

**ROCKCASTLE COUNTY
SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 2014

Prepared by:

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TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2014

	<u>Page</u>
Independent Auditor’s Report	1-3
Management’s Discussion & Analysis (MD&A).....	4-10
Statement of Net Position.....	11
Statement of Activities.....	12
Balance Sheet-Governmental Funds.....	13
Reconciliation of the Balance Sheet- Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - General Fund	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Fund.....	18
Statement of Net Position – Proprietary Funds.....	19
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	20
Statement of Cash Flows – Proprietary Funds.....	21
Statement of Fiduciary Net Position – Fiduciary Funds.....	22
Notes to the Financial Statements.....	23-38

TABLE OF CONTENTS (CONTINUED)

Supplemental Schedules

Combining Balance Sheet – Nonmajor Governmental Funds	39
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	40
Combining Balance Sheet of School Activity Funds.....	41
Combining Statement of Revenues, Expenses, and Changes in Fund Balance - School Activity Funds	42
Statement of Revenues, Expenses, and Changes in Fund Balance – Rockcastle County High School.....	43
Notes to the Schedule of Expenditures of Federal Awards.....	44
Schedule of Expenditures of Federal Awards.....	45-46
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47-48
Independent Auditor’s Report on Compliance For Each Major Program and on Internal Control Over Compliance Required OMB Circular A-133.....	49-50
Schedule of Findings and Questioned Costs.....	51
Summary Schedule of Prior Audit Findings.....	52



INDEPENDENT AUDITOR'S REPORT

To the Rockcastle County Board of Education and
State Committee for School District Audits
Mount Vernon, 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 Rockcastle County School District (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Auditor Responsibilities and State Compliance Requirements sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The additional supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2014, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

White & Associates, P.C.

Richmond, Kentucky
October 23, 2014

**ROCKCASTLE COUNTY SCHOOL DISTRICT-MOUNT VERNON,
KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2014**

The management of Rockcastle County School District offers the readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30th, 2014. We encourage readers to review the information found within the body of the audit.

Financial Highlights

The beginning fund balance for the General Fund was \$3,996,585. The year ended with a balance of \$3,917,885. This was a decrease of \$78,700.

The school district continues a concentrated effort to build and maintain facilities that are state of the art and well maintained. The district composes of three elementary schools (grades P-5), one middle school (grades 6-8), one high school (grades 9-12), one area technology center school (grades 9-12), and an alternative school (grades 6-12) in addition to a central office, an adult education center and a central teaching and training center.

The board initiated no new major construction projects or issued bonds in fiscal 2014.

The school district continues the commitment of maintaining salaries for all staff at a level for the average of each classification of staff to be at least the average for the surrounding school districts within the region.

During fiscal 2014, the district continued to be impacted by the declining economy through various funding sources. One item that impacts the district financially, as with all Kentucky School Districts is the fact that several grants received are being funded at constant or lesser levels. Also, the fact that maintaining staff at constant levels requires substantial increases in expenditures due to longevity incremental increases and teacher rank changes.

Bonds are issued consistent with the districts long-range facilities plan that has been established with community input and in keeping with the Kentucky Department of Education stringent compliance regulations. The following is an analysis of debt activity for the year:

Outstanding Debt at Year-End
(in Millions)

	Government Activities	
	2013	2014
	<u>2013</u>	<u>2014</u>
General Obligation Bonds	\$ 7.42	\$ 6.64

The following is an analysis of capital asset activity for the year:

**ROCKCASTLE COUNTY SCHOOL DISTRICT-MOUNT VERNON,
KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2014**

Capital Assets at Year-End FY2014
(In Millions)

	Governmental Activities		Business Type Activities		Totals	
	2013	2014	2013	2014	2013	2014
Land and Improvements	1.84	1.84	-		1.84	1.84
Buildings & Improvements	41.11	42.40	0.88	0.88	41.99	43.28
Technology Equipment	0.96	0.96	0.04		1.00	0.96
Vehicles	4.56	5.01	0.48	0.04	5.04	5.05
General Equipment	0.34	0.34	-	0.49	0.34	0.83
Construction In Progress	1.29	-	-		1.29	-

The general fund had \$21,821,942 in revenue, excluding inter-fund transfers and proceeds from the sales of assets, which primarily consisted of state program (SEEK) and property, utilities, and motor vehicle taxes. Excluding transfers, there was \$22,038,620 in General Fund expenditures.

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

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

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

The government-wide financial statements outline functions of the District that are primarily supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and

**ROCKCASTLE COUNTY SCHOOL DISTRICT-MOUNT VERNON,
KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2014**

maintenance of plant, student transportation, and operation of non-instructional services. Fixed asset acquisitions and related debt are also supported by taxes and intergovernmental revenues.

The government wide-financial statements can be found on the table of contents of this report.

Fund financial statement. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. There 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, and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds are our food service and day care operations. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on the table of contents of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District used 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.

The School District as a Whole

There has been a slight decrease in the financial position of the District since the prior year. Unrestricted net position decreased by \$164,729 from the prior year.

**ROCKCASTLE COUNTY SCHOOL DISTRICT-MOUNT VERNON,
KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2014**

	<u>2014</u>	<u>2013</u>
Current and other assets	\$6,146,767	\$5,990,837
Capital assets	<u>29,996,415</u>	<u>30,849,999</u>
Total Assets	<u><u>\$36,143,182</u></u>	<u><u>\$36,840,836</u></u>
Deferred Outflows	\$180,406	
Current liabilities	\$1,415,074	\$1,448,904
Non current liabilities	<u>5,994,444</u>	<u>6,692,735</u>
Total Liabilities	<u><u>\$7,409,518</u></u>	<u><u>\$8,141,639</u></u>
Investment in capital assets, net of related debt	\$23,536,820	\$23,429,999
Restricted net position	1,653,037	1,380,256
Unrestricted net position	<u>3,724,213</u>	<u>3,888,942</u>
Total Net Position	<u><u>\$28,914,070</u></u>	<u><u>\$28,699,197</u></u>

The following is an analysis of changes in net position for 2013 and 2014.

