,307	873,353	803,206	1,832,814
2015-16	32,697	54,920	49,114	16,129	3,938	873,352	803,206	1,833,356
2016-17	33,153	54,000	49,114	16,570	3,498	873,353	803,206	1,832,894
2017-18	38,505	53,029	49,114	17,042	3,025	873,353	803,206	1,837,274
2018-19	37,805	51,930	49,114	17,547	2,520	873,353	803,206	1,835,475
2019-20	39,079	50,781	49,114	18,089	1,977	873,353	803,206	1,835,599
2020-21	36,717	50,055	49,114	3,283	1,668	873,353	803,206	1,817,396
2021-22	36,635	49,047	49,114	3,365	1,586	873,352	803,206	1,816,305
2022-23	36,551	48,041	49,115	3,449	1,502	873,352	803,206	1,815,216
2023-24	36,448	47,005	49,114	3,552	1,398	873,353	803,206	1,814,076
2024-25	41,341	45,971	49,114	3,659	1,292	873,353	803,206	1,817,936
2025-26	41,231	44,381	49,114	3,769	1,182	873,352	803,206	1,816,235
2026-27	41,109	42,778	49,114	3,891	1,059	873,353	803,206	1,814,510
2027-28	18,415,982	29,233	49,114	4,018	933	873,353	401,603	19,774,236
2028-29	60,847	15,884	0	4,153	797	0	0	81,681
2029-30	65,707	13,518	0	4,293	657	0	0	84,175
2030-31	65,551	10,930	0	4,449	502	0	0	81,432
2031-32	70,390	8,347	0	4,610	340	0	0	83,687
2032-33	75,223	5,570	0	4,777	174	0	0	85,744
2033-34	65,000	2,600	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>67,600</u>
	19,302,107	732,958	687,597	152,405	32,355	12,226,938	10,843,281	43,977,641

NOTE F – CAPITAL LEASE PAYABLE

The District leases buses under capital leases with KISTA. The leases expire on various dates from June 2014 through June 2023.

<u>Classes of Property</u>	<u>Book value as of</u> <u>June 30, 2014</u>
Buses	\$ 6,939

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

<u>Year Ending</u> <u>June 30,</u>	<u>Capital Lease</u> <u>Payable</u>
2015	\$ 42,832
2016	30,599
2017	14,207
2018	9,288
2019	7,930
Thereafter	<u>7,932</u>
Total minimum lease payments	\$ 112,788
Less Amount representing interest	(5,843)
Present Value of Net Minimum Lease Payments	\$ 106,945

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

NOTE G – COMMITMENTS UNDER NONCAPITALIZED LEASES

None

NOTE H – RETIREMENT PLANS

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

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

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

Medical Insurance Plan

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

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

Funding policy – In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Member contributions are 2.25% of salary. Also, the premiums collected from retirees as described in the plan and description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.0% of member's salary for the 2013-2014 fiscal year.

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

NOTE H – RETIREMENT PLANS (continued)

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

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

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

	2014	2013	2012
Total payroll	2,015,445	2,360,739	2,445,837
KTRS total payroll	1,588,947	1,890,037	1,965,311
CERS total payroll	360,180	422,434	480,527
Contribution requirement for CERS	91,338	104,656	108,541
District portion - CERS contribution	72,645	82,308	85,670
Employee portion - CERS contribution	18,693	21,165	22,871
KTRS contribution - Commonwealth of KY	182,538	215,152	211,662
KTRS contribution - District Federal Employees	29,545	52,616	49,671

NOTE I – CONTINGENCIES

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

NOTE J – INSURANCE AND RELATED ACTIVITIES

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

NOTE K – ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the district an amount equal to 30% of the value of accumulated sick leave. At June 30, 2014, this amount totaled \$14,182, of which \$0 is restricted in the current year fund balance of the General Fund.

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

NOTE L – INTERFUND RECEIVABLES AND PAYABLES

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

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

NOTE M – RISK MANAGEMENT

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

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

NOTE N – DEFICIT OPERATING/FUND BALANCES

Funds with a current year deficit of revenues over expenditures

Fund 51	(60,441)
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NOTE O – COBRA

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

NOTE P – TRANSFER OF FUNDS

The following transfers were made during the year.

