

WOLFE COUNTY BOARD OF EDUCATION

FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
And
INDEPENDENT AUDITOR'S REPORTS

Year Ended June 30, 2014

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

INDEPENDENT AUDITOR'S REPORT

State Committee For School District Audits
Members of the Board of Education
Wolfe County Board of Education
Campton, 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 Wolfe County Board of Education as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2014 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
September 22, 2014

**WOLFE COUNTY BOARD OF EDUCATION
CAMPTON, KENTUCKY**

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

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

FINANCIAL HIGHLIGHTS

The beginning cash balance for the District, including activity funds, was \$1,006,564. The ending cash balance for the District, including activity funds, was \$1,829,599.

The General Fund had \$10,615,390 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding inter-fund transfer, there were \$10,525,132 in General Fund expenditures. This includes on-behalf payments.

The Board continued to work with the insurance company on repairs to the schools, primarily the high school, after the March 2, 2012 storm damage.

During the fiscal year the District was notified the Kentucky School Board Insurance Trust (KSBIT) would be dissolving as the self insurance provider for school districts in Kentucky. KSBIT has informed Districts there is an unfunded liability that will be assessed. The assessment for Workers Compensation is \$52,182. The District has chosen to pay 25% down and the remaining in six equal payments. The District did not have an assessment for Property and Liability.

The District had an increase in enrollment during the fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$9.8 million as of June 30, 2014.

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

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

Net position for the period ending June 30, 2013 and 2014

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

	Net Position (in thousands)					
	Governmental		Business-type		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Assets	\$18,843	\$18,456	\$342	\$184	\$19,185	\$18,640
Liabilities	\$8,872	\$10,083	\$5	\$13	\$8,877	\$10,096
Deferred Inflows of Resources	\$98	\$107	\$0	\$0	\$98	\$107
Investment in capital assets (net of debt)	\$8,207	\$7,485	\$70	\$74	\$8,277	\$7,559
Restricted	683	377	267	97	950	474
Unrestricted	<u>983</u>	<u>404</u>	<u>0</u>	<u>0</u>	<u>983</u>	<u>404</u>
Total Net Position	\$9,873	\$8,266	\$337	\$171	\$10,210	\$8,437

Budgetary Implications

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal year, but are reflected in the district overall budget. By law the budget must have a minimum 2 percent contingency. The district adopted a budget with \$433,127 in contingency, which is 4.6 percent.

Comments on Budget Comparisons

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

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

Changes in Net Position (in thousands)						
	Governmental		Business-type		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Local Revenue Sources	\$2,402	\$3,777	\$97	\$92	\$2,499	\$3,869
State Revenue Sources	10,573	10,142	101	99	10,674	10,241
Federal Revenue Sources	1,793	1,853	1,082	929	2,875	2,782
Investments	<u>16</u>	<u>23</u>	<u>2</u>	<u>1</u>	<u>18</u>	<u>24</u>
Total Revenues	14,784	15,795	1,282	1,121	16,066	16,916
Expenses						
Instruction	8,064	8,089			8,064	8,089
Student Support Services	369	396			369	396
Instructional Support	109	109			109	109
District Administration	549	543			549	543
School Administration	717	730			717	730
Business Support	317	270			317	270
Plant Operations	1,447	1,748			1,447	1,748
Student Transportation	1,183	1,210			1,183	1,210
Facilities Acquisition & Construction	0	0			0	0
Community Support	223	203			223	203
Food Service		0	1,116	1,110	1,116	1,110
Debt Service	<u>199</u>	<u>246</u>			<u>199</u>	<u>246</u>
Total Expenses	13,177	13,544	1,116	1,110	14,293	14,654
Change in Net Position	1,607	2,251	166	11	1,773	2,262
Beginning Net Position	<u>8,266</u>	<u>6,015</u>	<u>171</u>	<u>160</u>	<u>8,437</u>	<u>6,175</u>
Ending Net Position	\$9,873	\$8,266	\$337	\$171	\$10,210	\$8,437

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

INFRASTRUCTURE

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

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

Fund	Beginning	Revenues	Expenses	Transfer	Ending
General Fund	\$1,048	\$10,615	\$10,525	(\$25)	\$1,113
Special Revenue	\$0	\$2,466	\$2,479	\$25	\$12
Capital Outlay	\$0	\$119	\$0	\$0	\$119
Building	\$167	\$433	\$0	(\$354)	\$246
Construction	\$109	\$897	\$792	\$0	\$214
Debt Service	\$0	\$464	\$818	\$354	\$0

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

Governmental	Beginning	Additions	Deductions	Ending
Capital Assets	\$25,404	\$4,389	\$3,478	\$26,315
Accumulated Depreciation	\$8,933	\$643	\$116	\$9,460
Business-Type				
Capital Assets	\$443	\$0	\$0	\$443
Accumulated Depreciation	\$369	\$4	\$0	\$373
Bonds Payable	\$8,040	\$0	\$645	\$7,395
Capital Leases Payable	\$1,069	\$210	\$188	\$1,091
Sick Leave Payable	\$204	\$0	\$71	\$133

CURRENT ISSUES

The District gave staff the mandated 1% raise and added a years' experience increase for classified employees.

The District is working on bonding options to improve facilities.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to reflect the Board's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to the Superintendent, Kenny Bell, or to the Treasurer, Renae Lawson, 606-668-8002, or by mail at 85 Main Street, Campton, Ky 41301.

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

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents - Note C	\$1,553,900	\$205,950	\$1,759,850
Accounts receivable	409,558	54,098	463,656
Prepaid expenses	24,704		24,704
Inventory		11,837	11,837
Capital assets			
Land and construction in progress	615,620		615,620
Other capital assets, net of depreciation	<u>16,239,078</u>	<u>69,663</u>	<u>16,308,741</u>
Total capital assets	<u>16,854,698</u>	69,663	<u>16,924,361</u>
TOTAL ASSETS	\$18,842,860	\$341,548	\$19,184,408
LIABILITIES			
Accounts payable	172,134	4,865	176,999
Interest payable	28,669		28,669
Judgments payable	13,046		13,046
Long-term Liabilities			
Due within 1 year	871,769		871,769
Due in more than 1 year	<u>7,786,464</u>		<u>7,786,464</u>
TOTAL LIABILITIES	\$8,872,082	\$4,865	\$8,876,947
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues	97,634		97,634
NET POSITION			
Net investment in capital assets	\$8,206,932	\$69,663	\$8,276,595
Restricted			
Prepays	24,704		24,704
District Activity Funds	12,379		12,379
Accrued sick leave	66,308		66,308
SFCC	166,688		166,688
Other	198,457		198,457
Future Construction Projects	214,475		214,475
Debt Service	32		32
Food Service		267,020	267,020
Unrestricted	<u>983,169</u>		<u>983,169</u>
TOTAL NET POSITION	\$9,873,144	\$336,683	\$10,209,827