SEE SCHEDULE ON NEXT PAGE

**ROCKCASTLE COUNTY SCHOOL DISTRICT-MOUNT VERNON,
KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2014**

Table 2
Changes in Net Position
(in millions)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2013-2014
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	
Revenues:							
Charges for services	\$ -	\$ 0.23	\$ 0.35	\$ 0.30	\$ 0.35	\$ 0.53	54%
Operating grants and contributions	8.52	3.35	1.38	1.36	9.90	4.71	-52%
Capital grants and contributions	1.36	1.12			1.36	1.12	-18%
General revenues	17.53	21.71	0.00	0.00	17.53	21.71	24%
Total revenue	27.41	26.41	1.73	1.66	29.14	28.07	-4%
Expenses:							
Instruction	\$ 17.60	\$ 15.57			\$17.60	\$15.57	-12%
Student	1.18	1.25			1.18	1.25	6%
Instructional staff	1.70	1.23			1.70	1.23	-27%
District administration	0.60	0.64			0.60	0.64	6%
School administration	1.23	1.27			1.23	1.27	3%
Business	0.26	0.21			0.26	0.21	-18%
Plant operation & maintenance	2.30	2.27			2.30	2.27	-1%
Student transportation	2.33	2.07			2.33	2.07	-11%
Food Service Operations			1.81	1.73	1.81	1.73	-4%
Other instructional					-	-	#DIV/0!
Community services operations	0.31	0.30			0.31	0.30	-1%
Loss on retirement of assets						-	
Land Improvements					-	-	0%
Amortization		0.03				0.03	
Depreciation		1.20		0.04	-	1.24	#DIV/0!
Interest on long-term debt	0.23	0.22			0.23	0.22	-5%
Extraordinary Item Transfers						-	
Total Expenses	\$ 27.72	\$ 26.26	\$ 1.81	\$ 1.77	\$29.53	\$28.02	-5%
Change in net position	\$ (0.32)	\$ 0.16	\$ (0.08)	\$ (0.11)	\$(0.40)	\$ 0.05	113%

**ROCKCASTLE COUNTY SCHOOL DISTRICT-MOUNT VERNON,
KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2014**

The following table presents a fund accounting comparison and summary of revenue and expense for Government Funds only for the fiscal years 2013 & 2014.

	2014	2013
Revenue and other financing sources		
Local revenue sources	\$3,319,168	\$3,244,736
State revenue sources	20,596,404	21,378,649
Federal revenue	2,501,545	2,768,201
Total Revenue	\$26,417,117	\$27,391,586
Expenditures and other financing uses		
Instruction	\$15,587,030	\$16,744,589
Student support services	1,254,003	1,180,007
Instructional support	1,231,629	1,690,159
District administration	635,603	591,065
School administration	1,265,752	1,226,287
Business operations	211,343	255,978
Plant operation and maintenance	2,271,962	2,288,804
Student transportation	2,517,967	2,378,306
Other instructional	0	0
Community services	304,551	307,385
Debt service	999,956	1,212,070
Building acquisitions and construction	0	0
Site improvement	0	0
Total expenditures	\$26,279,796	\$27,874,650
Other financing sources (uses)		
Bond proceeds	\$0	\$0
Transfers in	855,099	1,409,802
Transfers out	-855,099	-1,409,802
Proceeds from sale of assets	5,918	15,580
Total other financing sources (uses)	\$5,918	\$15,580
Net change in fund balance	\$143,239	-\$467,484

On behalf payments are included in the previous page amounts. On-behalf, as defined by the KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, retirement, and administration fees. The on-behalf payments are allocated to expense as mandated by the KDE and are credited to revenue; therefore, have no effect on the District's level fund balance.

**ROCKCASTLE COUNTY SCHOOL DISTRICT-MOUNT VERNON,
KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED June 30, 2014**

BUDGETARY IMPLICATION

In Kentucky, the public school district's fiscal year is July 1 through June 30; however, other programs, such as, some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency (recommend 5% minimum). The District adopted a budget for 2013-2014 with \$1,845,960 in the contingency fund, which is an 8% contingency in an attempt to maintain present staffing levels for as long as possible. Items of note that impacts the District budget includes increased salary and salary fixed costs, less revenue flow to the District, the need for improving programming and meeting the academic audit standards. In addition, the fact that the local board of education constantly reacts toward showing a strong commitment in providing resources for high level instructional strategies that are researched based. Also, the board maintains a commitment towards state of the art facilities which dictates a better learning environment for students. Significant variations in the actual results of operations and the final budget are primarily due to on-behalf payments that are included in the financial statements, but are not budgeted by the District.

Questions regarding this report should be directed to the Superintendent at (606) 256-2125 or to the Finance Officer, Jason Coguer at (606) 256-2125 or by mail at Rockcastle County Schools, 245 Richmond Street, Mount Vernon, Kentucky 40456.

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

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 615,970	\$ 60,058	\$ 676,028
Investments	4,525,000		4,525,000
Receivables (net)	927,893		927,893
Inventories		17,847	17,847
Capital assets:			
Land, improvements, and construction in progress	658,955		658,955
Other capital assets, net of depreciation	28,754,431	583,029	29,337,460
Total capital assets	29,413,386	583,029	29,996,415
Total assets	35,482,249	660,933	36,143,182
DEFERRED OUTFLOWS OF RESOURCES			
Loss for the difference in reacquisition and carrying value of refunding debt	180,406		180,406
LIABILITIES			
Accrued interest payable	54,228		54,228
Accounts payable	516,743	1,377	518,120
Unearned revenue	57,726		57,726
Long-term liabilities:			
Due within 1 year:			
Bond obligations	785,000		785,000
Total due within 1 year	785,000	-	785,000
Due in more than 1 year:			
Bond obligations	5,855,000		5,855,000
KSBIT payable	101,852		101,852
Sick leave	37,592		37,592
Total due in more than 1 year	5,994,444	-	5,994,444
Total liabilities	7,408,141	1,377	7,409,518
NET POSITION			
Net Investment in capital assets	22,953,792	583,029	23,536,821
Restricted for:			
Expendable restricted for capital projects	1,576,509		1,576,509
Expendable restricted for food services		76,528	76,528
Unrestricted	3,724,213		3,724,213
Total net position	\$ 28,254,514	\$ 659,556	\$ 28,914,070

See the accompanying notes to the financial statements.

