

# **Trimble County School District**

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

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

**Contents**

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Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements:	
<b>District Wide Financial Statements:</b>	
Statement of Net Position - District Wide	9
Statement of Activities - District Wide	10
<b>Fund Financial Statements:</b>	
Balance Sheet - Governmental Funds	11
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Special Revenue Fund	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Construction Fund	17
Statement of Net Position - Proprietary Funds	18
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	19
Statement of Cash Flows - Proprietary Funds	20
Statement of Net Position – Fiduciary Fund	21
Statement of Revenues, Expenses and Changes in Net Position – Fiduciary Fund	22
Notes to the Financial Statements	23-36

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

**Contents**

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Supplementary Information:	
Combining Balance Sheet - Nonmajor Governmental Funds	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	38
Statement of Receipts, Disbursements and Fund Balances - Bond and Interest Redemption Funds	39
Statement of Receipts, Disbursements and Fund Balances – Trimble County High School Activity Funds	40-41
Statement of Receipts, Disbursements and Fund Balances - School Activity Funds	42
Schedule of Expenditures of Federal Awards	43
Notes to the Schedule of Expenditures of Federal Awards	44
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45-46
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	47-48
Schedule of Findings and Questioned Costs	49-50
Management Letter Comments	51-54



## Independent Auditors' Report

To the Members of the Board of Education  
Trimble County School District  
Trimble, Kentucky

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

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

**Independent Auditors' Report  
(Continued)**

**Other Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 15-17 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 Trimble County School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

**Reporting Other Required by Government Auditing Standards**

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

*Burns, Denning & Co., Ltd.*

Crestview Hills, Kentucky  
November 13, 2014

## TRIMBLE COUNTY SCHOOL DISTRICT

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

As management of Trimble County Board of Education (Board), the governing body for the Trimble County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements and notes. All amounts used in this MD&A are approximate amounts, except where more specific.

#### FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$1,876,783.
- The Board of Education began Phase II of the Athletic Facilities. The Project consists of a track and football field, track equipment, lighting, fencing, additional parking and buildings containing concessions and restroom facilities.
- The General Fund had \$10,392,464 in revenue. General Fund revenues primarily consisted of the state program (SEEK), property, franchise tax, motor vehicle taxes, as well as on-behalf benefits from the state. There was \$10,762,082 in General Fund expenditures, excluding interfund transfers and including the on-behalf benefit payments made by the state.
- The District continues to support the PEBC Thinking Strategies initiative by sending additional teachers to the 4-day institute, to develop leadership among teachers and administrators by sending them to Regional Instructional Leadership Networks in Instructional Supervision, Science, Social Studies and Early Childhood Education and to support the Race to the Top initiatives by sending additional teachers to Leader in Me and Innovation trainings costing approximately \$25,000. The instructional focus of having all students reading by the end of the third grade was supported through a summer Reading and Math Academy costing approximately \$30,000. College and Career Readiness for high school students was supported through a high school summer learning program costing approximately \$10,000.
- The District supported elementary schools in the implementation of the new math standards by purchasing new mathematics textbooks for grades K – 5 costing approximately \$64,448.
- The District supported a Summer STEM Academy for the Middle School at a cost of approximately \$10,000.
- The District supports increasing the Graduation Rate by providing staff, equipment, and technology software for an Alternate Learning setting for at-risk students costing approximately \$50,000.
- The District supports the technology upgrades by purchasing switches and backup servers at a cost of \$43,204.

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

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 11 through 22 of this report.

***Notes to the financial statements.*** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 36 of this report.

**TRIMBLE COUNTY SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)**

(Continued)

**Year Ended June 30, 2014**

**DISTRICT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$15,344,460 as of June 30, 2014.

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

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

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

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

	2014	2013
<b>Assets</b>		
Current assets	\$ 4,877,002	\$ 7,351,204
Noncurrent assets	21,985,167	21,744,615
<b>Total assets</b>	<b>\$26,862,169</b>	<b>\$29,095,819</b>
<b>Liabilities</b>		
Current liabilities	\$ 1,677,709	\$ 1,700,291
Noncurrent liabilities	9,840,000	10,582,972
<b>Total liabilities</b>	<b>\$11,517,709</b>	<b>\$12,283,263</b>
<b>Net position</b>		
Investment in capital assets (net of debt)	\$11,590,167	\$ 9,961,912
Restricted	686,353	2,288,824
Unassigned	3,067,940	4,561,820
<b>Total net position</b>	<b>\$15,344,460</b>	<b>\$16,812,556</b>

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

**Comments on General Fund Budget Comparisons**

- The District's total revenues in the General Fund for the fiscal year ended June 30, 2014, were \$10,392,464, net of inter-fund transfers, of \$0.
- General Fund budgeted revenue compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$2,002 more than budget.
- General Fund actual expenditures were \$10,762,082, net of inter-fund transfers of \$533,778.
- General Fund actual expenditures were less than budgeted expenditures by \$3,192,409. This is the result of the District closely monitoring budgetary expenditures.

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

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

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

	<u>2014</u>	<u>2013</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 304,968	\$ 309,003
Operating grants	2,520,765	2,752,940
Capital grants	<u>696,473</u>	<u>654,510</u>
Total grant revenues	<u>3,522,206</u>	<u>3,716,453</u>
General Revenues		
Taxes	3,874,843	4,384,303
Federal and state sources	6,748,831	7,151,317
Earnings on investments	32,111	50,379
Miscellaneous	<u>(2,742)</u>	<u>36,872</u>
Total general revenues	<u>10,653,043</u>	<u>11,622,871</u>
Total revenues	<u>14,175,249</u>	<u>15,339,324</u>
<b>Expenses</b>		
Instructional	7,926,826	8,082,915
Student support services	730,286	746,731
Staff support	451,541	448,031
District administration	716,267	510,247
School administration	785,681	816,801
Business support	429,825	454,905
Plant operations	1,156,248	803,021
Student transportation	1,034,544	892,559
Facilities acquisition and construction	512,334	78,714
Community service	148,048	157,321
Food service	991,260	1,112,059
Daycare	22,409	21,995
Other	11,424	-
Interest on long-term debt	<u>370,077</u>	<u>102,339</u>
Total expenses	<u>15,286,770</u>	<u>14,227,638</u>
<b>Excess (deficit) of revenues over expenses</b>	<u>\$ (1,111,521)</u>	<u>\$ 1,111,686</u>

**TRIMBLE COUNTY SCHOOL DISTRICT**

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

**BUDGETARY IMPLICATIONS**

In Kentucky, the public school fiscal year is July 1 - June 30; other programs, i.e. some federal programs, operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget with \$2,955,859 in contingency (20.4%). The cash balance for the beginning of the fiscal year was \$1,876,783.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

Questions regarding this report should be directed to Mr. Phillip Harmon, Finance Officer (502) 255-3201 or by mail to: Trimble County Board of Education, 68 Wentworth Avenue, Bedford, KY 40006.