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	320	1	BFFT	55,000
Operating	310	1	COFT	30,202
KETS Match	1	2	KETS Match	4,869
Close Bond Account	400	1	Close Account	356
Debt Service	320	400	Bond Payment	171,435
Bond Proceeds	400	360	Construction	620,155

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

NOTE Q – ON-BEHALF PAYMENTS

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

Health Insurance	\$ 400,684
Life Insurance	836
Administrative Fees	3,943
Health Reimbursement Account	11,112
Federal Reimbursement	(46,862)
KTRS	182,539
Technology On Behalf Payments	27,700
Debt Service On Behalf Payments	<u>951,366</u>
Total On-Behalf Payments	\$ 1,531,318
General Fund	\$ 519,498
Debt Service	951,366
Food Service	<u>60,454</u>
Total On-Behalf Payments	\$ 1,531,318

NOTE R – DEPOSITS AND INVESTMENTS

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

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

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

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

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

NOTE S – KSBIT JUDGMENT

On June 4, 2014, the Franklin Circuit Court issued an order instructing the Rehabilitator to assess the former members of the Kentucky School Boards Insurance Trust Workers' Compensation Fund. The District was assessed \$24,643. The District has elected to pay 25% down, and the balance in equal installments for 6 years.

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

Year Ending <u>June 30,</u>	<u>Amount</u>
2015	\$ 6,161
2016	3,080
2017	3,080
2018	3,080
2019	3,080
Thereafter	<u>6,162</u>
Total	\$ 24,643

NOTE T – GASB 68

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

NOTE U – DISTRICT WIDE UNRESTRICTED FUND BALANCE

The District Wide Unrestricted Fund Balance is a negative \$(1,661,251). During the fiscal year 2013 the General Fund transferred assets to the Food Service Fund totaling \$1,496,683. In addition, the 2011 Bond Series with principal of \$18,380,000 does not have annual principal reduction payments. Instead, payments are made into a Sinking Fund which will accumulate and pay off the principal in fiscal year ending June 30, 2028. The Sinking Fund balance of \$1,898,495 is restricted in the Debt Service Fund. These two items account for the deficit.

NOTE V – RESTATEMENT OF NET POSITION – DISTRICT WIDE

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

June 30, 2013, Original	\$ (288,746)
Removal of Bond Issuance Cost	<u>(255,430)</u>
June 30, 2013 Restated	\$ (544,176)

SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	501,500	501,500	520,132	18,632
Other Local Sources	300	8,200	20,575	12,375
State Sources	1,512,809	1,644,865	2,177,429	532,564
Federal Sources	<u>15,000</u>	<u>15,000</u>	<u>17,211</u>	<u>2,211</u>
TOTAL REVENUES	2,029,609	2,169,565	2,735,347	565,782
EXPENDITURES				
Instruction	1,051,194	1,094,763	1,470,724	(375,961)
Support Services				
Student	93,668	103,679	93,916	9,763
Instructional Staff	48,494	26,623	36,010	(9,387)
District Administration	407,843	434,608	444,630	(10,022)
School Administration	87,716	87,716	107,867	(20,151)
Business	45,660	45,660	80,368	(34,708)
Plant Operation and Maintenance	113,285	132,838	325,187	(192,349)
Student Transportation	165,669	159,943	193,124	(33,181)
Debt Service	27,510	27,510	27,510	0
Contingency	<u>17,772</u>	<u>217,079</u>		<u>217,079</u>
TOTAL EXPENDITURES	2,058,811	2,330,419	2,779,336	(448,917)
Excess (Deficit) of Revenues Over Expenditures	(29,202)	(160,854)	(43,989)	116,865
OTHER FINANCING SOURCES (USES)				
Sale of Assets	0	20,000	18,814	(1,186)
Loss Compensation	0	0	160,756	160,756
Operating Transfers In	89,202	85,204	85,558	354
Operating Transfers Out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(4,869)</u>	<u>131</u>
TOTAL OTHER FINANCING SOURCES (USES)	84,202	100,204	260,259	160,055
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	55,000	(60,650)	216,270	276,920
Fund Balance, July 1, 2013	<u>(55,000)</u>	<u>60,650</u>	<u>60,650</u>	<u>0</u>
Fund Balance, June 30, 2014	\$0	\$0	\$276,920	\$276,920

On-Behalf payments are not budgeted. Both revenues and expenditures are equally increased by the amount of on-behalf payments totaling \$519,498.