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	\$ 15,571,887	\$ 234,247	\$ 2,405,625	\$	\$ (12,932,015)		\$ (12,932,015)
Support Services							
Student	1,254,003		93,809		(1,160,194)		(1,160,194)
Instructional Staff	1,231,629		272,211		(959,417)		(959,417)
District Administration	635,603				(635,603)		(635,603)
School Administration	1,265,752				(1,265,752)		(1,265,752)
Business	211,343				(211,343)		(211,343)
Plant Operation & Maintenance	2,271,963			933,889	(1,338,074)		(1,338,074)
Student Transportation	2,066,060		265,879		(1,800,181)		(1,800,181)
Food Services			315,010		315,010		315,010
Community Services Operations	304,551				(304,551)		(304,551)
Amortization	29,957				(29,957)		(29,957)
Depreciation	1,199,308				(1,199,308)		(1,199,308)
Interest on general long-term debt	219,275			186,067	(33,208)		(33,208)
Total governmental activities	<u>26,261,329</u>	<u>234,247</u>	<u>3,352,535</u>	<u>1,119,956</u>	<u>(21,554,592)</u>		<u>(21,554,592)</u>
Business-type activities:							
Food service operations	1,734,033	298,304	1,360,073			\$ (75,655)	(75,655)
Depreciation	36,346					(36,346)	(36,346)
Total business-type activities	<u>1,770,379</u>	<u>298,304</u>	<u>1,360,073</u>	<u>-</u>	<u>-</u>	<u>(112,002)</u>	<u>(112,002)</u>
Total primary government	\$ <u>28,031,708</u>	\$ <u>532,551</u>	\$ <u>4,712,608</u>	\$ <u>1,119,956</u>	<u>(21,554,592)</u>	<u>(112,002)</u>	<u>(21,666,593)</u>
General revenues:							
Taxes:							
Property taxes					1,744,305		1,744,305
Motor vehicle taxes					387,747		387,747
Utility taxes					839,242		839,242
State and formula grants					18,625,459		18,625,459
Sale of equipment					5,918		5,918
Unrestricted investment earnings					113,627	1,647	115,274
Total general revenues					<u>21,716,297</u>	<u>1,647</u>	<u>21,717,944</u>
Change in net position					161,705	(110,355)	51,351
Net position - beginning					27,929,286	769,911	28,699,197
Prior period adjustment					163,523		163,523
Restated net position - beginning					<u>28,092,809</u>	<u>769,911</u>	<u>28,862,720</u>
Net position - ending					\$ <u>28,254,514</u>	\$ <u>659,556</u>	\$ <u>28,914,070</u>

See the accompanying notes to the financial statements.

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

Governmental Funds						
	General	Special Revenue	Construction Fund	Debt Service Fund	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$	\$ -	\$ 1,174,177	\$ -	\$ 402,332	\$ 1,576,509
Investments	4,525,000					4,525,000
Receivables, net						
Taxes-current	135,528					135,528
Taxes-delinquent	171,698					171,698
Intergovernmental		620,667				620,667
Total assets	4,832,226	620,667	1,174,177	-	402,332	7,029,401
LIABILITIES						
Cash shortage	(416,808)	543,730				126,922
Accounts payable	497,532	19,211				516,743
Unearned revenue		57,726				57,726
Total liabilities	80,724	620,667	-	-	-	701,391
FUND BALANCE						
Restricted			1,174,177		402,332	1,576,509
Unassigned	3,917,885					3,917,885
Total fund balance	\$ 3,917,885	\$ -	\$ 1,174,177	\$ -	\$ 402,332	\$ 5,494,394

See the accompanying notes to the financial statements.

Rockcastle County School District
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
 June 30, 2014

Total fund balance per fund financial statements	\$	5,494,394
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>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.</p>		29,413,386
<p>Capitalized the bond issue costs of the sale/refunding bonds and amortized over the life of the refunded bond.</p>		180,406
<p>Certain liabilities are not reported in the fund financial statement because they are not due and payable, but they are presented in the statement of net position as follows:</p>		
Accrued interest payable		(54,228)
Bonds payable		(6,640,000)
KSBIT payable		(101,852)
Noncurrent sick leave payable		(37,592)
Net position of governmental activities	\$	28,254,514

See the accompanying notes to the financial statements.

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

	<u>General</u>	<u>Special Revenue</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
From Local Sources						
Taxes						
Property	\$ 1,486,973	\$ -	\$ -	\$ -	\$ 257,332	\$ 1,744,305
Motor vehicle	387,747					387,747
Utilities	839,242					839,242
Earnings on investments	93,521	2,229	17,877			113,627
Other local revenue	215,140	19,107				234,247
Intergovernmental - state	18,625,459	850,989		186,067	933,889	20,596,404
Intergovernmental - federal	173,861	2,327,684				2,501,545
Total revenues	<u>21,821,942</u>	<u>3,200,009</u>	<u>17,877</u>	<u>186,067</u>	<u>1,191,221</u>	<u>26,417,117</u>
EXPENDITURES						
Instruction	13,261,279	2,325,751				15,587,030
Support Services						
Student	1,163,308	90,694				1,254,003
Instructional Staff	968,456	263,173				1,231,629
District Administration	635,603					635,603
School Administration	1,265,752					1,265,752
Business	211,343					211,343
Plant Operation & Maintenance	2,271,963					2,271,963
Student Transportation	2,260,917	257,051				2,517,967
Community Operations		304,551				304,551
Debt Service				999,956		999,956
Total expenditures	<u>22,038,620</u>	<u>3,241,219</u>	<u>-</u>	<u>999,956</u>	<u>-</u>	<u>26,279,796</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(216,678)	(41,210)	17,877	(813,889)	1,191,221	137,321
OTHER FINANCING SOURCES (USES)						
Sale of equipment	5,918					5,918
Operating transfers in		41,210		813,889		855,099
Operating transfers (out)			(41,210)		(813,889)	(855,099)
Total other financing sources and (uses)	<u>5,918</u>	<u>41,210</u>	<u>(41,210)</u>	<u>813,889</u>	<u>(813,889)</u>	<u>5,918</u>
NET CHANGE IN FUND BALANCE	(210,760)	-	(23,333)	-	377,332	143,239
FUND BALANCE-BEGINNING	3,996,586	-	1,197,510		25,000	5,219,096
PRIOR PERIOD ADJUSTMENT	132,059					132,059
RESTATED FUND BALANCE-BEGINNING	<u>4,128,645</u>	<u>-</u>	<u>1,197,510</u>	<u>-</u>	<u>25,000</u>	<u>5,351,155</u>
FUND BALANCE-ENDING	<u>\$ 3,917,885</u>	<u>\$ -</u>	<u>\$ 1,174,177</u>	<u>\$ -</u>	<u>\$ 402,332</u>	<u>\$ 5,494,394</u>

See the accompanying notes to the financial statements.