**TRIMBLE COUNTY SCHOOL DISTRICT**

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	\$ 580,720	\$ (80,954)	\$ 499,766
Investments	3,838,951	106,746	3,945,697
Accounts receivable	395,630	8,049	403,679
Inventories for consumption	-	27,860	27,860
Total current	<u>4,815,301</u>	<u>61,701</u>	<u>4,877,002</u>
<b>Noncurrent</b>			
Construction in progress	1,622,421	-	1,622,421
Nondepreciated capital assets:			
Land	422,720	-	422,720
Depreciated capital assets:			
Land improvements	2,402,780	-	2,402,780
Buildings and improvements	23,981,451	-	23,981,451
Furniture and equipment	3,551,438	578,395	4,129,833
Less: accumulated depreciation	<u>(10,221,486)</u>	<u>(352,552)</u>	<u>(10,574,038)</u>
Total noncurrent	<u>21,759,324</u>	<u>225,843</u>	<u>21,985,167</u>
Total assets	<u>26,574,625</u>	<u>287,544</u>	<u>26,862,169</u>
<b>Liabilities</b>			
<b>Current</b>			
Current portion of bonds payable	645,000	-	645,000
Accounts payable	128,792	8,049	136,841
Accrued interest	106,323	-	106,323
Current portion of accrued sick leave	10,000	-	10,000
Accrued payroll and related expenses	653,726	-	653,726
Assessed KISBIT liability	76,336	-	76,336
Unearned revenues	<u>49,483</u>	<u>-</u>	<u>49,483</u>
Total current	<u>1,669,660</u>	<u>8,049</u>	<u>1,677,709</u>
<b>Noncurrent</b>			
Accrued sick leave	90,000	-	90,000
Bond obligations	<u>9,750,000</u>	<u>-</u>	<u>9,750,000</u>
Total noncurrent	<u>9,840,000</u>	<u>-</u>	<u>9,840,000</u>
Total liabilities	<u>11,509,660</u>	<u>8,049</u>	<u>11,517,709</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	11,364,324	225,843	11,590,167
Restricted	658,493	27,860	686,353
Unrestricted	<u>3,042,148</u>	<u>25,792</u>	<u>3,067,940</u>
Total net position	<u>\$ 15,064,965</u>	<u>\$ 279,495</u>	<u>\$ 15,344,460</u>

See notes to the financial statements

**TRIMBLE COUNTY SCHOOL DISTRICT**

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

Function/Programs	Program Revenues			Net (Expense) Revenue and Change In Net Position		Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Business-type Activities
<b>Governmental Activities:</b>							
Instructional	\$ 7,926,826	\$ 26,491	\$ 1,464,283	\$ -	\$ (6,436,052)	\$ -	\$ (6,436,052)
Student support services	730,286	-	7,565	-	(722,721)	-	(722,721)
Staff support services	451,541	-	118,841	-	(332,700)	-	(332,700)
District administration	716,267	-	71,603	-	(644,664)	-	(644,664)
School administration	785,681	-	-	-	(785,681)	-	(785,681)
Business support services	429,825	-	-	-	(429,825)	-	(429,825)
Plant operation and maintenance	1,156,248	-	500	-	(1,155,748)	-	(1,155,748)
Student transportation	1,034,544	-	52,157	-	(982,387)	-	(982,387)
Food service operation	11,424	-	11,424	-	-	-	-
Community service operations	148,048	-	142,669	-	(5,379)	-	(5,379)
Facility acquisition and construction	512,334	-	-	696,473	184,139	-	184,139
Interest on long-term debt	370,077	-	-	-	(370,077)	-	(370,077)
<b>Total governmental activities</b>	<b>14,273,101</b>	<b>26,491</b>	<b>1,869,042</b>	<b>696,473</b>	<b>(11,681,095)</b>	<b>-</b>	<b>(11,681,095)</b>
<b>Business-type Activities</b>							
Food service	991,260	250,848	649,387	-	-	(91,025)	(91,025)
Daycare	22,409	27,629	2,336	-	-	7,556	7,556
<b>Total business-type activities</b>	<b>1,013,669</b>	<b>278,477</b>	<b>651,723</b>	<b>-</b>	<b>-</b>	<b>(83,469)</b>	<b>(83,469)</b>
<b>Total school district</b>	<b>\$ 15,286,770</b>	<b>\$ 304,968</b>	<b>\$ 2,520,765</b>	<b>\$ 696,473</b>	<b>\$ (11,681,095)</b>	<b>\$ (83,469)</b>	<b>\$ (11,764,564)</b>
			<b>General revenues:</b>				
			Taxes	\$ 3,874,843	\$ -	\$ 3,874,843	
			Federal and state sources	6,748,831	-	6,748,831	
			Investment earnings	31,534	577	32,111	
			Miscellaneous	3,333	-	3,333	
			Gain (loss) on sale of assets	(5,093)	(982)	(6,075)	
			Interfund transfers	(12,521)	12,521	-	
			<b>Total general and special revenues</b>	<b>10,640,927</b>	<b>12,116</b>	<b>10,653,043</b>	
			Change in net position	(1,040,168)	(71,353)	(1,111,521)	
			Net position - beginning	16,461,708	350,848	16,812,556	
			Net position adjustment	(356,575)	-	(356,575)	
			Net position - ending	<b>\$ 15,064,965</b>	<b>\$ 279,495</b>	<b>\$ 15,344,460</b>	

TRIMBLE COUNTY SCHOOL DISTRICT

Balance Sheet – Governmental Funds  
Year Ended June 30, 2014

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
<b>Current</b>					
Cash (overdraft) and cash equivalents	\$ 124,138	\$ (232,307)	\$ 557,489	\$ 131,400	\$ 580,720
Investments	3,838,951	-	-	-	3,838,951
Accounts receivable	113,840	281,790	-	-	395,630
Total current	<u>\$ 4,076,929</u>	<u>\$ 49,483</u>	<u>\$ 557,489</u>	<u>\$ 131,400</u>	<u>\$ 4,815,301</u>
<b>Liabilities and Fund Balance</b>					
<b>Current</b>					
Accounts payable	\$ 128,792	\$ -	\$ -	\$ -	\$ 128,792
Accrued payroll and related expenses	653,726	-	-	-	653,726
Interfund payable	-	-	-	-	-
Unearned revenues	-	49,483	-	-	49,483
Total current	<u>782,518</u>	<u>49,483</u>	<u>-</u>	<u>-</u>	<u>832,001</u>
<b>Fund Balance</b>					
<b>Restricted</b>					
Capital projects	-	-	557,489	1,004	558,493
Sick leave	100,000	-	-	-	100,000
Site-Based carryforward	31,824	-	-	-	31,824
Other	-	-	-	130,396	130,396
<b>Unrestricted</b>					
	<u>3,162,587</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,162,587</u>
Total fund balance	<u>3,294,411</u>	<u>-</u>	<u>557,489</u>	<u>131,400</u>	<u>3,983,300</u>
Total liabilities and fund balance	<u>\$ 4,076,929</u>	<u>\$ 49,483</u>	<u>\$ 557,489</u>	<u>\$ 131,400</u>	<u>\$ 4,815,301</u>