See accompanying notes

WOLFE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
DISTRICT WIDE

For the year ended June 30, 2014

FUNCTIONS/PROGRAMS

Governmental Activities

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Net (Expense) Revenue and Changes in Net Position
Instruction	\$8,063,932	\$0	\$2,129,500		(\$5,934,432)	\$ (5,934,432)
Support services:						
Student	368,449		11,881		(356,568)	(356,568)
Instruction staff	108,986				(108,986)	(108,986)
District administrative	549,043				(549,043)	(549,043)
School administrative	716,483				(716,483)	(716,483)
Business	317,332				(317,332)	(317,332)
Plant operation and maintenance	1,447,275		101,141		(\$1,346,134)	(1,346,134)
Student transportation	1,183,350				(1,183,350)	(1,183,350)
Community service activities	223,308		223,004		(304)	(304)
Interest on long-term debt	198,908			99,529	(99,379)	(99,379)
Total governmental activities	13,177,066	0	2,465,526	99,529	(10,612,011)	(10,612,011)

Business-type Activities

Food service	1,115,936	97,097	1,183,261		164,422	164,422
Total business-type activities	1,115,936	97,097	1,183,261		164,422	164,422
Total school district	\$14,293,002	\$97,097	\$3,648,787	\$99,529	(\$10,612,011)	\$164,422 (\$10,447,589)

General Revenues

Property taxes	\$625,624				\$625,624
Motor Vehicle taxes	177,000				177,000
Utility taxes	347,821				347,821
State aid- formula grants	9,866,269				9,866,269
Federal Funding	84,088				84,088
Gain on sale of assets	5,289				5,289
Investment earnings	16,149			1,284	17,433
Miscellaneous	202,599				202,599
Special Items					
Loss compensation	894,627				894,627
Total general & special	12,219,466			1,284	12,220,750
Change in net position	1,607,455			165,706	1,773,161
Net position - beginning	8,265,689			170,977	8,436,666
Net position - ending	\$9,873,144			\$336,683	\$10,209,827

See accompanying notes

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

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$1,134,952	\$0	\$214,475	\$365,177	\$1,714,604
Other receivables	102,331	307,227			409,558
Prepaid expenses	<u>24,704</u>				<u>24,704</u>
TOTAL ASSETS	\$1,261,987	\$307,227	\$214,475	\$365,177	\$2,148,866
LIABILITIES					
Bank Overdraft	\$0	\$160,704	\$0	\$0	\$160,704
Accounts payable	135,624	36,510	0	0	172,134
Judgments payable	<u>13,046</u>				<u>13,046</u>
TOTAL LIABILITIES	148,670	197,214	0	0	345,884
DEFERRED INFLOWS OF RESOURCES					
Deferred Revenues		97,634			97,634
Fund Balances					
Nonspendable					
Prepaid expenses	24,704				24,704
Committed					
Other		12,379			12,379
Restricted					
Sick Leave Payable	66,308				66,308
SFCC				166,688	166,688
Other				198,457	198,457
Future Construction Projects			214,475		214,475
Debt Service				32	32
Unassigned	<u>1,022,305</u>				<u>1,022,305</u>
Total fund balances	1,113,317	12,379	214,475	365,177	1,705,348
TOTAL LIABILITIES AND FUND BALANCE	\$1,261,987	\$307,227	\$214,475	\$365,177	\$2,148,866

See accompanying notes

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

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

Total Fund Balance - Governmental Funds	\$1,705,348
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position	16,854,698
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position	
	Bonds Payable (7,395,000)
	Capital Leases Payable (1,091,481)
	KSBIT Judgment (39,136)
	Accrued Interest on Bonds (28,669)
	<u>Accumulated Sick Leave (132,616)</u>
Total Net Position - Governmental Activities	\$9,873,144

See accompanying notes

WOLFE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended June 30, 2014	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources					
Property taxes	\$502,890	\$	\$	\$122,734	\$625,624
Motor vehicle taxes	177,000				177,000
Utility taxes	347,821				347,821
Earnings on investments	10,195	244	2,453	3,501	16,393
Other local revenues	202,599	148,469			351,068
Intergovernmental - State	9,075,662	608,135		890,136	10,573,933
Intergovernmental - Federal	<u>84,088</u>	<u>1,708,678</u>			<u>1,792,766</u>
Total revenues	10,400,255	2,465,526	2,453	1,016,371	13,884,605
Expenditures					
Instruction	5,934,215	2,142,548			8,076,763
Support services					
Student	354,026	11,881			365,907
Instruction staff	106,893				106,893
District administration	545,332				545,332
School administration	710,333				710,333
Business	310,990				310,990
Plant operation and maintenance	1,112,114	101,141			1,213,255
Student transportation	1,233,700				1,233,700
Building Improvements			791,598		791,598
Community service activities		223,004			223,004
Debt service	<u>217,529</u>			<u>817,911</u>	<u>1,035,440</u>
Total expenditures	10,525,132	2,478,574	791,598	817,911	14,613,215
Excess(deficit)of revenues over expenditures	(124,877)	(13,048)	(789,145)	198,460	(728,610)
Other Financing Sources (Uses)					
Capital lease proceeds	209,846				209,846
Sale of equipment	5,289				5,289
Operating transfers in		25,427		353,746	379,173
Operating transfers out	<u>(25,427)</u>			<u>(353,746)</u>	<u>(379,173)</u>
Total other financing sources (uses)	189,708	25,427		0	215,135
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	64,831	12,379	(789,145)	198,460	(513,475)
Extraordinary items					
Loss Compensation -tornado			894,627		894,627
Change in Fund Balance	64,831	12,379	105,482	198,460	381,152
Fund balance, July 1, 2013	<u>1,048,486</u>	<u>0</u>	<u>108,993</u>	<u>166,717</u>	<u>1,324,196</u>
Fund balance, June 30, 2014	\$1,113,317	\$12,379	\$214,475	\$365,177	\$1,705,348

See accompanying notes

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

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

Total net change in fund balances - governmental funds \$381,152

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

Depreciation Expense	(643,530)	
Capital Outlays	<u>1,026,999</u>	383,469

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

Repayment of Bond Principal	645,000
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Lease payments are recognized as expenditures of current financial resources in the fund financial statement, but are reductions of liabilities in the statement of net position

Repayment of Capital Lease Principal	187,635
Proceeds from Capital Lease	<u>(209,846)</u>

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

Change in Accrued Interest	3,897
KSBIT Judgment	144,958
Change in Sick Leave	<u>71,190</u>