Rockcastle County School District
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities**
 Year ended June 30, 2014

Net change in total fund balances per fund financial statements	\$	143,239
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		(747,401)
<p>The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue, and the bond issuance costs associated with the sale of bonds amortized over the life of the bonds.</p>		(29,957)
<p>Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.</p>		780,000
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
Accrued interest payable		682
Other		(1)
Noncurrent sick leave payable		15,143
		15,143
Change in net position of governmental activities	\$	161,705

See the accompanying notes to the financial statements.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From Local Sources				
Taxes				
Property	\$ 1,468,000	\$ 1,468,000	\$ 1,486,973	\$ 18,973
Motor vehicle	285,000	285,000	387,747	102,747
Utilities	725,000	725,000	839,242	114,242
Earnings on investments	100,000	100,000	93,521	(6,479)
Other local revenue	116,000	116,000	215,140	99,140
Intergovernmental - state	18,821,724	18,821,724	18,625,459	(196,265)
Intergovernmental - federal	60,000	60,000	173,861	113,861
Total revenues	<u>21,575,724</u>	<u>21,575,724</u>	<u>21,821,942</u>	<u>246,218</u>
EXPENDITURES				
Instruction	14,833,834	14,833,834	13,261,279	1,572,555
Support Services				
Student	1,120,550	1,120,550	1,163,308	(42,758)
Instructional Staff	1,110,294	1,110,294	968,456	141,839
District Administration	723,469	723,469	635,603	87,866
School Administration	1,241,235	1,241,235	1,265,752	(24,517)
Business	242,880	242,880	211,343	31,537
Plant Operation & Maintenance	2,285,025	2,285,025	2,271,963	13,062
Student Transportation	2,174,062	2,174,062	2,260,917	(86,855)
Total expenditures	<u>23,731,350</u>	<u>23,731,350</u>	<u>22,038,620</u>	<u>1,692,729</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(2,155,626)	(2,155,626)	(216,678)	1,938,948
OTHER FINANCING SOURCES (USES)				
Sale of equipment	5,000	5,000	5,918	918
Total other financing sources and (uses)	<u>5,000</u>	<u>5,000</u>	<u>5,918</u>	<u>918</u>
NET CHANGE IN FUND BALANCE	(2,150,626)	(2,150,626)	(210,760)	1,939,866
FUND BALANCE-BEGINNING	3,996,586	3,996,586	3,996,586	-
Prior Period Adjustment			132,059	132,059
FUND BALANCE-ENDING	<u>\$ 1,845,960</u>	<u>\$ 1,845,960</u>	<u>\$ 3,917,885</u>	<u>\$ 2,071,925</u>

See the accompanying notes to the financial statements.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From Local Sources				
Other local revenue	\$ -	\$ -	\$ 19,107	\$ 19,107
Earnings on investments			2,229	
Intergovernmental - state	784,654	788,296	850,989	62,693
Intergovernmental - federal	2,119,390	2,294,575	2,327,684	33,109
Total revenues	<u>2,904,044</u>	<u>3,082,871</u>	<u>3,200,009</u>	<u>114,909</u>
EXPENDITURES				
Instruction	1,994,543	2,187,634	2,325,751	(138,116)
Support Services				
Student	88,056	77,556	90,694	(13,138)
Instructional Staff	328,460	323,572	263,173	60,399
Student Transportation	189,558	189,558	257,051	(67,493)
Community Services Operations	303,427	304,551	304,551	(0)
Other Instructional				-
Total expenditures	<u>2,904,044</u>	<u>3,082,871</u>	<u>3,241,219</u>	<u>(158,348)</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	-	-	(41,210)	(43,439)
OTHER FINANCING SOURCES (USES)				
Operating transfers in			41,210	41,210
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>41,210</u>	<u>41,210</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE-BEGINNING	-	-	-	-
FUND BALANCE-ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying notes to the financial statements.

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

		School Food Services
ASSETS		
Cash and cash equivalents	\$	60,058
Inventories		17,847
Capital assets:		
Other capital assets, net of depreciation		<u>583,029</u>
Total assets		<u><u>660,933</u></u>
LIABILITIES		
Accounts payable		<u>1,377</u>
Total liabilities		<u><u>1,377</u></u>
NET POSITION		
Net Investment in capital assets		583,029
Restricted for:		
Expendable Restricted for Food Service		<u>76,528</u>
Total net position	\$	<u><u>659,556</u></u>

See the accompanying notes to the financial statements.

Rockcastle County School District
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2014

		<u>Enterprise Funds</u>
		<u>School Food Services</u>
OPERATING REVENUES		
Lunchroom sales	\$	298,304
Total operating revenues		<u>298,304</u>
OPERATING EXPENSES		
Depreciation		36,346
Food service operations		
Employee services		927,150
Operational expense		806,882
Total operating expenses		<u>1,770,379</u>
Operating income (loss)		<u>(1,472,075)</u>
NONOPERATING REVENUES (EXPENSES)		
Federal grants		1,145,157
State grants		214,917
Earnings from investments		1,647
Total nonoperating revenues		<u>1,361,720</u>
CHANGE IN NET POSITION		(110,355)
NET POSITION-BEGINNING		<u>769,911</u>
NET POSITION-ENDING	\$	<u><u>659,556</u></u>

See the accompanying notes to the financial statements.

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

Enterprise Funds

**School
Food
Services**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$	298,304
Payments to suppliers		(673,281)
Payments to employees		(927,150)
Net cash provided (used) by operating activities		<u>(1,302,128)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Operating grants and contributions		1,360,073
Net cash provided (used) by noncapital financing activities		<u>1,360,073</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of capital assets		(7,210)
Interest		1,647
Net cash provided (used) by investing activities		<u>(5,563)</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

52,383

CASH AND CASH EQUIVALENTS-BEGINNING

7,675

CASH AND CASH EQUIVALENTS-ENDING

\$ 60,058

**Reconciliation of operating income (loss) to net cash used
by operating activities:**

Operating income (loss)	\$	(1,472,075)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation		36,346
Changes in assets and liabilities:		
Receivables		111,019
Inventories		22,894
Accrued expenses		(312)
Net cash used by operating activities	\$	<u><u>(1,302,128)</u></u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$104,954 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$198,807 provided by state government.

See the accompanying notes to the financial statements.

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

		School Activity Funds
		<u> </u>
ASSETS		
Cash and cash equivalents	\$	350,524
Accounts receivable		2,291
		<u> </u>
Total Assets		<u><u>352,815</u></u>
LIABILITIES		
Accounts payable		310
Due to student groups		352,505
		<u> </u>
Total Liabilities		<u>352,815</u>
NET POSITION HELD IN TRUST	\$	<u><u> -</u></u>

See the accompanying notes to the financial statements.

ROCKCASTLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

Rockcastle County Board of Education Finance Corporation

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

Basis of Presentation

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. 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 net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

(A) General Fund

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

(B) Special Revenue (Grant) Fund

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(C) Capital Project Funds

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

SEEK Capital Outlay Fund

The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects as identified in the District's facility plan.

Building (FSPK) Fund

The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy that is required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.

Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling. This is a major fund of the District.

(D) Debt Service Fund

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

(E) Permanent Fund

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

II. Proprietary Funds (Enterprise Funds)

Food Service Fund

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

The District applies all GASB pronouncements to proprietary funds.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

III. Fiduciary Fund Types

(A) Agency Funds

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

Basis of Accounting

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

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

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

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

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. The property tax rates assessed (including exonerations) for the year ended June 30, 2014, to finance the General Fund operations were \$.404 per \$100 valuation of real property, \$.412 per \$100 valuation for business personal property and \$.483 per \$100 valuation for motor vehicles.