See notes to the financial statements

TRIMBLE COUNTY SCHOOL DISTRICT

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

Total governmental fund balance		\$ 3,983,300
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Construction in process	1,622,421	
Cost of capital assets	30,358,389	
Accumulated depreciation	<u>(10,221,486)</u>	
		21,759,324
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable		(10,395,000)
Accrued interest on bonds		(106,323)
Assessed KISBIT liability		(76,336)
Accrued sick leave		<u>(100,000)</u>
Total net position - governmental		<u>\$ 15,064,965</u>

See notes to the financial statements

**TRIMBLE COUNTY SCHOOL DISTRICT**

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

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 3,582,189	\$ -	\$ -	\$ 292,654	\$ 3,874,843
Earnings on investments	30,298	45	-	1,236	31,579
State sources	6,704,854	314,791	-	696,473	7,716,118
Federal sources	43,977	1,528,184	-	-	1,572,161
Other sources	29,824	26,022	-	-	55,846
<b>Total revenues</b>	<b>10,391,142</b>	<b>1,869,042</b>	<b>-</b>	<b>990,363</b>	<b>13,250,547</b>
<b>Expenditures</b>					
Instructional	6,285,339	1,484,536	-	-	7,769,875
Student support services	475,149	7,565	-	-	482,714
Staff support services	330,550	118,841	-	-	449,391
District administration	531,950	71,603	-	-	603,553
School administration	758,043	-	-	-	758,043
Business support services	429,186	-	-	-	429,186
Plant operation and maintenance	1,111,267	500	-	-	1,111,767
Student transportation	832,462	52,157	-	-	884,619
Central office	-	-	-	-	-
Food service operation	-	11,424	-	-	11,424
Community service operations	5,227	142,669	-	-	147,896
Facility acquisition and construction	2,909	-	2,038,512	-	2,041,421
Debt service:					
Principal	-	-	-	640,000	640,000
Interest	-	-	-	350,363	350,363
<b>Total expenditures</b>	<b>10,762,082</b>	<b>1,889,295</b>	<b>2,038,512</b>	<b>990,363</b>	<b>15,680,252</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>(370,940)</b>	<b>(20,253)</b>	<b>(2,038,512)</b>	<b>-</b>	<b>(2,429,705)</b>
<b>Other financing sources (uses)</b>					
Proceeds from sale of assets	1,322	-	-	-	1,322
Operating transfers in	-	20,253	1,036,220	594,988	1,651,461
Operating transfers out	(533,778)	-	(230,768)	(899,436)	(1,663,982)
<b>Total other financing sources (uses)</b>	<b>(532,456)</b>	<b>20,253</b>	<b>805,452</b>	<b>(304,448)</b>	<b>(11,199)</b>
<b>Net change in fund balance</b>	<b>(903,396)</b>	<b>-</b>	<b>(1,233,060)</b>	<b>(304,448)</b>	<b>(2,440,904)</b>
Fund balance, July 1, 2013	4,197,807	-	1,790,549	435,848	6,424,204
<b>Fund balance, June 30, 2014</b>	<b>\$ 3,294,411</b>	<b>\$ -</b>	<b>\$ 557,489</b>	<b>\$ 131,400</b>	<b>\$ 3,983,300</b>

See notes to the financial statements

**TRIMBLE 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 changes-governmental funds		\$ (2,440,904)
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.</p>		
Depreciation expense	(942,952)	
Capital outlays	1,586,839	
Retirement of capital assets	(6,415)	
		637,472
<p>Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Principal paid		640,000
<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>		
		123,264
Changes in net position of governmental activities		\$ (1,040,168)

See notes to the financial statements

TRIMBLE COUNTY SCHOOL DISTRICT

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

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 3,660,700	\$ 3,660,700	\$ 3,582,189	\$ (78,511)
Other local sources	64,400	69,400	60,122	(9,278)
State sources	6,642,862	6,642,862	6,704,854	61,992
Federal sources	15,000	15,000	43,977	28,977
Other sources	2,500	2,500	1,322	(1,178)
Total revenues	<u>10,385,462</u>	<u>10,390,462</u>	<u>10,392,464</u>	<u>2,002</u>
<b>Expenditures</b>				
Instructional	6,089,996	6,218,568	6,285,339	(66,771)
Student support services	465,869	465,869	475,149	(9,280)
Staff support services	329,088	329,088	330,550	(1,462)
District administration	430,887	430,887	531,950	(101,063)
School administration	790,166	790,166	758,043	32,123
Business support services	424,906	424,906	429,186	(4,280)
Plant operation and maintenance	1,144,616	1,144,616	1,111,267	33,349
Student transportation	1,124,989	1,127,589	832,462	295,127
Community service operations	5,046	5,046	5,227	(181)
Facility acquisition and construction	75,000	75,000	2,909	72,091
Other	3,602,706	3,476,534	533,778	2,942,756
Total expenditures	<u>14,483,269</u>	<u>14,488,269</u>	<u>11,295,860</u>	<u>3,192,409</u>
Net change in fund balance	(4,097,807)	(4,097,807)	(903,396)	3,194,411
Fund balance, July 1, 2013	<u>4,097,807</u>	<u>4,097,807</u>	<u>4,197,807</u>	<u>100,000</u>
Fund balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,294,411</u>	<u>\$ 3,294,411</u>

See notes to the financial statements

**TRIMBLE COUNTY SCHOOL DISTRICT**

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Other local sources	\$ 50	\$ 10,569	\$ 26,067	\$ 15,498
State sources	300,170	300,466	314,791	14,325
Federal sources	1,391,320	1,522,343	1,528,184	5,841
Other sources	20,675	20,253	20,253	-
Total revenues	<u>1,712,215</u>	<u>1,853,631</u>	<u>1,889,295</u>	<u>35,664</u>
<b>Expenditures</b>				
Instructional	1,342,882	1,476,068	1,484,536	(8,468)
Student support services	-	-	7,565	(7,565)
Staff support services	85,584	90,411	118,841	(28,430)
District administration	72,576	72,737	71,603	1,134
Plant operation and maintenance	1,350	1,350	500	850
Student transportation	55,974	55,974	52,157	3,817
Food service operation	8,500	8,500	11,424	(2,924)
Community service operations	142,949	146,241	142,669	3,572
Total expenditures	<u>1,709,815</u>	<u>1,851,281</u>	<u>1,889,295</u>	<u>(38,014)</u>
Net change in fund balance	2,400	2,350	-	(2,350)
Fund balance, July 1, 2013	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2014	<u>\$ 2,400</u>	<u>\$ 2,350</u>	<u>\$ -</u>	<u>\$ (2,350)</u>

