

ANDERSON COUNTY BOARD OF EDUCATION

FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
And
INDEPENDENT AUDITOR'S REPORTS

Year Ended June 30, 2013

Denise M. Keene
Certified Public Accountant
P.O. Box 1444
Georgetown, Kentucky 40324
502-857-2579

ANDERSON COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS

	Pages
Unmodified Opinions on Basic Financial Statements Accompanied By Required Supplementary Information and Other Information - State or Local Governmental Entity Independent Auditor's Report	4-6
Management's Discussion and Analysis	7-12
Basic Financial Statements:	
District-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	15
Reconciliation of the Balance Sheet – Governmental Funds To the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the District-Wide Statement of Activities	18
Statement of Net Position – Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	20
Statement of Cash Flows – Proprietary Funds	21
Statement of Fiduciary Net Position – School Activity Funds	22

ANDERSON COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS

	Pages
Notes to the Financial Statements	23-40
Supplementary Information:	
Budget Comparison:	
Budgetary Comparison Schedule for the General Fund	42
Budgetary Comparison Schedule for Special Revenue	43
Combining Statements – Nonmajor Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	45
Combining Statements – School Activity Funds:	
Combining Statement of Net Position – School Activity Funds	46
Combining Statement of Receipts, Disbursements, and Due To Student Groups – School Activity Funds	47
Statement of Receipts, Disbursements, and Due to Student Groups Anderson County High School	48-51
Schedule of Expenditures of Federal Awards	52-53
Notes to the Schedule of Expenditures of Federal Awards	54
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 <u>Government Auditing Standards</u> (for a Governmental Entity) (No Material Weaknesses Identified, No Significant Deficiencies Identified, No Reportable Instances of Noncompliance, or Other Matters Identified)	55-56
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)	57-59
Schedule of Findings and Questioned Costs	60
Schedule of Prior Year Audit Findings	61
Management Letter	62-67

DENISE M. KEENE, CPA
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
502-857-2579

**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
Anderson County Board of Education
Lawrenceburg, 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 Anderson County Board of Education as of and for the year ended June 30, 2013, 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, 2013 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-Anderson 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-Anderson 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-Anderson 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 October 25, 2013 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
October 25, 2013

**ANDERSON COUNTY BOARD OF EDUCATION
LAWRENCEBURG, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

As management of the Anderson 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, 2013. 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, including activity funds, for the District was \$3,726,881. The ending cash balance, including activity funds, for the District was \$2,240,833.

The General Fund had \$25,824,046 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding inter-fund transfer, there were \$26,411,812 in General Fund expenditures. This includes on-behalf payments.

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. However, the exact amount of the assessment has not been determined.

Construction on the new Early Childhood Center was finished during the year. The project was primarily financed by local bonding and local restricted cash.

The board sold the old Early Childhood Center for \$75,000.

The District levied tax rates of 55.2 cents for real estate and tangible property, and 51.3 cents for motor vehicle per \$100 of assessed value, and continued the 3% utility tax. These are the same rates as the past 4 years.

The board purchased two new buses for \$166,000. The board had not purchased any buses for the past two school years.

The board did a partial refunding of the 2005 Bond Series, saving the District \$708,609. The bond was for \$7,525,000 with interest rates from 1.00% to 2.50%.

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 \$3.5 million as of June 30, 2013.

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 2012

2012 District-wide net position compared to 2013 are as follows:

	Net Position (in thousands)					
	Governmental		Business-type		Total	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Assets	\$57,007	\$55,072	\$794	\$703	\$57,801	\$55,775
Deferred Outflows of Resources	\$882	\$902	\$0	\$0	\$882	\$902
Liabilities	\$53,869	\$52,057	\$6	\$0	\$53,875	\$52,057
Deferred Inflows of Resources	\$371	\$380	\$0	\$0	\$371	\$380
Investment in capital assets (net of debt)	\$1,193	\$1,626	\$173	\$142	\$1,366	\$1,768
Restricted	1,021	1,513	615	561	1,636	2,074
Unrestricted	<u>1,435</u>	<u>398</u>	<u>0</u>	<u>0</u>	<u>1,435</u>	<u>398</u>
Total Net Position	\$3,649	\$3,537	\$788	\$703	\$4,437	\$4,240