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
REVENUES				
State Sources	\$148,584	\$166,716	\$179,927	13,211
Federal Sources	236,670	360,655	401,176	40,521
Local Sources	<u>0</u>	<u>139,790</u>	<u>20,806</u>	<u>(118,984)</u>
TOTAL REVENUES	385,254	667,161	601,909	(65,252)
EXPENDITURES				
Instruction	279,944	511,106	428,219	82,887
Support Services				
Student Support	9,901			
Instructional Staff	1,400	4,027	3,895	132
District Administration	33,010	16,893	26,296	(9,403)
School Administration	0	37,234	37,234	0
Business	10,000	3,908	9,363	(5,455)
Student Transportation	0	0	30	(30)
Community Service Operations	<u>55,999</u>	<u>101,741</u>	<u>101,741</u>	<u>0</u>
TOTAL EXPENDITURES	390,254	674,909	606,778	68,131
Excess (Deficit) of Revenues Over Expenditures	(5,000)	(7,748)	(4,869)	2,879
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	5,000	5,000	4,869	(131)
TOTAL OTHER FINANCING SOURCES (USES)	5,000	5,000	4,869	(131)
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	0	(2,748)	0	2,748
Restricted Fund Balance, July 1, 2013	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Restricted Fund Balance, June 30, 2014	\$0	(\$2,748)	\$0	\$2,748

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

	SEEK Capital Outlay Fund	Building Fund	Total
ASSETS AND RESOURCES			
Cash and equivalents	\$3,180	\$7,800	\$10,980
TOTAL ASSETS AND RESOURCES	\$3,180	\$7,800	\$10,980
FUND BALANCES			
Restricted - SFCC	\$1,063	1	\$1,064
Restricted - Other	<u>2,117</u>	<u>7,799</u>	<u>9,916</u>
TOTAL FUND BALANCES	3,180	7,800	10,980
TOTAL LIABILITIES AND FUND BALANCES	\$3,180	\$7,800	\$10,980

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

	SEEK Capital Outlay Fund	Building Fund	Total
REVENUES			
Property taxes	\$0	\$86,856	\$86,856
Interest on investments	18	50	68
Intergovernmental-State	<u>32,301</u>	<u>147,328</u>	<u>179,629</u>
TOTAL REVENUES	32,319	234,234	266,553
EXPENDITURES			
Debt service and miscellaneous		<u>0</u>	<u>0</u>
TOTAL EXPENDITURES		0	0
Excess (deficit) revenues over expenditures	32,319	234,234	266,553
OTHER FINANCING SOURCES (USES)			
Operating transfers out	<u>(30,202)</u>	<u>(226,435)</u>	<u>(256,637)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(30,202)	(226,435)	(256,637)
Excess (deficit) revenues and other financing sources over expenditures and other financing uses	2,117	7,799	9,916
Restricted Fund Balance, July 1, 2013	<u>1,063</u>	<u>1</u>	<u>1,064</u>
Restricted Fund Balance, June 30, 2014	\$3,180	\$7,800	\$10,980

ROBERTSON COUNTY SCHOOL DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
 ROBERTSON COUNTY SCHOOL
 For The Year Ended June 30, 2014

	Cash Balances July 1, 2013	Receipts	Disbursements	Cash Balances June 30, 2014	Accounts Receivable June 30, 2014	Accounts Payable June 30, 2014	Due To Student Groups June 30, 2014
	\$244	\$50	\$294	\$0	\$0	\$0	\$0
Ag Shop	17		17	0			0
Allison, K.							
Annals	2,970	2,451	1,877	3,544			3,544
Armstrong, K.	665	767	1,205	227			227
Athletics	15,546	45,421	51,627	9,340			9,340
Band	671		434	237			237
Bane	551	300	113	738			738
Beta Club	280	2,570	2,341	509			509
Boyd, T.	675		675	0			0
Brown, J.	1,642	300	1,925	17			17
Brrumagen, K.	203	1,231	1,164	270			270
Carnival	227	11,991	11,907	311			311
Cheerleaders	1,631	4,767	5,466	932			932
CL 2014 (Stewart)	4,415	10,201	14,616	0			0
CL 2015 (J. Brown)	12,541	10,179	4,314	18,406			18,406
CL 2016 (Bane/Collins)	2,145	1,501	714	2,932			2,932
CL 2017 (B. Howard)	2,055	2,174	1,011	3,218			3,218
CL 2018 (A. Massey)	1,113	3,605	1,387	3,331			3,331
CL 2019 (K. Armstrong)	0	461	370	91			91
CL2020 (T. Miller)	0	170	170	0			0
Collins, R.	366	300	398	268			268
Counselor	55		55	0			0
Elementary Acct. (Linville)	0	356	356	0			0
FCCLA	2,575	13,478	13,994	2,059			2,059
FFA	1,974	13,790	14,382	1,382			1,382
FRYSC	556	2,006	2,050	512			512
Fun Friday	258	664	922	0			0
Gearup (B. Emmons)	0	640	516	124			124
General	917	2,658	2,733	842			842
Gifford J. (FACS)	84	359	266	177			177
Graves, C.	259	300	58	501			501
Gray, T.	560	1,201	1,074	687			687
Greenhouse	6,589	5,535	7,102	5,022			5,022
Henderson, L.	1,095	300		1,395			1,395
Howard, B.	369	300		669			669
HS Teachers	534	300	534	0			0
Hudgins, A.	0	300	299	1			1