Total Change in Net Position - Governmental Activities 1,607,455

See accompanying notes

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

	Business-Type Activities Enterprise Funds Food Service <u>Fund</u>
ASSETS	
Cash in Bank	\$205,950
Accounts Receivable	54,098
Inventory	11,837
Capital Assets, net of depreciation	<u>69,663</u>
TOTAL ASSETS	\$341,548
LIABILITIES	
Accounts Payable	\$4,865
TOTAL LIABILITIES	<u>4,865</u>
NET POSITION	
Net Investment in Capital Assets	69,663
Restricted Net Position	<u>267,020</u>
TOTAL NET POSITION	\$336,683

See accompanying notes

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

	Business-Type Activities Enterprise Funds Food Service <u>Fund</u>
OPERATING REVENUES	
Lunchroom sales	\$79,154
Other revenues	<u>17,943</u>
Total Operating Revenues	97,097
OPERATING EXPENSES	
Salaries and wages	417,079
Contract services	16,265
Materials and supplies	678,215
Depreciation	<u>4,377</u>
Total Operating Expenses	1,115,936
Operating income (loss)	(1,018,839)
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	1,031,224
Commodities received	50,824
State grants	8,553
State on-behalf payments	92,660
Interest income	<u>1,284</u>
Non-operating revenues (expenses)	1,184,545
Net income (loss) before Capital Contributions	165,706
Capital Contributions	0
Increase (decrease) in Net Position	165,706
Net Position, July 1, 2013	<u>170,977</u>
Net Position, June 30, 2014	\$336,683

See accompanying notes

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

Business-Type Activities
Enterprise Funds
Food Service
Fund

CASH FLOW FROM OPERATING ACTIVITIES

Cash received from customers	\$97,097
Cash paid to employees, including benefits	(324,419)
Cash paid to suppliers	<u>(656,500)</u>
Net cash provided by operating activities	(883,822)

CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES

Cash received from government funding	1,045,870
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CASH FLOWS FROM INVESTING ACTIVITIES

interest income	1,284
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Net increase (decrease) in cash	163,332
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Cash and equivalents, July 1, 2013	<u>42,618</u>
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Cash and equivalents, June 30, 2014	\$205,950
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Reconciliation of Operating income (loss) to Net Cash

Provided by Operating Activities	
Operating income (loss)	(\$1,018,839)

Adjustments to reconcile net income to cash
provided by operating activities

Depreciation	4,377
On-behalf payments	92,660
Commodities used	50,824
Decrease in accounts payable	(7,791)
Increase in inventory	<u>(5,053)</u>

Net cash provided by operating activities and increase in cash and equivalents	(\$883,822)
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Schedule of Non-Cash Financing Activities

Donated commodities	\$50,824
On Behalf payments	\$92,660

See accompanying notes

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

	Agency Fund
ASSETS	
Cash and equivalents	\$69,749
Accounts receivable	<u>1,960</u>
TOTAL ASSETS	\$71,709
LIABILITIES	
Accounts payable	\$11,458
Due to student groups	<u>60,251</u>
TOTAL LIABILITIES	\$71,709

See accompanying notes

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

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

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

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

Basis of Presentation

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

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

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

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

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

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

The District has the following funds:

I. Governmental Fund Types

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

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

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

II. Debt Service Fund

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

III. Proprietary Funds (Enterprise Fund)

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

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

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

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

V. Permanent Funds

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

Basis of Accounting

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

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

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

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

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

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

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

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

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2014, to finance operations were \$.34 per \$100 valuation for real property, \$.34 per \$100 valuation for business personal property and \$.459 per \$100 valuation for motor vehicles.

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

Fund Balance Classification Policies and Procedures

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

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

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

Interfund Balances

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

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

Capital Assets

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

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

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

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

Accumulated Unpaid Sick Leave Benefits

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

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

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

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

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

Budgetary Process

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

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

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

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

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

Cash and Cash Equivalents

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

Inventories

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

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

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

Prepaid Assets

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Net Position

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

Operating Revenues and Expenses

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

Contributions of Capital

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

Subsequent Events

Subsequent events were considered through September 22, 2014, which represents the date of my report.

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

Interfund Activity

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

Uses of Estimates

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

Encumbrances

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

NOTE B – PROPERTY TAX CALENDAR

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

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

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

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

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's total cash and cash equivalents was \$1,829,599. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

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

	Bank Balance	Book Balance
General Checking Account		
General Fund	\$	\$ 1,134,952
Fund 2		(160,704)
Fund 310		118,875
Fund 320		246,270
Fund 360		214,475
Fund 51		<u>205,950</u>
Total General Checking Account	2,245,202	1,759,818
Activity and Trust Funds	83,549	69,749
Debt Service Funds	<u>32</u>	<u>32</u>
TOTALS	\$ 2,328,793	\$1,829,599

Breakdown per financial statements:

Governmental Funds	\$ 1,553,900
Proprietary Funds	205,950
Agency Funds	<u>69,749</u>
TOTALS	\$ 1,829,599

NOTE D – CAPITAL ASSETS

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

Instruction	\$ 88,674
Support Services	
Student	2,542
Instructional Staff	2,093
District Administration	3,711
School Administration	6,150
Business	6,342
Plant operations & maintenance	378,978
Student transportation	154,736
Community Services	<u>304</u>
Total Depreciation expense, governmental activities	\$ 643,530

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

NOTE D – CAPITAL ASSETS

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

Governmental Activities	July 1, 2013	Additions	Retirements	June 30,2014
Land	\$615,620	\$	\$	\$615,620
Land Improvements	246,884			246,884
Building & Building Improve	16,836,110	4,154,069		20,990,179
Technology Equipment	1,623,300	30,314		1,653,614
Vehicles	2,313,427	205,086	116,044	2,402,469
General Equipment	406,019			406,019
Construction in Process	<u>3,362,470</u>	<u>0</u>	<u>3,362,470</u>	<u>0</u>
Totals at historical cost	25,403,830	4,389,469	3,478,514	26,314,785
Accumulated Depreciation				
Land Improvements	235,643	2,127		237,770
Building & Building Improve	5,476,874	371,798		5,848,672
Technology Equipment	1,398,075	99,830		1,497,905
Vehicles	1,494,299	154,571	116,044	1,532,826
General Equipment	<u>327,710</u>	<u>15,204</u>	<u>0</u>	<u>342,914</u>
Total accumulated depreciation	8,932,601	643,530	116,044	9,460,087
Capital Assets – Net	\$16,471,229	\$3,745,939	\$3,362,470	\$16,854,698
Business-Type Activities				
Building & Building Improve	\$144,632	\$	\$	\$144,632
Technology Equipment	5,455			5,455
General Equipment	<u>292,632</u>			<u>292,632</u>
Totals at historical cost	442,719			442,719
Accumulated Depreciation				
Building & Building Improve	96,685	2,439		99,124
Technology Equipment	5,455			5,455
General Equipment	<u>266,539</u>	<u>1,938</u>		<u>268,477</u>
Total accumulated depreciation	368,679	4,377		373,056
Capital Assets – Net	\$74,040	\$(4,377)	\$0	\$69,663