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 government activities column of the government-wide financial statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

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

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

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

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

Budgetary Process

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

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

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

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

Cash and Cash Equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Inventories

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

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

Prepaid Assets

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

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgment, the 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.

Fund Balances

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

Nonspendable:	Permanently nonspendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.
Restricted	Legally restricted under legislation, bond authority, or grantor contract.
Committed	Commitments of future funds for specific purposes passed by the Board.
Assigned	Funds that are intended by management to be used for a specific purpose, including encumbrances.
Unassigned	Funds available for any purpose.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Net Position

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

Operating and Non-Operating Revenues and Expenses

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

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

Contributions of Capital

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

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS

The District’s cash and cash equivalents were interest bearing demand accounts at a local bank. Due to the liquidity nature of these accounts the carrying value is the fair market value. Federal Depository Insurance and pledged securities covers all account balances.

		Bank Balance		
<u>Citizens Guaranty Bank</u>	<u>Demand</u>	<u>Time</u>	<u>Total</u>	
FDIC	\$ 26,668	\$ 247,332	\$	274,000
Securities pledged to district	<u>-</u>	<u>2,777,668</u>		<u>2,777,668</u>
Bank balance	\$ <u>26,668</u>	\$ <u>3,025,000</u>	\$	<u>3,051,668</u>
<u>Citizens Guaranty Bank</u>	<u>Demand</u>	<u>Time</u>	<u>Total</u>	
FDIC	\$ 125,000	\$ 125,000	\$	250,000
Securities pledged to district	<u>1,471,855</u>	<u>1,375,000</u>		<u>2,846,855</u>
Bank balance	\$ <u>1,596,855</u>	\$ <u>1,500,000</u>	\$	<u>3,096,855</u>
		Book Balance		
	<u>Cash equivalents</u>	<u>Time</u>		
Governmental Activities	\$ 615,970	\$ 4,525,000		
Business-type Activities	60,058			
Fiduciary Funds				
School Activity Funds	<u>350,524</u>			
Total carrying amount	\$ <u>1,051,552</u>	\$ <u>4,525,000</u>		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE D – CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>
Land	\$ 658,955	\$ -	\$ -	\$ 658,955
Land improvements	1,178,144	-	-	1,178,144
Buildings	41,113,690	1,286,198.30	-	42,399,889
Technology equipment	958,997	-	-	958,997
Vehicles	4,558,204	451,907	-	5,010,111
General equipment	339,224	-	-	339,224
Construction in progress	<u>1,286,198</u>	<u>-</u>	<u>1,286,198</u>	<u>-</u>
Total at historical cost	\$ <u>50,093,412</u>	\$ <u>1,738,105</u>	\$ <u>1,286,198</u>	\$ <u>50,545,319</u>
Less: Accumulated depreciation				
Land improvements	\$ 882,959	\$ 42,652	\$ -	\$ 925,611
Buildings	14,875,970	877,581	-	15,753,550
Technology equipment	850,047	49,382	-	899,429
Vehicles	3,035,254	214,729	-	3,249,984
General equipment	<u>288,395</u>	<u>14,965</u>	<u>-</u>	<u>303,360</u>
Total accumulated depreciation	\$ <u>19,932,625</u>	\$ <u>1,199,308</u>	\$ <u>-</u>	\$ <u>21,131,933</u>
Governmental Activities				
Capital Assets-net	\$ <u>30,160,787</u>	\$ <u>538,797</u>	\$ <u>1,286,198</u>	\$ <u>29,413,386</u>
<u>Business-Type Activities</u>	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>
Buildings	\$ 880,926	\$ -	\$ -	\$ 880,926
Technology equipment	35,760	-	-	35,760
General equipment	<u>483,950</u>	<u>7,210</u>	<u>-</u>	<u>491,160</u>
Total at historical cost	\$ <u>1,400,636</u>	\$ <u>7,210</u>	\$ <u>-</u>	\$ <u>1,407,846</u>
Less: Accumulated depreciation				
Vehicles	399,462	17,353	-	416,815
Technology equipment	25,797	5,461	-	31,258
General equipment	<u>363,212</u>	<u>13,533</u>	<u>-</u>	<u>376,744</u>
Total accumulated depreciation	\$ <u>788,471</u>	\$ <u>36,346</u>	\$ <u>-</u>	\$ <u>824,817</u>
Business-Type Activities				
Capital Assets-net	\$ <u>612,165</u>	\$ <u>(29,136)</u>	\$ <u>-</u>	\$ <u>583,029</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

NOTE E – BONDED DEBT OBLIGATIONS

The amount shown in the accompanying financial statements as bonded debt obligations represent the District’s future obligations to make payments relating to the bonds issued by the Rockcastle County School District Finance Corporation aggregating \$6,640,000 and \$785,000 is the portion due within one year.

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

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

<u>Bond Issues</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Bonds Outstanding June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Bonds Outstanding June 30, 2014</u>
2006	\$ 1,600,000	7/1/2026	3.625% - 4.25%	\$ 1,150,000	\$ -	\$ 75,000	\$ 1,075,000
2008R	4,905,000	9/1/2020	3.4%	3,800,000	-	225,000	3,575,000
2011R	\$ 3,835,000	4/1/2018	1.0 - 2.3%	2,470,000	-	480,000	1,990,000
				<u>\$ 7,420,000</u>	<u>\$ -</u>	<u>\$ 780,000</u>	<u>\$ 6,640,000</u>

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

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

SEE SCHEDULE ON NEXT PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended at June 30,	Principal		Interest		Principal	Interest
	Local	KSFCC	Local	KSFCC	Total	Total
2015	\$ 641,677	\$ 143,323	\$ 161,393	\$ 42,244	\$ 785,000	\$ 203,638
2016	667,692	147,308	147,175	37,170	815,000	184,345.01
2017	668,459	156,541	131,011	31,834	825,000	162,845.00
2018	664,689	135,311	113,935	26,695	800,000	140,630.01
2019	754,760	140,240	86,619	21,791	895,000	108,410.03
2020-2024	1,898,165	391,835	133,240	50,377	2,290,000	183,617.33
2025-2026	147,277	82,723	8,982	5,043	230,000	14,025.00
	<u>\$ 5,442,719</u>	<u>\$ 1,197,281</u>	<u>\$ 782,355</u>	<u>\$ 215,155</u>	<u>\$ 6,640,000</u>	<u>\$ 997,510</u>

NOTE F – CHANGE IN ACCOUNTING POLICY

The District adopted GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*. This statement dramatically changed the presentation of net position. Deferred inflows and deferred outflows are now presented on the statement of net position. The District recorded a deferred outflow of resources for the difference in reacquisition and carrying value of refunding debt. Refer to Note R-Prior Period Adjustment to see how the change in accounting policy affects net position.