ROBERTSON COUNTY SCHOOL DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
 ROBERTSON COUNTY SCHOOL
 For The Year Ended June 30, 2014

	Cash Balances Beginning	Receipts	Disbursements	Cash Balances Ending	Accounts Receivable	Accounts Payable	Due To Student Groups Ending
Inferno (C. Graves)	537	829	998	368			368
Isaac, J.	70		70	0			0
Ishmael, L.	106	1,118	807	417			417
Johnson, T.	446	150	192	404			404
Jr. Beta Club	0	775	761	14			14
King, K.	34	1,950	1,327	657			657
Leslie, D.	1,300	300	1,293	307			307
Library	259	449	708	0			0
Linville, H.	26	3,537	3,096	467			467
Livestock Barn	1,024	2,197	2,507	714			714
Massey, A.	523	300	479	344			344
Massey, G.	4	1,420	1,115	309			309
Middle School R/M	0	4,602	4,201	401			401
Miller, T.	1,816	300	616	1,500			1,500
Primary Fund	1,921	14,817	16,181	557			557
Project Prom	212			212			212
Roberts, K.	17	752	278	491			491
Schalch, R.	27	1,774	1,471	330			330
Scholarship (Dryden)	125,242	114	30,188	95,168			95,168
Speech	255			255			255
Stewart, C.	855	580	1,356	79			79
Student Awarads	0	696		696			696
Tech/FBLA	1,502	520	356	1,666			1,666
Tournament-Girls	1,999		1,999	0			0
Underwood, J.	534	300	137	697			697
Underwood, A.	126			126			126
Underwood-sub acct.	0	650	386	264			264
Woods, T.	199	1,128	984	343			343
Gaming	0	10,213	9,834	379			379
Zoo	194	0	194	0			0
Subtotal	203,010	189,797	227,900	164,907	0	0	164,907
Transfers		(18,849)	(18,849)				
Totals	203,010	170,948	209,051	164,907	0	0	164,907

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

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through Kentucky Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	7750002 14	\$87,887
National School Lunch Program	10.555	7750002 13	20,832
School Breakfast Program	10.553	7760005 14	57,896
School Breakfast Program	10.553	7760005 13	14,442
Commodities	10.555	Not Provided	<u>11,124</u>
Total Child Nutrition Cluster			192,181
TOTAL U.S. DEPARTMENT OF AGRICULTURE			192,181
<u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education			
Improving America's School Act of 1994			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	3100002 13	119,208
Title I Grants to Local Educational Agencies	84.010	3100202 12	<u>45,887</u>
		subtotal	165,095
Special Education Cluster (IDEA)			
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 13	71,622
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002 13	<u>3,022</u>
		subtotal	74,644
Improving Teacher Quality State Grants	84.367	3230002 13	23,223
Career and Technical Education - Basic Grants to States			
Perkins IV	84.048	4621332 12	215
Perkins Carryforward	84.048	4621232 13	<u>4,093</u>
		subtotal	4,308

The accompanying notes are an integral part of this schedule

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

Federal Grantor/Passed-Through Grantor <u>Program or Cluster Title</u>	Federal <u>CFDA Number</u>	Pass Through Grantor's <u>Number</u>	Federal <u>Expenditures</u>
<u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education			
Twenty-First Century Community Learning Centers	84.287	3400002 10	60,000
Twenty-First Century Community Learning Centers	84.287	3400002 11	<u>1,000</u>
		subtotal	61,000
Race To The Top	84.413A	3960002 11	2,877
Direct through U.S. Department of Education			
Rural Education Achievement Program	84.358A	S358A120590	<u>11,334</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			342,481
Appalachian Regional Commission			
Pass through Morehead State University			
KY Appalachian Higher Education Center (KY AHED)	23.011	46-0200-0-1-452	615
Direct through Appalachian Regional Commission			
Appalachian Area Development	23.002	KY-17562-13	<u>58,080</u>
TOTAL APPALACHIAN REGIONAL COMMISSION			58,695
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$593,357