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

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS

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

Issue Date	Proceeds	Rates
2009	\$ 565,000	2.30% - 4.40%
2011	645,000	1.10% - 3.00%
2012R	6,640,000	1.00% - 2.25%

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

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

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

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

	Beginning Balance	Additions	Payments	Ending Balance
Bonds	\$8,040,000	\$0	\$645,000	\$7,395,000
Capital Lease	\$1,069,270	\$209,846	\$187,635	\$1,091,481
Sick Leave	<u>\$203,806</u>	<u>\$0</u>	<u>\$71,190</u>	<u>\$132,616</u>
Total	\$9,313,076	\$209,846	\$903,825	\$8,619,097

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

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

Year	Wolfe County School District		SFCC Participation		Total
	Principal	Interest	Principal	Interest	
2014-15	292,349	64,043	377,651	86,513	820,556
2015-16	296,356	59,458	383,644	80,521	819,979
2016-17	305,262	54,602	389,738	74,427	824,029
2017-18	309,066	49,503	395,934	68,231	822,734
2018-19	311,825	43,568	403,175	60,991	819,559
2019-20	319,450	37,427	410,550	53,614	821,041
2020-21	325,724	30,303	419,276	44,889	820,192
2021-22	336,801	23,000	428,199	35,966	823,966
2022-23	337,678	15,405	437,322	26,841	817,246
2023-24	272,829	8,539	447,171	16,994	745,533
2024-25	13,422	2,195	26,578	6,385	48,580
2025-26	12,253	1,605	27,747	5,216	46,821
2026-27	6,031	1,065	28,969	3,995	40,060
2027-28	9,756	800	30,244	2,720	43,520
2028-29	8,426	371	31,574	1,389	41,760
2029-30	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	3,157,228	391,884	4,237,772	568,692	8,355,576

NOTE F – COMMITMENTS UNDER NONCAPITALIZED LEASES

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

Year ending June 30,

2015	\$ 19,660
2016	10,660
2017	10,660
2018	9,860
2019	795
Later years	<u>0</u>
Total	\$ 51,635

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

NOTE G – RETIREMENT PLANS

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

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

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

Medical Insurance Plan

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

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

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

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

NOTE G – RETIREMENT PLANS (continued)

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

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

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

	2014	2013	2012
Total payroll	7,763,266	7,778,588	8,249,148
KTRS total payroll	5,999,250	5,987,312	6,384,116
KTRS contribution - Commonwealth of KY	654,169	644,657	634,521
KTRS contribution - District Federal Employees	151,144	202,846	223,160
CERS total payroll	1,682,282	1,766,671	1,902,378
Contribution requirement for CERS	381,159	383,914	452,792
District portion - CERS contribution	298,882	301,042	360,606
Employee portion - CERS contribution	82,277	82,872	92,186

NOTE H – CONTINGENCIES

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

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

NOTE I – INSURANCE AND RELATED ACTIVITIES

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

NOTE J – ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the district an amount equal to 30% of the value of accumulated sick leave. At June 30, 2014, this amount totaled \$132,616 of which \$66,308 is restricted in the current year fund balance of the General Fund.

NOTE K – INTERFUND RECEIVABLES AND PAYABLES

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

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

NOTE L – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District purchases various insurance policies. The District purchased unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE M – DEFICIT OPERATING/FUND BALANCES

Funds with a current year deficit of revenues over expenditures

None

NOTE N – COBRA

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

NOTE O – TRANSFER OF FUNDS

The following transfers were made during the year.

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	1	2	KETS Matching	\$ 18,402
Operating	1	2	Community Ed	7,025
Debt Service	320	400	Bond Payment	353,746

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

NOTE P – ON-BEHALF PAYMENTS

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

Health Insurance	\$ 1,612,127
Life Insurance	3,528
Administrative Fees	16,688
Health Reimbursement Account	52,675
Federal Reimbursement	(192,092)
KTRS	656,568
Technology On Behalf Payments	44,686
Debt Service On Behalf Payments	<u>464,165</u>
Total On-Behalf Payments	\$ 2,658,345

NOTE Q – DEPOSITS AND INVESTMENTS

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

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

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

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

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

NOTE R – KSBIT JUDGMENT

On June 4, 2014, the Franklin Circuit Court issued an order instructing the Rehabilitator to assess the former members of the Kentucky School Board Insurance Trust Workers' Compensation Fund. The District was assessed \$52,182. The District has elected to pay 25% by August 31, 2014, and the balance in equal installments for 6 years.

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

Year Ending <u>June 30,</u>	<u>Amount</u>
2015	\$ 13,046
2016	6,523
2017	6,523
2018	6,523
2019	6,523
Thereafter	<u>13,044</u>
Total	\$ 52,182

NOTE S – GASB 68

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

NOTE T – RESTATEMENT OF NET POSITION – DISTRICT WIDE

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

June 30, 2013, Original	\$ 8,421,176
Removal of Bond Issuance Cost	(155,487)
June 30, 2013, Restated	\$ 8,265,689

SUPPLEMENTARY INFORMATION

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	\$950,000	\$950,000	\$1,027,711	\$77,711
Other Local Sources	25,000	25,000	212,794	187,794
Federal Sources	15,000	15,000	84,088	69,088
State Sources	<u>6,769,508</u>	<u>6,761,902</u>	<u>9,075,662</u>	<u>2,313,760</u>
TOTAL REVENUES	7,759,508	7,751,902	10,400,255	2,648,353
EXPENDITURES				
Instruction	4,453,107	4,478,776	5,934,215	(1,455,439)
Support Services				
Student	271,095	270,997	354,026	(83,029)
Instructional Staff	89,502	84,502	106,893	(22,391)
District Administration	443,832	425,297	545,332	(120,035)
School Administration	543,934	542,434	710,333	(167,899)
Business	203,654	203,651	310,990	(107,339)
Plant Operation and Maintenance	887,506	883,507	1,112,114	(228,607)
Student Transportation	1,176,759	1,104,003	1,233,700	(129,697)
Debt Service	0	0	217,529	(217,529)
Contingency	<u>356,470</u>	<u>433,127</u>	<u>0</u>	<u>433,127</u>
TOTAL EXPENDITURES	8,425,859	8,426,294	10,525,132	(2,098,838)
Excess (Deficit) of Revenues Over Expenditures	(666,351)	(674,392)	(124,877)	549,515
OTHER FINANCING SOURCES (USES)				
Proceeds from Capital Leases	0	0	209,846	209,846
Sale of Equipment	0	0	5,289	5,289
Operating Transfers Out	<u>(33,649)</u>	<u>(25,608)</u>	<u>(25,427)</u>	<u>181</u>
TOTAL OTHER FINANCING SOURCES (USES)	(33,649)	(25,608)	189,708	215,316
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(700,000)	(700,000)	64,831	764,831
Fund Balance, July 1, 2013	<u>700,000</u>	<u>700,000</u>	<u>1,048,486</u>	<u>348,486</u>
Fund Balance, June 30, 2014	\$0	\$0	\$1,113,317	\$1,113,317

On-Behalf payments are not budgeted. Both revenues and expenditures are equally increased by the amount of on-behalf payments totaling \$2,101,520.