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 \$1,528,187 in contingency, which is 6.6 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	
Revenues	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Local Revenue Sources	\$10,140	\$10,621	\$1,074	\$1,003	\$11,214	\$11,624
State Revenue Sources	21,430	21,148	181	180	21,611	21,328
Federal Revenue Sources	2,611	2,438	1,117	1,145	3,728	3,583
Investments	<u>58</u>	<u>32</u>	<u>6</u>	<u>3</u>	<u>64</u>	<u>35</u>
Total Revenues	34,239	34,239	2,378	2,331	36,617	36,570
Expenses						
Instruction	21,700	21,552	0	0	21,700	21,552
Student Support Services	679	614	0	0	679	614
Instructional Support	1,419	1,744	0	0	1,419	1,744
District Administration	990	1,034	0	0	990	1,034
School Administration	1,647	1,672	0	0	1,647	1,672
Business Support	332	326	0	0	332	326
Plant Operations	2,370	2,434	0	0	2,370	2,434
Student Transportation	2,300	2,364	0	0	2,300	2,364
Community Support	190	276	366	367	556	643
Food Service	0	0	2,103	2,041	2,103	2,041
Debt Service	<u>2,378</u>	<u>2,426</u>	<u>0</u>	<u>0</u>	<u>2,378</u>	<u>2,426</u>
Total Expenses	34,005	34,442	2,469	2,408	36,474	36,850
Transfers	197	8	(202)	(8)	(5)	0
Gain (Loss) on Sale of Assets	(1)	83			(1)	83
Capital Contribution			131		131	0
Change in Net Position	430	(112)	(162)	(85)	268	(197)
Beginning Net Position	<u>3,219</u>	<u>3,649</u>	<u>950</u>	<u>788</u>	<u>4,169</u>	<u>4,437</u>
Ending Net Position	\$3,649	\$3,537	\$788	\$703	\$4,437	\$4,240

The government's overall financial position and results of operations declined as a result of the year's operations as reflected in the decrease 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	\$2,067	\$25,907	\$26,412	(\$158)	\$1,404
Special Revenue	\$0	\$3,863	\$3,946	\$83	\$0
Capital Outlay	\$0	\$344	\$0	(\$344)	\$0
Building	\$18	\$3,658	\$0	(\$3,596)	\$80
Construction	\$483	\$13	\$267	\$0	\$229
Debt Service	\$259	\$8,235	\$11,913	\$4,022	\$603

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

	Beginning	Additions	Deductions	Ending
Governmental				
Capital Assets	\$71,470	\$7,591	\$7,069	\$71,992
Accumulated Depreciation	\$18,036	\$1,917	\$36	\$19,917
Business-Type				
Capital Assets	\$872	\$0	\$0	\$872
Accumulated Depreciation	\$699	\$30	\$0	\$729
Bonds Payable	\$52,186	\$7,525	\$9,015	\$50,696
Capital Lease Payable	\$607		\$243	\$364
Sick Leave Payable	\$370	\$0	\$140	\$230

CURRENT ISSUES

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

Due to the dissolution of KSBIT, Districts have been informed there is an unfunded liability that will be assessed. However, the exact amount of the assessment has not been determined.

The board approved a 3% tax increase setting real estate and tangible property taxes at 57.0 cents per \$100 of assessed value.

Contacting the District's Financial Management

Questions regarding this report should be directed to Nick Clark, Chief Financial Officer
1160 Bypass North, Lawrenceburg, KY 40342 502-839-3406.

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives.

ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
DISTRICT WIDE
As of June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents - Note C	\$1,387,689	\$539,226	\$1,926,915
Accounts receivable	1,187,977	3,218	1,191,195
Inventory		18,391	18,391
Prepaid expenses	421,098		421,098
Capital assets			
Land and construction in progress	2,526,981		2,526,981
Other capital assets, net of depreciation	<u>49,547,602</u>	<u>142,431</u>	<u>49,690,033</u>
Total capital assets	<u>52,074,583</u>	<u>142,431</u>	<u>52,217,014</u>
TOTAL ASSETS	\$55,071,347	\$703,266	\$55,774,613
DEFERRED OUTFLOWS OF RESOURCES			
Bond issue costs	\$902,263		\$902,263
LIABILITIES			
Accounts payable	\$126,165	\$0	\$126,165
Accrued salaries and benefits payable	175,896		175,896
Interest payable	290,773		290,773
KSBIT liability	172,928		172,928
Long-term Liabilities			
Due within 1 year	2,505,467		2,505,467
Due in more than 1 year	<u>48,785,337</u>		<u>48,785,337</u>
TOTAL LIABILITIES	\$52,056,566	\$0	\$52,056,566
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues	379,898		379,898
NET POSITION			
Net investment in capital assets	\$1,625,591	\$142,431	\$1,768,022
Restricted			
Inventories		18,391	18,391
Prepays	421,098		421,098
Accrued sick leave	115,161		115,161
Food Service		542,444	542,444
SFCC	79,502		79,502
Other	228,788		228,788
Debt Service	602,694		602,694
Site Base Carryforward	66,098		66,098
Unrestricted	<u>398,214</u>		<u>398,214</u>
TOTAL NET POSITION	\$3,537,146	\$703,266	\$4,240,412

See accompanying notes

ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
DISTRICT WIDE

For the year ended June 30, 2013

FUNCTIONS/PROGRAMS

Governmental Activities

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Net (Expense) Revenue and Changes in Net Position Business-type Activities	Total
Instruction	\$21,551,840		\$2,609,565		(\$18,942,275)	\$	(\$18,942,275)
Support services:							
Student	614,103				(614,103)		(614,103)
Instruction staff	1,743,807		809,371		(934,436)		(934,436)
District administrative	1,033,192				(1,033,192)		(1,033,192)
School administrative	1,672,724		1,033		(1,671,691)		(1,671,691)
Business	325,861		57,184		(268,677)		(268,677)
Plant operation and maintenance	2,434,558				(2,434,558)		(2,434,558)
Student transportation	2,363,656		114,342		(2,249,314)		(2,249,314)
Food service				0			0
Community service activities	276,029		271,282		(4,747)		(4,747)
Interest on long-term debt	<u>2,425,627</u>		<u>0</u>		<u>(2,292,422)</u>		<u>(2,292,422)</u>
Total governmental activities	34,441,397		3,862,777	<u>133,205</u>	(30,445,415)		(30,445,415)

Business-type Activities

Food service	2,041,076	735,028	1,272,766			(33,282)	(33,282)
Other Enterprise Fund	<u>366,569</u>	<u>267,612</u>	<u>52,601</u>			<u>(46,356)</u>	<u>(46,356)</u>
Total business-type activities	2,407,645	1,002,640	1,325,367			(79,638)	(79,638)
Total school district	\$36,849,042	\$1,002,640	\$5,188,144	\$133,205	(\$30,445,415)	(\$79,638)	(\$30,525,053)

General Revenues

Property taxes	\$8,291,899						\$8,291,899
Motor Vehicle taxes	738,924						738,924
Utility taxes	1,252,846						1,252,846
State aid-formula grants	19,782,060						19,782,060
Investment earnings	31,889					2,697	34,586
Gain on sale of assets	81,449						81,449
Transfers	7,576					(7,576)	0
Miscellaneous	<u>146,526</u>						<u>146,526</u>
Total general & special	30,333,169					(4,879)	30,328,290
Change in net positions					(112,246)		(196,763)
Net position - beginning					<u>3,649,392</u>		<u>4,437,175</u>
Net position - ending					\$3,537,146		\$4,240,412