The accompanying notes are an integral part of this schedule

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

Note 1 – Basis of Presentation

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

Note 2 – Summary of Significant Accounting Policies

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

Note 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities disbursed, totaling \$11,124.

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

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

(for a Governmental Entity)

(No Material Weaknesses Identified, No Significant Deficiencies Identified,
No Reportable Instances of Noncompliance, or Other Matters Identified)

Independent Auditor's Report

State Committee For School District Audits
Members of the Board of Education
Robertson County School District
Mt. Olivet, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the provisions of Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-profit Organizations, and the audit requirement prescribed by the Kentucky Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Robertson County Board of Education as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 24, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

I noted certain matters that I reported to management of the District in a separate letter dated October 24, 2014.

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.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
October 24, 2014

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

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

INDEPENDENT AUDITOR'S REPORT

State Committee For School District Audits
Members of the Board of Education
Robertson County School District
Mt. Olivet, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of Robertson County School District as of and for the year ended June 30, 2014, and have issued our report thereon dated October 24, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of

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

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
October 24, 2014

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

Section I – Summary of Auditor’s Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting

Material weakness(es) identified? yes no

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

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

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

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

Identification of major programs

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

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

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

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

PRIOR YEAR – FINANCIAL STATEMENT FINDINGS

None were reported last year

PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None were reported last year

MANAGEMENT LETTER

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

Robertson County Board of Education
Mt. Olivet, Kentucky

We have audited the financial statements of the Robertson County School District for the year ended June 30, 2014 and have issued our report thereon dated October 24, 2014. As part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary for expressing an opinion on the system of internal accounting control taken as a whole.

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

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

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

The following items from last year's management letter points were corrected during the current fiscal year as outlined in the District's response: 2013-01, 2013-02, 2013-03, 2013-04, 2013-05, 2013-07, 2013-08, 2013-09, 2013-10, 2013-11, 2013-12, 2013-13, 2013-15.

The following items from last year's management letter points were not corrected: 2013-06, 2013-14, 2013-16, 2013-17.

Denise M. Keene
October 24, 2014

CURRENT YEAR MANAGEMENT POINT

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

ROBERTSON COUNTY SCHOOL

2014-001

According to the "Accounting Procedures for Kentucky School Activity Funds" (the Red Book), "to initiate a purchase a Purchase Order (Form F-SA-7) shall be prepared and approved by the sponsor and principal before the payment is obligated." Testing disclosed that 6 out of 29 invoices had dates prior to the approval date, Management should emphasize to all staff that purchases **must** be approved before the purchase is initiated. **This is a repeat finding from last year.**

Management's response:

Management **MUST** emphasize to all staff that purchases will be approved before the purchase is initiated. A staff training will be held to communicate the necessity of this procedure.

2014-002

According to Board policy, "Two (2) signatures shall be required on each check drawn against school activity funds, neither of which may be a signature stamp". Testing disclosed two (2) checks with only one signature. The Principal and treasurer should confirm that two (2) signatures before releasing a check. **This is a repeat finding from last year.**

Management's response:

This item is totally the fault of management and checks will be checked and double-checked for signatures in the future.

2014-003

The financial report does not included two (2) savings accounts, two (2) certificates of deposits and a gaming account. The annual financial report ending balance was understated by \$104,116. All accounts should be included in the annual financial report. **This is a repeat finding from last year.**

Management's response:

The Dryden Scholarship CD's will be researched as to maturity dates and possible liquidated into the District Scholarship Fund and spent appropriately. There is also a Dryden savings account which will also be deposited into the District Fund. The Charitable Gaming account and Athletic Savings accounts will both be included in monthly reports.

2014-004

The revised Red Book effective July 1, 2013 does not allow expenditures for operational costs. There were 10 out of 29 expenditures tested not allowed because they were for operational costs. The school treasurer and principal should not approve purchases that are not allowed by the Red Book.

Management's response:

Room funds will be transferred to the District level so that expenses will be allowable.