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
State Sources	\$359,465	\$578,632	\$608,135	29,503
Federal Sources	1,474,968	1,598,646	1,708,678	110,032
Local Sources	<u>0</u>	<u>0</u>	<u>98,339</u>	<u>98,339</u>
TOTAL REVENUES	1,834,433	2,177,278	2,415,152	237,874
EXPENDITURES				
Instruction	1,840,833	1,963,708	2,104,553	(140,845)
Support Services				
Student		10,394	11,881	(1,487)
Plant Operations & Maintenance		32,500	101,141	(68,641)
Community Service Operations	<u>27,249</u>	<u>196,284</u>	<u>223,004</u>	<u>(26,720)</u>
TOTAL EXPENDITURES	1,868,082	2,202,886	2,440,579	(237,693)
Excess (Deficit) of Revenues Over Expenditures	(33,649)	(25,608)	(25,427)	181
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	<u>33,649</u>	<u>25,608</u>	<u>25,427</u>	<u>(181)</u>
TOTAL OTHER FINANCING SOURCES (USES)	33,649	25,608	25,427	(181)
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	0	0	0	0
Restricted Fund Balance, July 1, 2013	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Restricted Fund Balance, June 30, 2014	\$0	\$0	\$0	\$0

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

	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES				
Cash and equivalents	<u>\$118,875</u>	<u>\$246,270</u>	<u>\$32</u>	<u>\$365,177</u>
TOTAL ASSETS AND RESOURCES	\$118,875	\$246,270	\$32	\$365,177
FUND BALANCES				
Restricted - SFCC	\$	\$166,688	\$	\$166,688
Restricted - Other	118,875	79,582		198,457
Restricted - Debt Service			<u>32</u>	<u>32</u>
TOTAL FUND BALANCES	<u>118,875</u>	<u>246,270</u>	<u>32</u>	<u>365,177</u>
TOTAL LIABILITIES AND FUND BALANCES	\$118,875	\$246,270	\$32	\$365,177

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

	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total
REVENUES				
From local sources				
Taxes	\$	\$122,734	\$	\$122,734
Interest	236	3,262	3	3,501
Intergovernmental-State	<u>118,639</u>	<u>307,332</u>	<u>464,165</u>	<u>890,136</u>
TOTAL REVENUES	118,875	433,328	464,168	1,016,371
EXPENDITURES				
Debt Service			<u>817,911</u>	<u>817,911</u>
TOTAL EXPENDITURES			817,911	817,911
Excess (deficit) revenues over expenditures	118,875	433,328	(353,743)	198,460
OTHER FINANCING SOURCES (USES)				
Operating transfers in			353,746	353,746
Operating transfers out		<u>(353,746)</u>	<u> </u>	<u>(353,746)</u>
TOTAL OTHER FINANCING SOURCES (USES)		(353,746)	353,746	0
Excess (deficit) revenues and other financing sources over expenditures and other financing uses	118,875	79,582	3	198,460
Restricted Fund Balance, July 1, 2013	<u>0</u>	<u>166,688</u>	<u>29</u>	<u>166,717</u>
Restricted Fund Balance, June 30, 2014	\$118,875	\$246,270	\$32	\$365,177

WOLFE COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUNDS
 As of June 30, 2014

	Special Revenue Fund	District Activity Fund	Total
ASSETS AND RESOURCES			
Cash and equivalents	\$0	\$10,289	\$10,289
Accounts receivable	<u>303,024</u>	<u>4,203</u>	<u>307,227</u>
TOTAL ASSETS	\$303,024	\$14,492	\$317,516
LIABILITIES			
Bank Overdraft	170,993		170,993
Accounts Payable	<u>34,397</u>	<u>2,113</u>	<u>36,510</u>
TOTAL LIABILITIES	205,390	2,113	207,503
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue	97,634		97,634
FUND BALANCES			
Committed - Other		<u>12,379</u>	<u>12,379</u>
TOTAL FUND BALANCES	0	12,379	12,379
TOTAL LIABILITIES AND FUND BALANCES	\$303,024	\$14,492	\$317,516

WOLFE COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUNDS
 For The Year Ended June 30, 2014

	Special Revenue Fund	District Activity Fund	Total
REVENUES			
State Sources	\$608,135	\$	\$608,135
Federal Sources	1,708,678		1,708,678
Local Sources	<u>98,339</u>	<u>50,374</u>	<u>148,713</u>
TOTAL REVENUES	2,415,152	50,374	2,465,526
EXPENDITURES			
Instruction	2,104,553	37,995	2,142,548
Support Services			
Student	11,881		11,881
Plant Operations & Maintenance	101,141		101,141
Community Service Operations	<u>223,004</u>		<u>223,004</u>
TOTAL EXPENDITURES	2,440,579	37,995	2,478,574
Excess (Deficit) of Revenues Over Expenditures	(25,427)	12,379	(13,048)
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	<u>25,427</u>		<u>25,427</u>
TOTAL OTHER FINANCING SOURCES (USES)	25,427		25,427
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	0	12,379	12,379
Restricted Fund Balance, July 1, 2013	<u>0</u>	<u>0</u>	<u>0</u>
Restricted Fund Balance, June 30, 2014	\$0	\$12,379	\$12,379

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

	Wolfe County High School	Wolfe County Middle School	Campton Elementary School	Red River Valley Elementary School	Rogers Elementary School	Total
ASSETS						
Cash and equivalents	\$35,383	\$3,731	\$9,905	\$6,896	\$13,834	\$69,749
Accounts receivable	<u>1,844</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>116</u>	<u>1,960</u>
TOTAL ASSETS	\$37,227	\$3,731	\$9,905	\$6,896	\$13,950	\$71,709
LIABILITIES						
Accounts payable	\$8,541	\$0	\$2,710	\$151	\$56	\$11,458
Due to student groups	<u>28,686</u>	<u>3,731</u>	<u>7,195</u>	<u>6,745</u>	<u>13,894</u>	<u>60,251</u>
TOTAL LIABILITIES	\$37,227	\$3,731	\$9,905	\$6,896	\$13,950	\$71,709