See notes to the financial statements

**TRIMBLE COUNTY SCHOOL DISTRICT**

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Other local sources	\$ 154,738	\$ -	\$ -	\$ -
Other sources	-	-	1,036,220	1,036,220
Total revenues	<u>154,738</u>	<u>-</u>	<u>1,036,220</u>	<u>1,036,220</u>
<b>Expenditures</b>				
Facility acquisition and construction	-	-	2,038,512	(2,038,512)
Other	-	-	230,768	(230,768)
Total expenditures	<u>-</u>	<u>-</u>	<u>2,269,280</u>	<u>(2,269,280)</u>
Net change in fund balance	154,738	-	(1,233,060)	(1,233,060)
Fund balance, July 1, 2013	<u>-</u>	<u>-</u>	<u>1,790,549</u>	<u>1,790,549</u>
Fund balance, June 30, 2014	<u>\$ 154,738</u>	<u>\$ -</u>	<u>\$ 557,489</u>	<u>\$ 557,489</u>

See notes to the financial statements

**TRIMBLE COUNTY SCHOOL DISTRICT**

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

	<u>Food Service</u>	<u>After School Care Fund</u>	<u>Total</u>
<b>Assets</b>			
<b>Current</b>			
Cash (overdraft) and cash equivalents	\$ (106,578)	\$ 25,624	\$ (80,954)
Investments	106,746	-	106,746
Accounts receivable	7,881	168	8,049
Inventories for consumption	27,860	-	27,860
Total current	<u>35,909</u>	<u>25,792</u>	<u>61,701</u>
<b>Noncurrent</b>			
Furniture and fixtures	578,395	-	578,395
Less accumulated depreciation	(352,552)	-	(352,552)
Total noncurrent	<u>225,843</u>	<u>-</u>	<u>225,843</u>
Total assets	<u>261,752</u>	<u>25,792</u>	<u>287,544</u>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable	8,049	-	8,049
Total current	<u>8,049</u>	<u>-</u>	<u>8,049</u>
<b>Net position</b>			
Invested in assets, net of debt	225,843	-	225,843
Restricted - nonspendable	27,860	-	27,860
Unrestricted	-	25,792	25,792
Total net position	<u>\$ 253,703</u>	<u>\$ 25,792</u>	<u>\$ 279,495</u>

See notes to the financial statements

**TRIMBLE COUNTY SCHOOL DISTRICT**

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

	<u>Food Service</u>	<u>After School Care Fund</u>	<u>Total</u>
<b>Operating revenues</b>			
Lunchroom sales	\$ 250,848	\$ -	\$ 250,848
Other operating revenues	-	27,629	27,629
	<u>250,848</u>	<u>27,629</u>	<u>278,477</u>
Total operating revenues	250,848	27,629	278,477
<b>Operating expenses</b>			
Salaries and benefits	419,700	21,629	441,329
Contract services	44,661	-	44,661
Materials and supplies	486,898	780	487,678
Depreciation	39,363	-	39,363
Other operating expenses	638	-	638
	<u>991,260</u>	<u>22,409</u>	<u>1,013,669</u>
Total operating expenses	991,260	22,409	1,013,669
Operating income (loss)	<u>(740,412)</u>	<u>5,220</u>	<u>(735,192)</u>
<b>Nonoperating revenues</b>			
Federal grants	539,593	-	539,593
State grants	52,831	2,336	55,167
Donated commodities and other donations	56,963	-	56,963
Transfers	12,521	-	12,521
Loss on disposal of capital assets	(982)	-	(982)
Interest income	577	-	577
	<u>661,503</u>	<u>2,336</u>	<u>663,839</u>
Total nonoperating revenues	661,503	2,336	663,839
Net income (loss)	(78,909)	7,556	(71,353)
Total net position, July 1, 2013	<u>332,612</u>	<u>18,236</u>	<u>350,848</u>
Total net position, June 30, 2014	<u>\$ 253,703</u>	<u>\$ 25,792</u>	<u>\$ 279,495</u>

See notes to the financial statements

**TRIMBLE COUNTY SCHOOL DISTRICT**  
**Statement of Cash Flows – Proprietary Funds**  
**Year Ended June 30, 2014**

	Food Service Fund	After School Care Fund	Total
<b>Cash flows from operating activities:</b>			
Cash received from lunchroom sales	\$ 250,848	\$ -	\$ 250,848
Cash received from other activities	58,086	28,243	86,329
Cash payments to employees for services	(419,700)	(21,629)	(441,329)
Cash payments to suppliers for goods and services	(536,157)	(780)	(536,937)
Cash transfers	12,521	-	12,521
Net cash provided by (used in) operating activities	<u>(634,402)</u>	<u>5,834</u>	<u>(628,568)</u>
<b>Cash flows from noncapital financing activities:</b>			
Non-operating revenues received	648,810	2,336	651,146
Net cash provided by noncapital financing activities	<u>648,810</u>	<u>2,336</u>	<u>651,146</u>
<b>Cash flow from investing activities:</b>			
Interest on investments	577	-	577
Net cash flows provided by investing activities	<u>577</u>	<u>-</u>	<u>577</u>
Net increase (decrease) in cash and cash equivalents	14,985	8,170	23,155
Cash (overdraft) and cash equivalents - beginning	(121,563)	17,454	(104,109)
Cash (overdraft) and cash equivalents - ending	<u>\$ (106,578)</u>	<u>\$ 25,624</u>	<u>\$ (80,954)</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>			
Operating income (loss)	\$ (740,412)	\$ 5,220	\$ (735,192)
<b>Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:</b>			
Depreciation	39,363	-	39,363
Interfund transfers	12,521	-	12,521
Changes in assets and liabilities:			
Decrease (increase) in inventories	(5,627)	-	(5,627)
Decrease (increase) in accounts receivable	58,086	614	58,700
Increase (decrease) in accounts payable	1,667	-	1,667
Net cash provided by (used in) operating activities	<u>\$ (634,402)</u>	<u>\$ 5,834</u>	<u>\$ (628,568)</u>
<b>Schedule of non-cash transactions:</b>			
Donated commodities received from federal government	\$ 56,963	\$ -	\$ 56,963