NOTE G– RETIREMENT PLANS

Kentucky Teachers’ Retirement System

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

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

Funding Policy – Contribution rates are established by KRS. Members are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members before July 1, 2008 and 14.105% of salaries for members after July

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1, 2008. The federal program for any salaries paid by that program pays the matching contribution of 14.605%.

Medical Insurance Plan

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

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

Funding policy –In order to fund the post-retirement healthcare benefit, four and a half percent (4.5%) of the gross annual payroll of members before July 1, 2008 is contributed. Two and one quarter percent (2.25%) is paid by member contributions and three quarters percent (.75%) from state appropriation and one and a half percent (1.5%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

The Rockcastle County School System's total payroll for the year was \$16,274,191. The payroll for employees covered under KTRS was \$12,338,896. For the year ended June 30, 2014, the Commonwealth contributed \$1,539,555 to KTRS for the benefit of our participating employees. The School District's contributions to KTRS for the year ending June 30, 2014 were \$99,129, which represents those employees covered by federal programs.

The District's required contributions (both withholding and match) for pension obligations to KTRS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,675,922, \$1,673,120, and \$1,840,234 respectively.

County Employees Retirement System

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

The County Employees Retirement System covers substantially all regular non-certified full-time employees of the school District. The plan provides for retirement, disability and death benefits. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, and Frankfort, Kentucky, 40601.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For participating employees who established an account prior to July 1, 2008, they contribute 5% of the creditable compensation. For employees hired after July 1, 2008, they contribute 6% of the creditable compensation. Employer contribution rates are intended to fund the normal cost on a current basis plus one percent (1%) of un-funded past service costs per annum plus interest at the actuarial assumed rate. The Board of Trustees of the Kentucky Retirement Systems determines such contribution rates each biennium. The current District contribution rate for employees is 18.89%. The District contributed \$718,344 of the employee's compensation during the fiscal year ended June 30, 2014.

The District's required contributions (both withholding and match) for pension obligations to CERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$917,856, \$884,976, and \$944,525 respectively.

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

NOTE H – COMMITMENTS

The District currently does not have any commitments.

NOTE I - CONTINGENCIES

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

NOTE J - LITIGATION

The Rockcastle County School District does not have any material pending litigation.

NOTE K – INSURANCE AND RELATED ACTIVITIES

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE L – RISK MANAGEMENT

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

NOTE M – DEFICIT FUND AND OPERATING BALANCES

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

<u>Fund</u>	<u>Reduction in Fund Balance / Net Position</u>
Business-Type Activities	\$ (110,355)
General Fund	(210,760)
Construction Fund	(23,333)
School Activity Fund	\$ (59,539)

NOTE N - COBRA

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

NOTE O – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>	<u>Purpose</u>
Construction	Special Revenue	\$ 41,210	KETS Matching Funds
FSPK	Debt Service	\$ 813,889	Debt Payments

NOTE P – ON-BEHALF PAYMENTS

The financial statements include payments made by the State of Kentucky on – behalf of the Rockcastle County School District for, debt service teacher’s retirement, health insurance, life insurance, administrative fees, technology and state operated vocational schools where applicable. The amounts were recorded, but not budgeted, within the General and School Food Services Funds. The amounts recorded for both revenues and expenditures (expenses) are \$4,549,176 for the General Fund and \$198,807 for the School Food Service Fund, and \$186,067 for the Debt Service Fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE Q – RESTRICTED FUND BALANCES

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Construction	\$ 1,174,177	Future Construction
Capital Outlay	257,561	SFCC Requirements
FSPK	119,771	SFCC Requirements
Permanent	25,000	Trust Agreement
Food Service	\$ 76,528	Food Service Operations

NOTE R – PRIOR PERIOD ADJUSTMENT

Due to the following reasons beginning net position was understated by \$163,523:

- 1) The KSBIT liability of \$101,852 was not recorded.
- 2) Bond issue costs of \$77,047 are no longer recorded due to the implementation of GASB 65.
- 3) Defeasance costs of \$210,363 were not recorded.
- 4) Sick leave was overstated by \$132,059 (This also caused beginning fund balance in the general fund to be understated by the same amount).

The following is an analysis of the effect of the prior period adjustments on beginning net position and beginning fund balance.

Net Position July 1, 2013	\$ 27,929,286
	#1 (101,852)
	#2 (77,047)
	#3 210,363
	#4 <u>\$ 132,059</u>
Restated Net Position July 1, 2013	<u><u>28,092,809</u></u>
General Fund Balance July 1, 2013	\$ 3,996,586
	#4 <u>132,059</u>
Restated General Fund Balance July 1, 2013	<u><u>\$ 4,128,645</u></u>

NOTE S– SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 23, 2014, the date the financial statements were available to be issued.

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

Other Governmental Funds					
		Capital Outlay		Permanent Fund	Total
Assets					
Cash and Cash Equivalents	\$	257,561	\$	119,771	\$
Investments				-	\$
				25,000	377,332
Total Assets		257,561		119,771	25,000
				25,000	402,332
Fund Balances					
Restricted		257,561		119,771	25,000
				25,000	402,332
Total Fund Balances	\$	257,561	\$	119,771	\$
				25,000	402,332

See the accompanying notes to the financial statements.

Rockcastle County School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2014

	Other Governmental Funds			
	Capital Outlay	FSPK	Permanent Fund	Total
Revenues				
From Local Sources				
Taxes				
Property	\$ -	\$ 257,332	\$ -	\$ 257,332
Intergovernmental - State	257,561	676,328		933,889
Total Revenues	257,561	933,660	-	1,191,221
Expenditures				
Building Acquisitions & Construction				-
Total Expenditures	-	-	-	-
Excess (Deficit) of Revenues Over Expenditures	257,561	933,660	-	1,191,221
Other Financing Sources (Uses)				
Transfers Out		(813,889)		(813,889)
Total Other Financing Sources (Uses)	-	(813,889)	-	(813,889)
Net change in fund balances	257,561	119,771	-	377,332
Fund Balance beginning	-	-	25,000	25,000
Fund Balance ending	\$ 257,561	\$ 119,771	\$ 25,000	\$ 402,332

See the accompanying notes to the financial statements.