See accompanying notes

ANDERSON COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2013

	General Fund	Special Revenue	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$874,901	(\$398,196)	\$602,694	\$308,290	\$1,387,689
Other receivables	409,883	778,094			1,187,977
Prepaid expenses	<u>421,098</u>				<u>421,098</u>
TOTAL ASSETS	\$1,705,882	\$379,898	\$602,694	\$308,290	\$2,996,764
LIABILITIES					
Accounts payable	\$126,165	\$0	\$0	\$0	\$126,165
Accrued salaries and benefits payable	<u>175,896</u>				<u>175,896</u>
TOTAL LIABILITIES	302,061				302,061
DEFERRED INFLOWS OF RESOURCES					
Deferred Revenues		379,898			379,898
Fund Balances					
Nonspendable					
Prepays	421,098				421,098
Restricted					
Sick Leave Payable	115,161				115,161
SFCC				79,502	79,502
Other				228,788	228,788
Debt Service			602,694		602,694
Assigned - Site Base Carryforward	66,098				66,098
Unassigned	<u>801,464</u>				<u>801,464</u>
Total fund balances	1,403,821		602,694	308,290	2,314,805
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	\$1,705,882	\$379,898	\$602,694	\$308,290	\$2,996,764

See accompanying notes

ANDERSON COUNTY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
 THE STATEMENT OF NET POSITION
 As of June 30, 2013

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

Total Fund Balance - Governmental Funds		\$2,314,805
Certain assets are not reported in this fund financial statement because they are recorded as current expenditures		
	Bond Issue Costs	902,263
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		
		52,074,583
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	(50,696,000)
	Capital Lease Payable	(364,482)
	KSBIT Liability	(172,928)
	Accrued Interest on Bonds	(290,773)
	Accumulated Sick Leave	<u>(230,322)</u>
Total Net Position - Governmental Activities		\$3,537,146

See accompanying notes

ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2013

	General Fund	Special Revenue	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources					
Property taxes	\$5,884,018	\$	0	\$2,407,881	\$8,291,899
Motor vehicle taxes	738,924				738,924
Utility taxes	1,252,846				1,252,846
Earnings on investments	11,687		20,202		31,889
Other local revenues	133,609	193,015		12,917	339,541
Intergovernmental - State	17,802,962	1,596,908	518,731	1,229,854	21,148,455
Intergovernmental - Federal	<u>0</u>	<u>2,072,854</u>		<u>363,718</u>	<u>2,436,572</u>
Total revenues	25,824,046	3,862,777	538,933	4,014,370	34,240,126
Expenditures					
Instruction	17,440,682	2,692,673			20,133,355
Support services					
Student	536,478				536,478
Instruction staff	932,624	809,371			1,741,995
District administration	1,017,448				1,017,448
School administration	1,654,732	1,033			1,655,765
Business	268,677	57,184			325,861
Plant operation and maintenance	2,293,001				2,293,001
Student transportation	2,268,170	114,342			2,382,512
Community service activities		271,282			271,282
Facilities				267,600	267,600
Debt service			<u>11,912,764</u>		<u>11,912,764</u>
Total expenditures	26,411,812	3,945,885	11,912,764	267,600	42,538,061
Excess(deficit)of revenues over expenditures	(587,766)	(83,108)	(11,373,831)	3,746,770	(8,297,935)
Other Financing Sources (Uses)					
Sale of assets	82,889				82,889
Bond Proceeds			7,695,893		7,695,893
Operating transfers in	63,414	93,108	4,021,951		4,178,473
Operating transfers out	<u>(221,296)</u>	<u>(10,000)</u>	<u>0</u>	<u>(3,939,600)</u>	<u>(4,170,896)</u>
Total other financing sources (uses)	(74,993)	83,108	11,717,844	(3,939,600)	7,786,359
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(662,759)	0	344,013	(192,830)	(511,576)
Fund balance, July 1, 2012	<u>2,066,580</u>	<u>0</u>	<u>258,681</u>	<u>501,120</u>	<u>2,826,381</u>
Fund balance, June 30, 2013	\$1,403,821	\$0	\$602,694	\$308,290	\$2,314,805