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

	Cash Balances		Receipts	Disbursements	Cash Balances June 30, 2014	Accounts Receivable		Accounts Payable	Due To Student Groups June 30, 2014
	July 1, 2013	June 30, 2013				June 30, 2014	June 30, 2014		
Wolfe County High School	\$43,187	\$179,954	\$187,758	\$35,383	\$1,844	\$8,541	\$28,686		
Wolfe County Middle School	\$8,932	\$65,699	\$70,900	\$3,731	\$0	\$0	\$3,731		
Red River Valley Elementary School	\$13,917	\$33,551	\$40,572	\$6,896	\$0	\$151	\$6,745		
Campton Elementary School	\$35,417	\$62,242	\$87,754	\$9,905	\$0	\$2,710	\$7,195		
Rogers Elementary School	<u>\$18,369</u>	<u>\$15,400</u>	<u>\$19,935</u>	<u>\$13,834</u>	<u>\$116</u>	<u>\$56</u>	<u>\$13,894</u>		
Totals	\$119,822	\$356,846	\$406,919	\$69,749	\$1,960	\$11,458	\$60,251		

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

	Cash Balances Beginning	Receipts	Disbursements	Transfers	Cash Balances Ending	Accounts Receivable Ending	Accounts Payable Ending	Due To Student Groups Ending
General	\$618	\$5,961	\$4,124	(\$1,483)	\$972	\$300	\$0	\$1,272
WCHS Sweep	0	2,041		(2,000)	41		41	0
Drama	588	650	1,106		132			132
Special Olympics	839	778	318		1,299			1,299
Teacher Account	267	2,275	2,355		187			187
Flower Fund	70	126	165		31			31
Golf	0	725	587		138			138
Juniorette Club	396				396			396
KYA Club	29			(29)	0			0
Radio Station Club	0	166			166			166
Beta Club	0	28,811	28,198	30	644			644
Key Club	0	30	(30)		0			0
English 101	0	787	269		518			518
FFA	(388)	20,132	22,889	1,601	(1,544)	1,544		0
Regional FFA	0	60		(60)	0			0
FHA/FCCLA	1,145	16,858	18,003		0			0
FBLA/Business Dept	80	62	120		22			22
Band	203	6,938	5,066		2,075			2,075
Band/Uniforms	521	1,200	1,721		0			0
TSA	90	390	454		26			26
Science Dept	1,843	450	952		1,341			1,341
Academic	265	212			477			477
Senior Class Trip	0	7,452	6,436	(512)	504			504
Senior Class	62	7,490	7,729	512	335			335
Cross Country/Track	1,071	105	762		414			414
Softball	3,330	2,945	2,948	(52)	3,275			3,275
SADD Club	2			(2)	0			0
Baseball	1,855	3,423	4,814	(269)	195			195
Cheerleaders	781	2,764	5,684	2,139	0			0
14th Region	1,847				1,847			1,847

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

	Cash Balances Beginning	Receipts	Disbursements	Transfers	Cash Balances Ending	Accounts Receivable Ending	Accounts Payable Ending	Due To Student Groups Ending
Volleyball	899	6,269	3,450	595	4,312			4,312
55th District	2,625			(2,625)	0			0
Program Ads	3,791			(3,791)	0			0
Unite Club	0	125			125			125
Freshman Class	1				1			1
Athletic Gate	0	300	300		0			0
Referees	(5,780)	18,450	12,450	(220)	0			0
All A Tournament	0	605	555	(50)	0			0
Boys Basketball	3,071	16,691	11,705	1,690	9,748		8,500	1,248
Girls Basketball	472	9,973	9,905	2,164	2,703			2,703
Athletic Concessions	2,067	4,498	6,948	383	0			0
Prom	0	5,364	4,745	(60)	559			559
Ballfield	0	23		(23)	0			0
Yearbooks	219	4,225			4,444			4,444
Library Books	20,000		20,000		0			0
Counselor	<u>308</u>	<u>600</u>	<u>3,000</u>	<u>2,092</u>	<u>0</u>			<u>0</u>
Totals	\$43,187	\$179,954	\$187,758	\$0	\$35,383	\$1,844	\$8,541	\$28,686

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

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through Kentucky Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	7750002 14	\$479,513
National School Lunch Program	10.555	7750002 13	138,090
Commodities	10.555	510 4950	50,824
School Breakfast Program	10.553	7760005 14	217,649
School Breakfast Program	10.553	7760005 13	67,310
Summer Food Service Program for Children	10.559	7740023 13	71,292
Summer Food Service Program for Children	10.559	7690024 13	<u>4,569</u>
SubTotal Child Nutrition Cluster			1,029,247
Child and Adult Care Food Program	10.558	7790021 14	19,316
Child and Adult Care Food Program	10.558	7800016 14	1,256
Fresh Fruit and Vegetable Program	10.582	7720012 14	25,894
Fresh Fruit and Vegetable Program	10.582	7720012 13	<u>6,335</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,082,048
<u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education			
Improving America's School Act of 1994			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	3100002 13	993,182
Title I Grants to Local Educational Agencies	84.010	3100002 11	1,228
Title I Grants to Local Educational Agencies	84.010	3100002 12	56,373
Title I, School Improvement (Part A)	84.010	3100202 11	<u>990</u>
		subtotal	1,051,773
School Improvement Grants, Recovery Act	84.388	4100302 09	4,093
Special Education Cluster (IDEA)			
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 11	1,931
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 12	19,611
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 13	270,404
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002 12	7,187
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002 13	<u>16,951</u>
		subtotal	316,084

The accompanying notes are an integral part of this schedule

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

Federal Grantor/Passed-Through Grantor <u>U.S. Department of Education</u> <u>Program or Cluster Title</u> Passed through Kentucky Department of Education	Federal CFDA	Pass Through Grantor's	Federal
Title VI Rural Education	84.258	3140002 13 subtotal	<u>22,932</u> 22,932
Twenty-First Century Community Learning Centers	84.287	3400002 12	92,637
Twenty-First Century Community Learning Centers	84.287	3400002 11 subtotal	<u>17,971</u> 110,608
Race To The Top	84.413A	3960002 11	42,934
Career and Technical Education - Basic Grants to States Perkins IV	84.048	3710002 13	16,174
Improving Teacher Quality State Grants	84.367	3230002 13	92,834
Improving Teacher Quality State Grants	84.367	3230002 12 subtotal	<u>47,319</u> 140,153
TOTAL U.S. DEPARTMENT OF EDUCATION			1,704,751
U.S. Department of Commerce Passed through The Center for Rural Development PRIDE Environmental Education	11.420	2704	3,927
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$2,790,726

The accompanying notes are an integral part of this schedule

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

Note 1 – Basis of Presentation

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

Note 2 – Summary of Significant Accounting Policies

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

Note 3 – Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities disbursed, totaling \$50,824.