Rockcastle County School District
Combining Balance Sheet of Fiduciary Fund - School Activity Funds
As of June 30, 2014

SCHOOL ACTIVITY FUNDS

	<u>ROCKCASTLE CO HIGH SCHOOL</u>	<u>ROCKCASTLE CO MIDDLE SCHOOL</u>	<u>BROADHEAD ELEMENTARY</u>	<u>MT. VERNON ELEMENTARY</u>	<u>ROUNDSTONE ELEMENTARY</u>	<u>TOTAL</u>
ASSETS						
Cash and cash equivalents	\$ 223,168	\$ 64,202	\$ 26,570	\$ 30,643	\$ 5,942	\$ 350,524
Accounts receivable	-	1,985	-	306	-	2,291
Total Assets	<u>223,168</u>	<u>66,187</u>	<u>26,570</u>	<u>30,949</u>	<u>5,942</u>	<u>352,815</u>
LIABILITIES						
Accounts payable	-	310	-	-	-	310
FUND BALANCE						
School activities	<u>223,168</u>	<u>65,876</u>	<u>26,570</u>	<u>30,949</u>	<u>5,942</u>	<u>352,505</u>
Total Liabilities & Fund Balances	<u>\$ 223,168</u>	<u>\$ 66,187</u>	<u>\$ 26,570</u>	<u>\$ 30,949</u>	<u>\$ 5,942</u>	<u>\$ 352,815</u>

See the accompanying notes to the financial statements.

Rockcastle County School District
Combining Statement of Revenues, Expenses and Changes In Fund Balance
- School Activity Funds
For the period ended June 30, 2014

	SCHOOL ACTIVITY FUNDS					
	ROCKCASTLE CO HIGH SCHOOL	ROCKCASTLE CO MIDDLE SCHOOL	BROADHEAD ELEMENTARY	MT. VERNON ELEMENTARY	ROUNDSTONE ELEMENTARY	TOTAL
REVENUES						
Student/Trust revenues	\$ 381,696	\$ 192,682	\$ 63,903	\$ 82,357	\$ 20,372	\$ 741,009
EXPENSES						
Student/Trust activities	421,642	192,585	60,385	101,425	24,511	800,548
Total Expenses	421,642	192,585	60,385	101,425	24,511	800,548
Excess (Deficit) of Revenues Over Expenses	(39,946)	97	3,518	(19,068)	(4,139)	(59,539)
Fund Balance July 1, 2013	263,114	65,780	23,052	50,017	10,081	412,044
Fund Balance June 30, 2014	\$ 223,168	\$ 65,876	\$ 26,570	\$ 30,949	\$ 5,942	\$ 352,505

See the accompanying notes to the financial statements.

Rockcastle County School District
Statement of Revenues, Expenses and Changes in the Fund Balance - Rockcastle County High School
For the period ended June 30, 2014

	FUND BALANCE JULY 1, 2013	REVENUES	EXPENSES	TRANSFERS	FUND BALANCE JUNE 30, 2014
GENERAL	\$ 18,223	\$ 15,139	\$ 17,676	\$ 4,287	\$ 19,973
YOUTH SERVICES CENTER	3,679	1,040	589	54	4,184
UNITE	560	1,952	2,088	40	464
GAME CLUB	1	68	-	(27)	43
PINTEREST PROJECT	-	120	147	53	27
FELLOWSHIP OF CHRISTIAN ATHLETES	269	902	1,008	-	163
SPECIAL NEEDS	110	40	100	-	51
DUCT TAPE CLUB	-	30	-	-	30
JROTC	2,790	10,668	9,095	500	4,863
RCHS ACADEMIC	1,348	693	1,155	(49)	837
JAPANESE CLUB	3	120	124	-	-
FLORAL CLUB	-	95	-	-	95
CREATIVE WRITING	58	-	-	-	58
ZOMBIE CLUB	-	350	307	(25)	18
RELAY FOR LIFE	-	347	330	-	17
STLP	77	-	-	-	77
INTERNATIONAL CLUB	-	115	-	347	462
DANCE BLUE CLUB	-	2,891	775	40	2,156
WORLD AP	502	2,622	3,051	(74)	-
GOVERNMENT AP	-	2,318	2,248	(70)	-
ROCKET CLUB	637	665	426	(17)	860
YOUNG REPUBLICANS	49	716	802	66	29
YOUNG DEMOCRATS	63	211	-	-	274
NATIONAL HONOR SOCIETY	1,401	220	232	-	1,389
CARD SHARKS	-	56	12	(25)	19
FILM APPRECIATION CLUB	322	-	-	-	322
KEY CLUB	4,571	6,340	4,346	(120)	6,444
MATH CLUB	186	90	-	(50)	226
Y CLUB	0	7,029	6,737	-	293
3 ON 3	-	82	57	-	25
BAND	1,943	33,845	34,225	-	1,564
FUTURE TEACHER CLUB	-	295	295	-	-
MARTIAL ARTS CLUB	-	115	105	-	11
STUDENT COUNCIL	409	162	175	-	397
SCHOOL CLIMATE	597	586	600	-	583
CONCESSIONS	-	15,344	10,401	(4,943)	-
GIRLS ARCHERY	-	275	375	100	-
GIRLS BASS FISHING	-	505	1,379	874	-
FACULTY VENDING	-	2,223	1,977	-	246
EXAMS GUIDANCE	719	1,882	378	1,845	4,068
CHEMISTRY AP	502	-	-	(502)	-
LANGUAGE AP	2,475	1,629	2,922	(1,182)	-
PHYSICAL EDUCATION	197	262	534	75	-
HISTORY SOCIAL STUDIES	1,000	-	-	(66)	934
ATHLETICS	109,245	49,128	12,958	(35,737)	109,677
BB DISTRICT 2012	7,962	3,160	2,089	(9,034)	-
ARCHERY	75	100	804	629	-
BASS FISHING	736	4,499	5,226	(9)	(0)
BOYS BASKETBALL	-	400	5,320	4,920	-
TIP OFF BOYS BASKETBALL	2,717	14,365	18,395	1,313	0
GIRLS BASKETBALL	-	400	10,597	10,197	-
LADY ROCKETS	11,565	24,284	24,280	(4,972)	6,596
BASEBALL	-	-	4,985	4,985	-
DUGOUT RCHS BASEBALL	868	12,123	10,535	(437)	2,019
FOOTBALL	-	1,000	11,988	10,988	-
QUARTERBACK CLUB	-	18,878	13,984	117	5,011
SOFTBALL	-	-	3,543	3,543	-
SOFTBALL BOOSTERS	3,300	12,553	13,550	(437)	1,865
GIRLS GOLF BOOSTERS	2,157	2,550	3,811	(40)	856
GIRLS GOLF	-	-	1,140	1,140	-
BOYS GOLF	-	-	3,719	3,719	-
BOYS GOLF BOOSTERS	1,848	2,480	1,304	(2,619)	405
TRACK BOYS	-	693	2,902	2,209	-
TRACK GIRLS	-	-	2,582	2,582	-
CROSS COUNTRY GIRLS	-	-	386	386	-
CROSS COUNTRY BOYS	-	-	377	377	-
VOLLEYBALL BOOSTERS	4,194	15,161	19,318	(20)	17
VOLLEYBALL	-	200	4,598	4,398	-
SWIM	-	-	1,301	1,301	-
SWIM ROCKETS	506	3,777	2,972	(935)	376
FFA	2,849	26,223	28,997	(12)	64
KY RIVER REGION FFA	1,192	2,053	1,008	(16)	2,220
FCCLA	27,362	5,773	30,465	101	2,771
BRISTRO CAFÉ	104	-	-	-	104
CHEERLEADERS	2,082	10,136	10,073	(33)	2,112
AGRICULTURE	8,303	1,921	4,050	-	6,174
AGR CONSTRUCTION	397	348	434	-	312
YOUNG FARMERS	11,755	2,951	2,326	-	12,379
ART BOOSTERS	4	-	14	10	-
CHORUS	208	7,733	7,683	-	257
PROM	1,791	5,055	5,712	(14)	1,120
YEARBOOK	15,892	19,914	20,166	-	15,640
INTERNATIONAL CLUB	357	-	10	(347)	-
EMERIC SCH INTEREST	0	69	-	-	70
THE ROCKET RED GLARE	258	-	-	(27)	232
PROJECT GRADUATION 2011	1,451	18,025	20,154	678	0
UK READERS GRANT	56	-	56	-	-
LIBRARY	629	1,169	1,396	(38)	364
TECH STUDENT ASSOCIATION	59	2,533	1,764	-	828
WELLNESS HEALTH	500	-	-	-	500
TOTALS	\$ 263,114	\$ 381,696	\$ 421,642	\$ (0)	\$ 223,168