See accompanying notes

ANDERSON 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, 2013

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

Total net change in fund balances - governmental funds (\$511,576)

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	(1,916,525)	
Capital Outlays	<u>559,444</u>	(1,357,081)

Loss on sale of assets (1,440)

Bond issue costs are expensed as incurred in the fund balance
 statement, but are amortized over the life of the bond in the
 statement of activities:

Amortization Expense	(94,038)
Bond Issuance Cost	113,790
Underwriters Premium	170,893

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	9,257,988
Bond Proceeds	(7,695,893)

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	38,504
KSBIT liability	(172,928)
Change in Sick Leave	<u>139,535</u>

Total Change in Net Position - Governmental Activities (\$112,246)

See accompanying notes

ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of June 30, 2013

	Food Service <u>Fund</u>	Other Enterprise <u>Fund</u>	<u>Totals</u>
ASSETS			
Cash and Equivalents	\$542,444	\$0	\$542,444
Accounts Receivable		3,218	3,218
Inventory	18,391		18,391
Capital Assets, net of depreciation	<u>142,400</u>	<u>31</u>	<u>142,431</u>
TOTAL ASSETS	\$703,235	\$3,249	\$706,484
LIABILITIES			
Cash in Bank Overdraft	\$0	\$3,218	\$3,218
TOTAL LIABILITIES	<u>\$0</u>	<u>\$3,218</u>	<u>\$3,218</u>
NET POSITION			
Net Investment in Capital Assets	\$142,400	\$31	\$142,431
Nonspendable-Inventories	18,391		18,391
Restricted Net Position	<u>542,444</u>	<u> </u>	<u>542,444</u>
TOTAL NET POSITION	\$703,235	\$31	\$703,266

See accompanying notes

ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For The Year Ended June 30, 2013

	Food Service Fund	Other Enterprise Fund	<u>Totals</u>
OPERATING REVENUES			
Lunchroom sales	\$735,028	\$0	\$735,028
Other revenues	<u> </u>	<u>267,612</u>	<u>267,612</u>
Total Operating Revenues	735,028	267,612	1,002,640
OPERATING EXPENSES			
Salaries and wages	741,459	346,885	1,088,344
Contract services	71,800	1,468	73,268
Materials and supplies	1,197,402	17,741	1,215,143
Other expenses	0	475	475
Depreciation	<u>30,415</u>	<u>0</u>	<u>30,415</u>
Total Operating Expenses	2,041,076	366,569	2,407,645
Operating income (loss)	(1,306,048)	(98,957)	(1,405,005)
NON-OPERATING REVENUES (EXPENSES)			
Federal grants	1,032,561		1,032,561
Commodities received	112,674		112,674
State grants	20,228		20,228
State on-behalf payments	107,303	52,601	159,904
Interest income	2,697		2,697
Transfer from general fund to cover deficit		45,838	45,838
Indirect cost transfer to general fund	<u>(53,414)</u>	<u> </u>	<u>(53,414)</u>
Non-operating revenues (expenses)	1,222,049	98,439	1,320,488
Net income (loss) before Capital Contributions	(83,999)	(518)	(84,517)
Increase (decrease) in Net Position	(83,999)	(518)	(84,517)
Net Position, July 1, 2012	<u>787,234</u>	<u>549</u>	<u>787,783</u>
Net Position, June 30, 2013	\$703,235	\$31	\$703,266