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(for a Governmental Entity)**

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

Independent Auditor's Report

State Committee For School District Audits
Members of the Board of Education
Wolfe County School District
Campton, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the provisions of Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-profit Organizations, and the audit requirement prescribed by the Kentucky Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wolfe County Board of Education as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 22, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

I noted certain matters that I reported to management of the District in a separate letter dated September 22, 2014.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
September 22, 2014

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

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

INDEPENDENT AUDITOR'S REPORT

State Committee For School District Audits
Members of the Board of Education
Wolfe County School District
Campton, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of Wolfe County School District as of and for the year ended June 30, 2014, and have issued our report thereon dated September 22, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of

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

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
September 22, 2014

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

Section I – Summary of Auditor’s Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting

Material weakness(es) identified? yes no

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

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

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

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

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

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

PRIOR YEAR – FINANCIAL STATEMENT FINDINGS

None were reported last year

PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None were reported last year

MANAGEMENT LETTER

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

Wolfe County Board of Education
Campton, Kentucky

We have audited the financial statements of the Wolfe County School District for the year ended June 30, 2014 and have issued our report thereon dated September 22, 2014. As part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary for expressing an opinion on the system of internal accounting control taken as a whole.

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

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

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

The following items from last year's management letter points were corrected during the current fiscal year as outlined in the District's response: 2013-01, 2013-02, 2013-04, 2013-05, 2013-06, 2013-13, 2013-14.

The following items from last year's management letter points were not corrected: 2013-03, 2013-07, 2013-08, 2013-09, 2013-10, 2013-11, 2013-12.

Denise M. Keene

CURRENT YEAR MANAGEMENT POINTS

2014-001

One of the quarterly CDIP reports was not filed on time. Quarterly reports are due on the 25th of the month following the end of the quarter. Management should create a calendar with all due dates so that all reports are filed timely.

Management's Response: *Management will ensure that all reports are submitted prior to the deadlines.*

2014-002

Travel reimbursements for board members and the board attorney were completed and signed by the secretary to the superintendent and approved by the assistant superintendent. While the secretary can complete the form, the person receiving the reimbursement should sign the form, before processing and payment of the reimbursement.

Management's Response: *All travel reimbursement forms will be monitored to ensure that the appropriate signatures are obtained prior to submission to the Assistant Superintendent/District Travel Reimbursement Coordinator for approval.*

2014-003

Testing disclosed a reimbursement for supplies to the assistant superintendent was approved by the assistant superintendent. The superintendent should approve any reimbursement request from the assistant superintendent.

Management's Response: *Purchasing procedures will be reviewed with all Central Office staff and the Accounts Payable Clerk will ensure that appropriate authorizing signatures are obtained prior to processing for payment.*

2014-004

According to Board policy, "All purchases shall require the prior recommendation of the Superintendent and approval of the Board." Testing disclosed 10 out of 97 expenditures had PO dates after invoice dates, 7 were purchases put on the credit card. Before purchases are made, the PO should be done and approved. Numerous credit card payments were paid from the credit card statement without the original invoice attached. The District needs to improve its purchasing procedures, reminding all staff that all purchases, including those on the credit card require prior approval. The staff also need to be reminded to turn in original receipts for items purchased with the credit card.

Management's Response: *Purchasing procedures will be reviewed with all staff members. The forms for obtaining credit cards have been revised to include a Purchase Order number submission to ensure that an approved purchase order has been obtained prior to the use of the card. The original invoices not obtained were primarily from lodging services. Staff will be required to submit an original invoice/receipt from the company for which the credit card was used for payment prior to payment being processed.*

Campton Elementary School

2014-005

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

Management's Response: *The Principal and Bookkeeper will review with all staff the Red Book guidelines regarding Multiple Receipt Forms with emphasis on the requirement of students, 3rd grade and above, signing for themselves. The Bookkeeper will review the forms upon submission and ensure that appropriate student signatures have been obtained.*

2014-006

According to the Red Book, "Before being processed, each disbursement shall be documented by a completed purchase order and an original vendor invoice. If a vendor invoice is not available, the disbursement shall be supported by a Standard Invoice, which must be signed by the payee." Testing disclosed one check that was paid from a statement. Testing also disclosed no documentation for one check. The school treasurer should have documentation for the check prior to paying the check.

Management's response: *The Bookkeeper will ensure that all proper documentation including an approved purchase order and an original invoice or standard invoice has been obtained before payment is processed.*

2014-007

There were two (2) checks with only one signature. According to Board policy, "Two (2) signatures shall be required on each check drawn against internal accounts." I recommend a procedure be put into place to assure all checks have two signatures before they are distributed.

Management's Response: *The Bookkeeper will ensure that the two required signatures are obtained prior to distribution. In case the Principal or Bookkeeper is absent, the Finance Officer is listed as an alternate signature for all schools.*

2014-008

According to the new Red Book, "The school treasurer shall file all documents for a disbursement together by month, in check numerical order." Monthly folders were not filed in check number order, some checks were even in the wrong month.

Management's Response: *The Bookkeeper will ensure that all disbursement documents are filed according to the Red Book guideline of check order by month.*

RED RIVER ELEMENTARY

2014-009

The annual financial report is not reconciled with the bank accounts. The savings account had been closed in June 2014, but had not been closed on the annual financial report. A journal adjustment entry needs to be made to reflect the closing of the savings account. **The AFR was not correct last year either.**

Management's Response: *A journal adjustment has been created to correct this error in the reconciliation of the bank accounts.*

2013-010

According to the Red Book, "to initiate a purchase, a Purchase Order shall be prepared and approved by the sponsor and principal before the payment is obligated. Testing disclosed 11 out of 24 had invoice dates prior to the purchase order date. Teachers should be reminded that purchase orders must be completed and approved prior to ordering or purchasing. Testing disclosed 1 out of 24 did not have a vendor invoice or a standard invoice attached to the purchase order. Testing disclosed 3 out of 24 expenditures were not approved by the sponsor. Testing disclosed 1 out of 24 was not approved by anyone. I recommend the bookkeeper and Principal follow the Red Book procedures for purchases. **This is a repeat finding from last year.**

Management's Response: *The Principal and Bookkeeper will review the Red Book procedures with all staff regarding purchasing procedures. The Bookkeeper will ensure that all required signatures and appropriate documentation are obtained prior to submitting orders and/or making payments.*

2014-011

According to the Red Book, "all monies collected should be deposited on a daily basis (unless less than \$100)." Testing disclosed deposits are not being made daily. One deposit tested was not made for several weeks. The bookstore only turned money in twice during the test month, receipts should have been turned in daily. I recommend, deposits be made daily. **This is a repeat finding from last year.**