See notes to the financial statements

**TRIMBLE COUNTY SCHOOL DISTRICT**  
**Statement of Net Position – Fiduciary Funds**  
**Year Ended June 30, 2014**

	<u>Trust/Agency Fund</u>	<u>Total</u>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 34,934	\$ 34,934
Investments	<u>14,241</u>	<u>14,241</u>
Total current assets	<u>49,175</u>	<u>49,175</u>
Total assets	<u>49,175</u>	<u>49,175</u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable	<u>600</u>	<u>600</u>
Total current	<u>600</u>	<u>600</u>
Total liabilities	<u>600</u>	<u>600</u>
<b>Net position</b>		
<b>Unrestricted</b>	<u>48,575</u>	<u>48,575</u>
Total net position	<u>\$ 48,575</u>	<u>\$ 48,575</u>

See notes to the financial statements

**TRIMBLE COUNTY SCHOOL DISTRICT**

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

	<u>Trust/Agency Fund</u>	<u>Total</u>
<b>Additions</b>		
Investment income	\$ 79	\$ 79
Private donations	37,445	37,445
Student activities	5,282	5,282
	<hr/>	<hr/>
Total additions	42,806	42,806
	<hr/>	<hr/>
<b>Deductions</b>		
Staff support services	273	273
Food service operation	15,000	15,000
Community services	18,550	18,550
	<hr/>	<hr/>
Total deductions	33,823	33,823
	<hr/>	<hr/>
Change in net position	8,983	8,983
Net position - July 1, 2013	39,592	39,592
	<hr/>	<hr/>
Net position - June 30, 2014	<u>\$ 48,575</u>	<u>\$ 48,575</u>

See notes to the financial statements

## TRIMBLE COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements

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

##### *Reporting Entity*

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

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

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

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

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

##### *Basis of Presentation*

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

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

## TRIMBLE COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements (Continued)

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

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

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

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

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

The District has the following funds:

##### I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on pages 43. This is a major fund of the District.

## TRIMBLE COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements (Continued)

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

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

##### I. Governmental Fund Types (Continued)

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

##### II. Debt Service Fund

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

##### III. Proprietary Fund (Enterprise Fund)

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

##### IV. Fiduciary Fund Type (Agency and Trust Funds)

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

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

## TRIMBLE COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements (Continued)

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

##### *Basis of Accounting*

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

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

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

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

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

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

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

##### **Taxes**

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

## TRIMBLE COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements (Continued)

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

##### ***Budgetary Process***

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

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

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

##### ***Cash and Cash Equivalents***

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

##### ***Inventories***

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

##### ***Capital Assets***

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

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

**TRIMBLE COUNTY SCHOOL DISTRICT**

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

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

***Capital Assets (Continued)***

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

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

***Accumulated Unpaid Sick Leave Benefits***

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

***Interfund Balances***

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

***Accrued Liabilities and Long-Term Obligations***

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

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

## TRIMBLE COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements (Continued)

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

##### *Fund Balance Reserves*

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

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

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

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

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

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

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

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

##### *Net Position*

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

##### *Operating Revenues and Expenses*

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

**TRIMBLE COUNTY SCHOOL DISTRICT**

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

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

***Interfund Activity***

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

**NOTE 2 - ESTIMATES**

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

**NOTE 3 - CASH AND CASH EQUIVALENTS**

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

**TRIMBLE COUNTY SCHOOL DISTRICT**

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

**NOTE 4 - CAPITAL ASSETS**

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

<u>Governmental Activities</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
Land	\$ 422,720	\$ -	\$ -	\$ 422,720
Land improvements	2,424,157	-	21,377	2,402,780
Buildings and improvements	22,622,829	1,378,082	19,460	23,981,451
Technology equipment	1,027,274	54,878	44,952	1,037,200
General equipment	480,865	2,874	11,090	472,649
Vehicles	2,146,770	-	105,181	2,041,589
Construction in progress	1,471,416	1,529,087	1,378,082	1,622,421
 Totals at historical cost	 <u>30,596,031</u>	 <u>2,964,921</u>	 <u>1,580,142</u>	 <u>31,980,810</u>
Less: accumulated depreciation				
Land improvements	379,124	115,747	21,377	473,494
Buildings and improvements	6,793,742	525,484	10,721	7,308,505
Technology equipment	742,378	130,872	47,464	825,786
General equipment	249,940	21,111	10,902	260,149
Vehicles	1,308,995	149,738	105,181	1,353,552
 Total accumulated depreciation	 <u>9,474,179</u>	 <u>942,952</u>	 <u>195,645</u>	 <u>10,221,486</u>
 Governmental activities capital assets - net	 <u>\$21,121,852</u>	 <u>\$2,021,969</u>	 <u>\$1,384,497</u>	 <u>\$ 21,759,324</u>
 <u>Business - Type Activities</u>				
Technology equipment	\$ 6,557	\$ -	\$ -	\$ 6,557
General equipment	586,909	-	15,071	571,838
 Totals at historical cost	 <u>593,466</u>	 <u>-</u>	 <u>15,071</u>	 <u>578,395</u>
Less: accumulated depreciation				
Technology equipment	6,557	-	-	6,557
General equipment	320,721	39,363	14,089	345,995
 Total accumulated depreciation	 <u>327,278</u>	 <u>39,363</u>	 <u>14,089</u>	 <u>352,552</u>
 Business - type activities capital assets - net	 <u>\$ 266,188</u>	 <u>\$ (39,363)</u>	 <u>\$ 982</u>	 <u>\$ 225,843</u>

**TRIMBLE COUNTY SCHOOL DISTRICT**

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

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

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2014 this amount totaled approximately \$217,770 for those employees with twenty-seven or more years of experience or fifty-nine and a half years old. The District has reserved \$100,000 of its General Fund for unpaid sick leave benefits.

**NOTE 6 - LEASE OBLIGATIONS AND BONDED DEBT**

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued.

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
November 2002	\$ 1,226,927	3.500%
September 2007	6,355,000	3.850%
October 2010	4,445,000	2.000% - 3.000%
July 2012	1,250,000	0.005% - 3.250%

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

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 16 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2014 for debt service (principal and interest) are reported in Note 16.

## TRIMBLE COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements (Continued)

#### NOTE 7 - RETIREMENT PLANS

##### Kentucky Teachers Retirement System

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

Funding policy – Contribution rates are established by Kentucky Revised Statutes. Members are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions. The contribution requirement for KTRS for the year ended June 30, 2014, was \$806,043, which consisted of \$148,019 from the District and \$658,024 from the employees. Total contributions for the year ended June 30, 2013 and 2012 were \$767,628 and \$732,472, respectively. The contributions have been contributed in full for fiscal years 2014, 2013 and 2012.

##### County Employees Retirement System

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

Participating employees contribute 5% of creditable compensation. Participants hired after August 31, 2008 are required to contribute 6%. Matching contributions are made by the state at a rate as required by the Board of Trustees to be necessary for the actuarial soundness per Kentucky Revised Statute 61.565. The contribution requirement for CERS for the year ended June 30, 2014, was \$513,575, which consisted of \$402,491 from the District and \$111,084 from the employees. Total contributions for the year ended June 30, 2013 and 2012 were \$542,324 and \$519,593 respectively. The contributions have been contributed in full for fiscal years 2014, 2013 and 2012.