See accompanying notes

ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2013

	Food Service Fund	Other Enterprise Fund	<u>Totals</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from customers	\$735,028	\$264,794	\$999,822
Cash paid to employees, including benefits	(634,156)	(294,284)	(928,440)
Cash paid to suppliers	<u>(1,157,712)</u>	<u>(19,685)</u>	<u>(1,177,397)</u>
Net cash provided by operating activities	(1,056,840)	(49,175)	(1,106,015)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from government funding	1,052,789		1,052,789
Transfer from general fund to cover deficit		45,838	45,838
Indirect cost transfer to general fund	<u>(53,414)</u>	_____	<u>(53,414)</u>
Net cash provided from capital and related financing activities	999,375	45,838	1,045,213
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest Income	<u>2,697</u>		<u>2,697</u>
Net cash provided from capital and related financing activities	2,697	0	2,697
Net increase (decrease) in cash	(54,768)	(3,337)	(58,105)
Cash and equivalents, July 1, 2012	<u>597,212</u>	<u>119</u>	<u>597,331</u>
Cash and equivalents, June 30, 2013	\$542,444	(\$3,218)	\$539,226
Reconciliation of Operating income (loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	(\$1,306,048)	(98,957)	(\$1,405,005)
Adjustments to reconcile net income to cash provided by operating activities			
Depreciation	30,415		30,415
On-behalf payments	107,303	52,601	159,904
Commodities used	112,674		112,674
Decrease in inventory	4,805		4,805
Increase in accounts receivable		(2,819)	(2,819)
Decrease in accounts payable	<u>(5,989)</u>	_____	<u>(5,989)</u>
Net cash provided by operating activities and increase in cash and equivalents	(\$1,056,840)	(\$49,175)	(\$1,106,015)
Schedule of Non-Cash Financing Activities			
Donated commodities	\$112,674		
On Behalf payments	\$159,904		

See accompanying notes

ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
SCHOOL ACTIVITY FUNDS
As of June 30, 2013

	Agency Fund
ASSETS	
Cash and equivalents	\$313,918
Accounts receivable	<u>2,087</u>
TOTAL ASSETS	\$316,005
LIABILITIES	
Accounts payable	\$11,481
Due to student groups	<u>304,524</u>
TOTAL LIABILITIES	\$316,005

See accompanying notes

ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Anderson 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 Anderson 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 Anderson 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:

Anderson County School District Finance Corporation (the Corporation) – the Anderson County Board of Education has established the Anderson 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 Anderson 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.

ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

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.

ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

- (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.

II. Debt Service Fund

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

III. Proprietary Funds (Enterprise Fund)

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

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.

ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

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.

ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

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, 2013, to finance operations were \$.552 per \$100 valuation for real property, \$.552 per \$100 valuation for business personal property and \$.513 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.

ANDERSON COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2013

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.

ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

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 finance officer 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, 2013 are recorded as prepaid items using the consumption method. Prepaid assets are only recorded if material to the financial statements.

ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

Accrued Liabilities and Long-Term Obligations

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

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

Net Position

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

Operating Revenues and Expenses

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

Contributions of Capital

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

Subsequent Events

Subsequent events were considered through October 25, 2013, which represents the date of our report.

ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

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 2013 were levied on the assessed valuation of property located in the School District as of January 1, 2012 lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	per KRS 134.015
Due date for payment of taxes	Upon receipt
Face value amount payment date	December 31
Delinquent date, 5% penalty	January 1
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.

ANDERSON COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2013

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's total cash and cash equivalents was \$5,387,770. 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, 2013 consisted of the following:

	Bank Balance	Book Balance
General Checking Account		
Fund 1 (General Fund)	\$	\$ 874,901
Fund 2 (Special Revenue)		(398,196)
Fund 310 (Capital Outlay)		0
Fund 320 (Building Fund)		79,502
Fund 360 (Construction Fund)		228,788
Fund 400 (Debt Service Fund)		82,350
Fund 51 (Food Service Fund)		542,444
Fund 52 (Day Care Fund)		<u>(3,218)</u>
Total General Checking Account	2,738,936	1,406,571
Activity and Trust Funds	335,000	313,918
Debt Service Funds	<u>520,344</u>	<u>520,344</u>
TOTALS	\$ 3,594,280	\$2,240,833

Breakdown per financial statements:

Governmental Funds	\$ 1,387,689
Proprietary Funds	539,226
Agency Funds	<u>313,918</u>
TOTALS	\$ 2,240,833

NOTE D – CAPITAL ASSETS

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

Instruction	\$ 1,612,532
Support Services	
Student	77,625
Instructional Staff	1,809
District Administration	15,744
School Administration	16,959
Plant operations & maintenance	24,127
Student transportation	162,982
Community Services	<u>4,747</u>
Total Depreciation expense, governmental activities	\$1,916,525