Management's response: *The Bookkeeper will ensure that all monies collected be deposited daily or at minimum weekly if the receipted amount is less than \$100. The "bookstore" referenced is actually a pencil and paper vending machine that is inventoried at the end of the month so the money is collected on a monthly not daily basis.*

2014-012

According to the Red Book, "amounts may be transferred between activity funds only by proper completion of a Transfer Form. The Sponsor of the remitting (paying) activity account and the principal shall sign the Transfer Form." During the year the school used the transfer form, but two forms did not have any signatures on them.. The transfer form should be signed by the Principal and the remitting sponsor. **This is a repeat finding from last year.**

Management's Response: *The Principal and Bookkeeper will ensure that all required signatures are obtained on transfer forms prior to entering the transfers in the accounting system.*

RED RIVER ELEMENTARY (continued)

2014-013

Testing disclosed one check with only one signature. There should be two signatures on all checks, the school treasurer and the principal or principal's designee. **This is a repeat finding from last year.**

Management's Response: *The Bookkeeper will ensure that the two required signatures are obtained prior to distribution. In case the Principal or Bookkeeper is absent, the Finance Officer is listed as an alternate signature for all schools.*

2014-014

According to the new Red Book, "The school treasurer shall file all documents for a disbursement together by month, in check numerical order." Monthly folders were not filed in check number order, some checks were even in the wrong month. **This is a repeat finding from last year.**

Management's Response: *The Bookkeeper will ensure that all disbursement documents are filed according to the Red Book guideline of check order by month.*

2014-015

According to the Red Book, "Students third grade and above must sign the Multiple Receipt Form." Testing disclosed that some teachers were not having their students sign the Multiple Receipt Form. In addition, there were times when there were no Multiple Receipt Forms, although the receipt should have had one. The Principal should remind teachers/sponsors who are receiving money to have the students sign the Multiple Receipt Form.

Management's Response: *The Principal and Bookkeeper will review with all staff the Red Book guidelines regarding Multiple Receipt Forms with emphasis on the requirement of students, 3rd grade and above, signing for themselves. The Bookkeeper will review the forms upon submission and ensure that appropriate student signatures have been obtained and ensure that a multiple receipt form is attached if necessary.*

Rogers Elementary School

2014-016

According to the new Red Book, "The school treasurer shall file all documents for a disbursement together by month, in check numerical order." Monthly folders were not filed in check number order, some checks were even in the wrong month.

Management's Response: *The Bookkeeper will ensure that all disbursement documents are filed according to the Red Book guideline of check order by month.*

2014-017

According to the Red Book, "The sponsor of the remitting (paying) activity account and the principal shall sign the Transfer Form." Two (2) of the five (5) transfer forms did not have the sponsor sign. Whenever there is a sponsor for an activity and money is transferred out of their account, the sponsor should sign the Transfer Form.

Management's Response: *The Principal and Bookkeeper will ensure that all required signatures are obtained on transfer forms prior to entering the transfers in the accounting system.*

ROGERS ELEMENTARY (continued)

2014-018

According to the Red Book, "The purchase order shall be prepared and signed by the sponsor and principal before the payment is obligated." There were two (2) out of eighteen (18) purchase orders tested that did not have the sponsor sign." Wherever there is a sponsor for an activity, the sponsor should sign the purchase order before obligating the expense.

Management's Response: The Principal and Bookkeeper will review the Red Book procedures with all staff regarding purchasing procedures. The Bookkeeper will ensure that all required signatures and appropriate documentation are obtained prior to submitting orders and/or making payments.

2014-019

During the year, the school paid late fees and interest to one vendor totally \$356.34. This is unacceptable. Bills should be paid timely so that late fees and interest should not be charged. The vendor credit card should be controlled in the office with a sign out sheet. The person making the purchase should be required to return the card the next day along with the receipt for the purchase. In addition, late fees and interest should be paid immediately, when they do occur, and not allowed to accumulate.

Management's Response: The accumulation of fees was a result of a misunderstanding with the company. The account has been switched to a different account category that should deter this from happening again. Procedures regarding credit card accounts will be monitored by the Principal and Bookkeeper to ensure payments are made prior to due date to avoid late fees and interest charges.

Wolfe County Middle School

2014-020

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

Management's Response: The Principal and Bookkeeper will review with all staff the Red Book guidelines regarding Multiple Receipt Forms with emphasis on the requirement of students, 3rd grade and above, signing for themselves. The Bookkeeper will review the forms upon submission and ensure that appropriate student signatures have been obtained.

2014-021

According to the Red Book, "two people (ticket seller, ticket taker) are required to work the gate." There were 18 ticket sale forms, 13 had the same person sign as person in charge and ticket taker, the other 5 had a separate person. Staff need to be reminded for all events where tickets are sold, two people are required to work the gate. One person sells the ticket, the customer then gives the entire ticket to the ticket taker who tears it in half, gives half back to the customer, and retains half.

Management's Response: The Principal and Bookkeeper will review Red Book requirements regarding ticket sales with all staff and ensure that two people are scheduled to perform ticket sales duties at events.

Wolfe County Middle School (continued)

2014-022

The school held a school wide fundraiser, Dodge Ball game. The fundraiser was not approved by the Board of Education as required. Tickets were sold to the event, but no Ticket Sale Form was completed, as required. The event also had concessions, but there was no inventory control sheet completed for the items sold. The Principal and bookkeeper should review the requirements for fundraisers and for events where tickets are sold. Staff should also be reminded of the requirements. All school wide fundraisers must be approved by the Board of Education.

Management's Response: *The Principal and Bookkeeper will ensure that all fundraisers are approved and documented according to Red Book requirements and that all supporting documents such as ticket and concession sales forms are completed according to requirements.*

WOLFE COUNTY HIGH SCHOOL

2014-023

According to the Red Book, "to initiate a purchase, a Purchase Order shall be prepared and approved by the sponsor and principal before the payment is obligated. Testing disclosed 2 out of 27 had invoice dates prior to the purchase order date. Teachers should be reminded that purchase orders must be completed and approved prior to ordering or purchasing. Testing disclosed 2 out of 27 did not have a vendor invoice or a standard invoice attached to the purchase order. Testing disclosed 2 out of 27 expenditures were not approved by the sponsor. I recommend the bookkeeper and Principal follow the Red Book procedures for purchases. **This is a repeat finding from last year.**

Management's Response: *The Principal and Bookkeeper will review the Red Book requirements with all staff regarding purchasing procedures. The Bookkeeper will ensure that all required signatures and appropriate documentation are obtained prior to submitting orders and/or making payments.*

2014-024

According to the new Red Book, "The school treasurer shall file all documents for a disbursement together by month, in check numerical order." Monthly folders were not filed in check number order, some checks were even in the wrong month.

Management's Response: *The Bookkeeper will ensure that all disbursement documents are filed according to the Red Book guideline of check order by month.*