The District's total payroll for the year was \$7,910,629. The payroll for employees covered under KTRS was \$5,793,294 and for CERS was \$2,119,349.

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

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

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

**TRIMBLE COUNTY SCHOOL DISTRICT**

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

**NOTE 8 - CONTINGENCIES**

Grant Fund Approval

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

**NOTE 9 - INSURANCE AND RELATED ACTIVITIES**

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

**NOTE 10 - RISK MANAGEMENT**

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

The District is self-insured for unemployment insurance benefits. The District reimburses the state for any claims paid. The District purchases workers' compensation insurance through the Kentucky School Boards Insurance Trust. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 11 - DEFICIT OPERATING/FUND BALANCES**

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

Construction Fund	\$	1,233,060
General Fund		903,396
Capital Outlay Fund		304,448
Food Service Fund		78,909
Trimble County High School		14,486
Trimble County Middle School		9,287

**TRIMBLE COUNTY SCHOOL DISTRICT**

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

**NOTE 12 - COBRA**

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

**NOTE 13 - CONTINGENT LIABILITY**

The District is a participant in the Kentucky School Board Insurance Trust in which the District purchases general liability and workers' compensation insurance. As of June 30, 2014, the District has been notified of a deficit in the trust and has been given a preliminary assessment of its portion of the deficit of \$76,336. This contingent liability has been recorded in the District Wide Financial Statements but not included in the Governmental Financial Statements.

**NOTE 14 - TRANSFER OF FUNDS**

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
1	2	Matching	\$ 20,253
1	360	Construction	501,004
1	51	Indirect Cost	12,521
320	360	Project	304,448
310	400	Debt Service	431,629
360	360	Project	230,768
320	400	Debt Service	163,359

**NOTE 15 - ON-BEHALF PAYMENTS**

For the year ended June 30, 2014 total payments of \$2,346,079 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 1,904,199
Debt Service Fund	395,375
Food Service Fund	44,169
Daycare Fund	<u>2,336</u>
Total On-Behalf	<u>\$ 2,346,079</u>

**TRIMBLE COUNTY SCHOOL DISTRICT**

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

**NOTE 16 - SCHEDULE OF LONG-TERM DEBT**

2002R, 2007, 2010 and 2012 Series Bonds

Fiscal Year	Trimble County School District			KY School Facilities Construction Commission			Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2014-2015	\$ 388,698	\$ 203,039	\$ 591,737	\$ 256,302	\$ 130,314	\$ 386,616	\$ 978,353
2015-2016	397,178	194,606	591,784	262,822	123,203	386,025	977,809
2016-2017	405,247	185,108	590,355	269,753	115,640	385,393	975,748
2017-2018	417,960	174,882	592,842	277,040	107,719	384,759	977,601
2018-2019	430,222	163,308	593,530	284,778	99,218	383,996	977,526
2019-2020	442,048	150,578	592,626	292,952	90,151	383,103	975,729
2020-2021	453,578	137,572	591,150	301,422	80,685	382,107	973,257
2021-2022	474,675	123,540	598,215	315,325	70,632	385,957	984,172
2022-2023	428,793	101,534	530,327	236,207	60,203	296,410	826,737
2023-2024	446,876	84,677	531,553	243,124	51,861	294,985	826,538
2024-2025	464,687	67,130	531,817	255,313	42,953	298,266	830,083
2025-2026	487,216	48,806	536,022	262,784	33,694	296,478	832,500
2026-2027	504,452	29,716	534,168	275,548	24,073	299,621	833,789
2027-2028	519,619	10,003	529,622	235,381	15,008	250,389	780,011
2028-2029	-	-	-	70,000	9,900	79,900	79,900
2029-2030	-	-	-	75,000	7,906	82,906	82,906
2030-2031	-	-	-	75,000	5,703	80,703	80,703
2031-2032	-	-	-	80,000	3,281	83,281	83,281
2032-2033	-	-	-	65,000	1,016	66,016	66,016
	<u>\$ 6,261,249</u>	<u>\$ 1,674,499</u>	<u>\$ 7,935,748</u>	<u>\$ 4,133,751</u>	<u>\$ 1,073,160</u>	<u>\$ 5,206,911</u>	<u>\$ 13,142,659</u>

A summary of the changes in the outstanding principal for the District during the fiscal year ended June 30, 2014 is as follows:

Governmental Activities	Balance July 1, 2013	Additions	Payments	Balance June 30, 2014
Bond Obligations	\$ 11,035,000	\$ -	\$ 640,000	\$ 10,395,000

**NOTE 17 - PRIOR YEAR RESTATEMENT**

For the year ended June 30, 2014, the District adopted GASB 65 *Items Previously Reported as Assets and Liabilities*. As a result of this adoption, the beginning net assets of the government fund activities have been decreased by \$356,575. The governmental funds had a balance at June 30, 2013 of \$16,461,708. The balance should have been \$16,105,133. The change is a result of the write off of the amortized costs associated with the deferred loss on a bond's refunding. The net effect of these restatements was \$356,575.

**NOTE 18 - SUBSEQUENT EVENTS**

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

SUPPLEMENTARY  
INFORMATION

**TRIMBLE COUNTY SCHOOL DISTRICT**

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

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>Total Non-Major Government Funds</u>
<b>Assets</b>				
<b>Current</b>				
Cash and cash equivalents	\$ 10,577	\$ 120,823	\$ -	\$ 131,400
Total assets	<u>\$ 10,577</u>	<u>\$ 120,823</u>	<u>\$ -</u>	<u>\$ 131,400</u>
<b>Liabilities and Fund Balance</b>				
<b>Fund Balance</b>				
Restricted:				
Capital projects fund	\$ 1,004	\$ -	\$ -	\$ 1,004
Other	9,573	120,823	-	130,396
Total fund balance	<u>10,577</u>	<u>120,823</u>	<u>-</u>	<u>131,400</u>
Total liabilities and fund balance	<u>\$ 10,577</u>	<u>\$ 120,823</u>	<u>\$ -</u>	<u>\$ 131,400</u>