ANDERSON COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2013

NOTE D – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

Governmental Activities	July 1, 2012	Additions	Retirements	June 30, 2013
Land	2,526,981			2,526,981
Land Improvements	1,465,904			1,465,904
Building & Building Improve	53,584,293	7,336,643		60,920,936
Technology Equipment	2,371,027	54,508		2,425,535
Vehicles	3,448,488	181,838	29,955	3,600,371
General Equipment	1,041,239	18,064	7,200	1,052,103
Construction in Process	<u>7,031,609</u>	<u>0</u>	<u>7,031,609</u>	<u>0</u>
Totals at historical cost	71,469,541	7,591,053	7,068,764	71,991,830
Accumulated Depreciation				
Land Improvements	1,179,472	50,893		1,230,364
Building & Building Improve	11,689,012	1,414,406		13,103,418
Technology Equipment	1,581,714	254,409		1,836,123
Vehicles	2,732,885	162,264	29,955	2,865,195
General Equipment	<u>853,354</u>	<u>34,553</u>	<u>5,760</u>	<u>882,147</u>
Total accumulated depreciation	18,036,437	1,916,525	35,715	19,917,247
Capital Assets - Net	53,433,104	5,674,528	7,033,049	52,074,583
Business-Type Activities				
Building & Building Improve	0			0
Technology Equipment	48,282			48,282
General Equipment	<u>823,673</u>			<u>823,673</u>
Totals at historical cost	871,955			871,955
Accumulated Depreciation				
Building & Building Improve	0			0
Technology Equipment	41,461	1,023		42,484
General Equipment	<u>657,648</u>	<u>29,392</u>		<u>687,040</u>
Total accumulated depreciation	699,109	30,415		729,524
Capital Assets - Net	172,846	(30,415)	0	142,431

ANDERSON COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2013

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
2000	\$ 8,185,000	5.00%
2002	6,205,000	1.25% - 2.50%
2004R	1,525,000	2.00% - 3.70%
2004	1,211,000	2.50% -4.75%
2005	15,370,000	3.50% - 4.375%
2006A	9,745,000	3.65%
2006B	4,865,000	3.70%
2007R	5,080,000	3.50% - 3.75%
2009	8,435,000	1.70% -4.00%
2010	6,271,000	6.25%
2010R	905,000	0.50% -2.35%
2012R	745,000	2.00%
2013R	7,525,000	1.00% - 2.50%

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, 2013.

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

The District issued \$7,525,000 bonds to partially refund the 2005 Bond Series, saving the District \$708,609.

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

	Beginning Balance	Additions	Payments	Ending Balance
Bonds	\$52,186,000	\$7,525,000	\$9,015,000	\$50,696,000
Capital Leases	\$607,470	\$0	\$242,988	\$364,482
Sick Leave	\$369,857	\$0	\$139,535	\$230,322

ANDERSON COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2013

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, 2013 for debt service (principal and interest) are as follows:

	Anderson County		SFCC Participation		Sinking Fund	US Treasury	
Year	Principal	Interest	Principal	Interest	Payment	Interest	Total
2013-14	1,909,859	1,430,339	400,141	119,057	243,690	363,718	4,466,804
2014-15	1,974,629	1,361,367	390,371	107,563	243,690	363,718	4,441,338
2015-16	2,047,254	1,282,616	342,746	96,306	243,690	363,718	4,376,330
2016-17	2,139,327	1,193,900	355,673	85,556	243,690	363,718	4,381,864
2017-18	2,225,935	1,104,989	369,065	74,458	243,690	363,718	4,381,855
2018-19	2,316,652	1,018,320	348,348	63,250	243,690	363,718	4,353,978
2019-20	2,397,634	937,893	262,366	54,097	243,690	363,718	4,259,398
2020-21	2,471,105	862,314	258,895	37,766	243,690	363,718	4,237,488
2021-22	2,551,325	784,442	243,675	39,835	243,690	363,718	4,226,685
2022-23	2,629,539	704,539	250,461	33,050	243,690	363,718	4,224,997
2023-24	2,707,416	620,816	257,584	25,925	243,690	363,718	4,219,149
2024-25	2,805,958	531,470	229,042	18,276	243,690	363,718	4,192,154
2025-26	2,896,531	437,644	208,469	11,317	243,690	363,718	4,161,369
2026-27	3,053,264	334,014	106,736	5,952	243,690	363,718	4,107,374
2027-28	3,035,937	276,032	39,063	3,188	243,690	363,718	3,961,628
2028-29	9,430,375	140,485	40,625	1,625	243,690	181,859	10,038,659
	\$46,592,740	\$13,021,180	\$4,103,260	\$777,221	\$3,899,040	\$5,637,629	\$74,031,070