See the accompanying notes to the financial statements.

ROCKCASTLE COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE A – BASIS OF PRESENTATION

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

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. At June 30, 2014, the District had received food commodities totaling \$104,954.

Rockcastle County School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
US Department of Agriculture				
Passed Through State Department of Education				
School Breakfast Program	10.553			
Fiscal Year 13		7760005 13	\$ N/A	\$ 46,023
Fiscal Year 14		7760005 14	N/A	193,948
National School Lunch Program	10.555			
Fiscal Year 13		7750002 13	N/A	158,296
Fiscal Year 14		7750002 14	N/A	641,936
Child Nutrition Cluster Subtotal				<u>1,040,203</u>
Passed Through State Department of Agriculture				
Food Donation-Commodities	10.565			
Fiscal Year 14		510.4950	N/A	104,954
Total US Department of Agriculture				<u>1,145,157</u>
US Department of Education				
Passed Through State Department of Education				
* Title I Grants to Local Educational Agencies	84.010A			
Fiscal Year 13		3100002 13	1,214,880	450,295
Fiscal Year 13M		3100002 13	23,000	14,047
Fiscal Year 14		3100002 14	1,163,099	700,034
Fiscal Year 14M		3100002 14	12,500	7,245
				<u>1,171,621</u>
Special Education Grants to States	84.027A			
Fiscal Year 14		3810002 14	530,758	509,230
Special Education - Preschool Grants	84.173A			
Fiscal Year 14		3800002 14	28,648	19,702
Special Education Cluster Subtotal				<u>528,932</u>
Vocation Education - Basic Grants to States	84.048			
Fiscal Year 13A		4621132 13	965	965
Fiscal Year 14		4621132 14	18,495	18,023
				<u>18,988</u>
Rural Education	84.358B			
Fiscal Year 13		3140002 13	55,400	14,913
Fiscal Year 14		3140002 14	51,548	44,976
				<u>59,889</u>
Adult Education	84.002			
Fiscal Year 13		3653	7,083	1,799
Fiscal Year 14		3654	9,015	9,015
Fiscal Year 11S		3731S	3,087	1,341
Fiscal Year 14S		3734S	1,749	841
				<u>12,995</u>
Improving Teacher Quality State Grants	84.367A			
Fiscal Year 14		3230002 14	195,987	191,724
Race to the Top	84.413A			
Fiscal Year 11		39600002 11	52,517	11,049
Passed Through Berea College				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A			
Fiscal Year 11G		3791G	293,228	25,951
Fiscal Year 12G		3792G	101,650	24,055
Fiscal Year 13G		3793G	309,600	18,700
Fiscal Year 14G		3794G	173,811	154,123
				<u>222,828</u>
Total US Department of Education				<u>2,218,026</u>
US Department of Commerce				
Passed through Bluegrass Pride				
Pride Grant-Wetlands Project	11.469			
Fiscal Year 14		2704	1,712	1,712
Total US Department of Commerce				<u>1,712</u>
US Department of Labor				
Passed Through Lake Cumberland Area Development District				
WIA Year Round Youth Program	17.259			
Fiscal Year 14A		5884A	47,387	47,387
Total US Department of Labor				<u>47,387</u>
US Department of Defense				
ROTC	12.000			
Fiscal Year 14		5044	N/A	63,583
Total U.S. Department of Defense				<u>63,583</u>
US Department of Health and Human Services				
Passed Through Kentucky School Board Association				

Rockcastle County School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
Medical Assistance Program	93.778			
Fiscal Year 14		110.4810	\$ N/A	<u>173,861</u>
Total US Department of Health and Human Services				<u><u>173,861</u></u>
Total Expenditure of Federal Awards				\$ <u><u>3,649,726</u></u>

* Major program

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

To the Rockcastle County Board of Education and
State Committee for School District Audits
Mount Vernon, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Auditor Responsibilities and State Compliance Requirements sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rockcastle County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Rockcastle County School District's basic financial statements, and have issued our report thereon dated October 23, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Rockcastle County School District, in a separate letter dated October 23, 2014.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

White & Associates, P.C.

Richmond, Kentucky
October 23, 2014



CERTIFIED PUBLIC ACCOUNTANTS

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

To the Rockcastle County Board of Education and
State Committee for School District Audits
Mount Vernon, Kentucky

Report on Compliance for Each Major Federal Program

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

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

White & Associates, PSC

Richmond, Kentucky
October 23, 2014

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

SUMMARY OF AUDITOR’S RESULTS

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed? If so, was any significant deficiencies material (GAGAS)?	None Reported
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None Reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that Is required to be reported as described in Section 510(a) of OMB A-133?	No
Major Programs	Title I [CFDA 84.010A]
Dollar threshold of Type A and B programs	\$300,000
Low risk auditee?	Yes

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
 AUDIT**

No findings at the major federal award programs level.

ROCKCASTLE COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

There were no prior year findings.