**TRIMBLE COUNTY SCHOOL DISTRICT**

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

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Government Funds</u>
<b>Revenues</b>				
Taxes	\$ -	\$ 292,654	\$ -	\$ 292,654
Earnings on investments	605	631	-	1,236
State sources	126,576	174,522	395,375	696,473
<b>Total revenues</b>	<u>127,181</u>	<u>467,807</u>	<u>395,375</u>	<u>990,363</u>
<b>Expenditures</b>				
Debt service:				
Principal	-	-	640,000	640,000
Interest	-	-	350,363	350,363
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>990,363</u>	<u>990,363</u>
Excess (deficit) of revenues over expenditures	<u>127,181</u>	<u>467,807</u>	<u>(594,988)</u>	<u>-</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	-	-	594,988	594,988
Operating transfers out	(431,629)	(467,807)	-	(899,436)
<b>Total other financing sources(uses)</b>	<u>(431,629)</u>	<u>(467,807)</u>	<u>594,988</u>	<u>(304,448)</u>
Net change in fund balance	(304,448)	-	-	(304,448)
Fund balance, July 1, 2013	315,025	120,823	-	435,848
Fund balance, June 30, 2014	<u>\$ 10,577</u>	<u>\$ 120,823</u>	<u>\$ -</u>	<u>\$ 131,400</u>

**TRIMBLE COUNTY SCHOOL DISTRICT**

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

	<u>Issue of 2002 - Kista</u>	<u>Issue of 2007</u>	<u>Issue of 2010</u>	<u>Issue of 2012</u>	<u>Total</u>
<b>Cash at July 1, 2013</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Receipts:</b>					
Transfers and miscellaneous deposits	119,025	373,483	419,933	77,922	990,363
<b>Disbursements:</b>					
Bonds paid	115,000	160,000	315,000	50,000	640,000
Interest coupons	4,025	213,483	104,933	27,922	350,363
Transfers and miscellaneous	-	-	-	-	-
Call fee	-	-	-	-	-
Total disbursements	119,025	373,483	419,933	77,922	990,363
Excess of receipts over disbursements	-	-	-	-	-
<b>Cash at June 30, 2014</b>	-	-	-	-	-
<b>Accounts Receivable and Payable</b>					
Matured interest and bonds outstanding	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-
<b>Fund Balance at June 30, 2014</b>	\$ -	\$ -	\$ -	\$ -	\$ -

**TRIMBLE COUNTY SCHOOL DISTRICT**

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

	<b>Fund Balance July 1, 2013</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Fund Balance June 30, 2014</b>
8th region basketball coaches	\$ 1,148	\$ -	\$ 670	\$ 478
Academic team	-	1,793	1,378	415
Agricultural fees	-	2,605	1,320	1,285
AP exams	258	4,153	4,090	321
Art club	824	410	257	977
Art fees	860	1,375	1,974	261
Athletic drink machine	36	1,124	1,160	-
Athletics	222	34,653	32,205	2,670
Athletics concessions	-	18,904	18,265	639
Band	747	5,121	5,868	-
Baseball	2,111	10,487	11,372	1,226
Baseball clothing	-	2,229	1,791	438
Beta club	408	4,527	3,180	1,755
Biology/Anatomy	515	487	676	326
Bookstore	270	57	190	137
Boys basketball	826	14,971	15,797	-
Boys golf	-	2,685	2,685	-
Business fees	240	1,465	690	1,015
CBI	1,073	892	935	1,030
Charities	241	953	856	338
Cheerleaders	-	12,145	11,921	224
Chemistry lab	63	75	-	138
Class A ticket sales	-	2,640	2,640	-
Class A transportation	-	160	-	160
Coach association dues	-	720	720	-
Computer lab fees	488	1,929	2,396	21
Cooking Club	10	378	189	199
Courtyard	18	-	-	18
Credit recovery/E-school	5,645	59	-	5,704
Cross country	3,285	7,232	7,283	3,234
Dance team	676	3,411	3,591	496
District softball	-	1,450	1,450	-
Down syndrome	-	141	141	-
Drama	4,790	4,800	6,885	2,705
Families in need	74	10	84	-
FBLA	136	2,993	3,112	17
FCA	258	-	-	258
FFA	585	9,274	9,329	530
Field trips	776	-	776	-
Flower and gift fund	78	897	975	-
Football	13,788	26,169	39,957	-
Forensic	320	250	-	570
Freshman class	189	596	785	-
General	23,191	1,393	21,166	3,418

TRIMBLE COUNTY SCHOOL DISTRICT

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

	Fund Balance July 1, 2013	Receipts	Disbursements	Fund Balance June 30, 2014
Girls basketball	\$ 2,710	\$ 24,502	\$ 27,212	\$ -
Girls golf	120	4,497	2,615	2,002
Girls tennis	307	650	598	359
Greenhouse	3,315	26	2,727	614
Guidance department	-	240	55	185
History club	1,100	85	-	1,185
In memory of F. Burkhardt	50	1,000	500	550
Jazz band	95	-	95	-
Junior class	2,900	9,153	8,256	3,797
Kelly Jewell scholarship	1,290	55	500	845
Library	677	968	1,076	569
Lounge drink machine	693	653	1,290	56
Media class	382	205	119	468
Pep club	584	165	256	493
Physical education	-	5	-	5
Physical science fees	487	1,349	796	1,040
Project prom	300	2,700	1,301	1,699
PSAT test	-	600	560	40
Raider wear	461	-	461	-
Relay for life	33	-	-	33
School Incentives	364	256	71	549
Science	75	-	-	75
Science club	1,231	-	-	1,231
Senior class	291	20,119	17,403	3,007
Senior overflow	3,880	291	100	4,071
Softball	852	11,361	9,020	3,193
Sophomore class	2,205	6,116	4,588	3,733
Spanish club	333	-	-	333
Student council	363	-	363	-
Student incentives	1,123	3,943	4,530	536
Technology fees	-	467	330	137
Technology student association	403	-	-	403
Teen leadership	1,371	2,006	2,350	1,027
Tennis	225	650	623	252
Textbooks	17,296	24,970	18,671	23,595
Track	2,590	3,882	3,135	3,337
Transportation costs	14,756	17,459	11,864	20,351
Volleyball Coach	374	13,089	13,198	265
Yearbook	1,838	6,192	4,331	3,699
<b>Total</b>	<b>\$ 129,223</b>	<b>\$ 343,267</b>	<b>\$ 357,753</b>	<b>\$ 114,737</b>

**TRIMBLE COUNTY SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances  
Year Ended June 30, 2014**

	<u>Milton Elementary School</u>	<u>Bedford Elementary School</u>	<u>Trimble County Middle School</u>	<u>Total</u>
Fund balances at July 1, 2013	\$ 15,190	\$ 39,978	\$ 43,859	\$ 99,027
Add: receipts	45,799	47,915	78,905	172,619
Less: disbursements	<u>(38,826)</u>	<u>(44,807)</u>	<u>(88,192)</u>	<u>(171,825)</u>
Fund balances at June 30, 2014	<u>\$ 22,163</u>	<u>\$ 43,086</u>	<u>\$ 34,572</u>	<u>\$ 99,821</u>

**TRIMBLE COUNTY SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Agreement Number</u>	<u>Federal Expenditures for FYE 6/30/2014</u>
<b><u>U.S. Department of Agriculture</u></b>			
Child Nutrition Cluster			
<b><i>Passed through Kentucky Department of Education</i></b>			
School Breakfast Program	10.553	7760005 13	\$ 36,811
School Breakfast Program	10.553	7760005 14	135,804
National School Lunch Program	10.555	7750002 13	76,122
National School Lunch Program	10.555	7750002 14	283,592
Summer Food Service Program for Children	10.559	7740023 13	7,881
<b><i>Passed through Kentucky Department of Agriculture</i></b>			
National School Lunch Program - Food Donation	10.555	4004619	56,963
Total Child Nutrition Cluster			<u>597,173</u>
<b>Total U.S. Department of Agriculture</b>			<u>597,173</u>
<b><u>U.S. Department of Education</u></b>			
<b><i>Passed through Kentucky Department of Education</i></b>			
Special Education Cluster			
Special Education Grants to States	84.027	3810002 13	243,893
Special Education Preschool Grants	84.173	3800002 13	11,654
Total Special Education Cluster			<u>255,547</u>
Title I Grants to Local Educational Agencies	84.010	3100002 13	294,632
Title I, School Improvement Funds	84.377	3100202 13	32,234
Career and Technical Education - Basic Grants to States	84.048	3710002 13	14,799
Title II Improving Teacher Quality State Grants	84.367	3230002 13	67,016
Rural Education	84.358	3140002 13	11,209
Migrant Education - State Grant Program	84.011	3110002 13	33,643
<b>Total U.S. Department of Education</b>			<u>709,080</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
Drug-Free Communities Support Program Grants	93.276	N/A	66,817
Head Start	93.600	N/A	631,920
<b>Total U.S. Department of Health and Human Services</b>			<u>698,737</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 2,004,990</u>

**TRIMBLE COUNTY SCHOOL DISTRICT**

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

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Trimble County School District under programs of the federal government for the year ended June 30, 2014, and is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Trimble County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**NOTE 2 – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2014, the District reported food commodities expended in the amount of \$56,963.



**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 Members of the Board of Education  
Trimble County School District  
Trimble, Kentucky

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

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Trimble 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 Trimble County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Trimble 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 Trimble 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*.

**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  
(Continued)**

**Purpose of this Report**

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

*Barnes, Dunning & Co., Ltd.*

Crestview Hills, Kentucky  
November 13, 2014



**BARNES DENNIG**

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

Members of the Board of Education  
Trimble County School District  
Trimble, Kentucky

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

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

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

In our opinion, Trimble 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 Trimble 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 Trimble 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 Trimble County School District's internal control over compliance.

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

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

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

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

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

*Burns, Donning & Co., Ltd.*

Crestview Hills, Kentucky  
November 13, 2014

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

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

***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

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

***Federal Awards***

Internal control over major programs:

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

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

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

***Identification of major programs***

CFDA No.	Name of Federal Program or Clusters
10.553/10.555/10.559	Child Nutrition Cluster
93.600	Head Start

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

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

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters are reportable

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

No matters are reportable

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

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

**TRIMBLE COUNTY SCHOOL DISTRICT**

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

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

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

**CURRENT YEAR RECOMMENDATIONS**

**CENTRAL OFFICE**

No matters are reportable

**ACTIVITY FUNDS**

**TRIMBLE COUNTY HIGH SCHOOL**

No matters are reportable

**TRIMBLE COUNTY MIDDLE SCHOOL**

No matters are reportable

**BEDFORD ELEMENTARY SCHOOL**

**2014-01: Receipts not properly labeled**

Criteria – Per best practices recommended by the Kentucky Department of Education, schools should record all receipts, including, but not limited to, a description of the receipt, in the appropriate account ledger and fund ledger.

Condition – During the testing of the Activity Funds, it was noted that the only description of cash receipts was the activity fund account the receipt went to.

Effect – Proper documentation of the cash receipt process was not properly followed.

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

Recommendation – We recommend that the account ledger and fund ledger are filled out correctly for all cash receipts.

Board Response –The finance director will hold additional training for the appropriate individuals to strengthen the internal controls.

**TRIMBLE COUNTY SCHOOL DISTRICT**  
**Management Letter Comments (Continued)**  
**Year Ended June 30, 2014**

**CURRENT YEAR RECOMMENDATIONS (Continued)**

**2014-02: Monies on hand were not deposited on a timely basis**

Criteria – Per best practices recommended by the Kentucky Department of Education, monies collected should be deposited on a daily basis. If the amount is less than \$100, the monies should be deposited on a weekly basis at a minimum.

Condition – During the testing of the Activity Funds, it was noted that monies received were not deposited until three days after receipt.

Effect – Proper procedures of the cash collection and deposit process were not followed.

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

Recommendation – We recommend that all monies received are deposited on a daily basis regardless of the amount received.

Board Response – The finance director will hold additional training for the appropriate individuals to strengthen emphasis that deposits need to be deposited in a timely fashion.

**MILTON ELEMENTARY SCHOOL**

**2014-03: Monthly financial statements and bank reconciliations not prepared and reviewed timely**

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

Condition – During the testing of the Activity Funds, it was noted that several of the monthly reports and bank reconciliations were either not signed off on in a timely manner or not signed off on at all.

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

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

Recommendation – We recommend that the financial secretary prepare and submit the monthly financial reports and bank reconciliations to the principal for review each month. Further, we recommend the district finance officer to work with the financial secretary to ensure the monthly reports and bank reconciliations are being prepared timely.

Board Response – The finance director will hold additional training for the appropriate individuals to emphasize the timely creation and preparation of the statements.

**TRIMBLE COUNTY SCHOOL DISTRICT**  
**Management Letter Comments (Continued)**  
**Year Ended June 30, 2014**

**CURRENT YEAR RECOMMENDATIONS (Continued)**

**2014-04: Checks missing dual signatures**

Criteria – Per best practices recommended by the Kentucky Department of Education, two signatures should be required on all checks that result in a disbursement from the school activity fund.

Condition – During the testing of the Activity Funds, it was noted that several checks did not have dual signatures.

Effect – Proper documentation of the cash disbursement process was not followed.

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

Recommendation – We recommend that all checks obtain dual signatures.

Board Response – The finance director will hold additional training for the appropriate individuals to emphasize the importance of the dual signature.

**TRIMBLE COUNTY SCHOOL DISTRICT**  
**Management Letter Comments (Continued)**  
**Year Ended June 30, 2014**

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

**CENTRAL OFFICE**

No matters are reportable

**ACTIVITY FUNDS**

**TRIMBLE COUNTY HIGH SCHOOL**

No matters are reportable

**TRIMBLE COUNTY MIDDLE SCHOOL**

No matters are reportable

**BEDFORD ELEMENTARY SCHOOL**

No matters are reportable

**MILTON ELEMENTARY SCHOOL**

Statement of prior year deficiency:

- It was noted that checks were being issued with only one signature.

Current year follow-up: See management comment 2014-05 above.