NOTE F – CAPITAL LEASE PAYABLE

The District has entered into a lease purchase with Dell Financial Services for network upgrade. The lease is for five years. The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments.

Year Ending June 30,	Capital Lease Payable
2014	\$ 121,494
2015	133,280
2016	127,537
2017	0
2018	0
Thereafter	0
Total minimum lease payments	382,311
Less: Amount representing interest	(17,829)
Present Value of Net Minimum Lease Payments	\$ 364,482

ANDERSON COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2013

NOTE G – COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for equipment provide the minimum future rental payments as of June 30, 2013 as follows:

Year ending June 30,		
	2014	\$ 148,452
	2015	86,972
	2016	1,215
	2017	0
	2018	0
	Thereafter	<u>0</u>
-	Total Payments	\$ 236,639

NOTE H – RETIREMENT PLANS

Plan Description – The Anderson 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 10.855% 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 1.75% of salary. Also, the premiums collected from retirees as described in the plan and description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.0% of member’s salary for the 2012-2013 fiscal year.

ANDERSON COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2013

NOTE H – RETIREMENT PLANS (continued)

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5% and a District contribution of 19.55% 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, 2013, 2012, and 2011	2013	2012	2011
Total payroll	\$19,590,731	\$19,301,489	\$20,407,292
KTRS total payroll	\$14,731,946	\$13,252,725	\$15,564,536
CERS total payroll	\$4,486,962	\$4,328,881	\$3,903,786
Contribution requirement for CERS	\$1,141,559	\$1,059,424	\$923,273
District portion - CERS contribution	\$903,516	\$842,340	\$714,076
Employee portion - CERS contribution	\$238,043	\$217,084	\$209,197
KTRS contribution - Commonwealth of KY	\$1,787,393	\$1,752,366	\$1,846,627
KTRS contribution - District Federal Employees	\$309,824	\$248,809	\$206,317

NOTE I - CONTINGENCIES

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

ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE J - INSURANCE AND RELATED ACTIVITIES

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

NOTE K – ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the district an amount equal to 30% of the value of accumulated sick leave. At June 30, 2013, this amount totaled \$230,322 of which \$115,161 is restricted in the current year fund balance of the General Fund.

NOTE L – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2013, consisted of the following:

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

NOTE M – RISK MANAGEMENT

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

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

NOTE N – DEFICIT OPERATING/FUND BALANCES

Funds with a current year deficit of revenues over expenditures

Fund 1	(662,759)
Fund 360	(254,683)
Fund 51	(83,999)
Fund 52	(518)

NOTE O – COBRA

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

ANDERSON COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2013

NOTE P – TRANSFER OF FUNDS

The following transfers were made during the year.

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	1	2	KETS Matching	\$ 54,985
Operating	1	2	Community Ed	5,000
Operating	1	2	ACE	33,123
Operating	1	52	Day Care	45,838
Debt Service	1	400	Bond Payment	82,350
Operating	2	1	Rental Fee	10,000
Indirect Cost	51	1	Food Service	53,414
Debt Service	310	400	Bond Payment	343,650
Debt Service	320	400	Bond Payment	3,595,950

NOTE Q – ON-BEHALF PAYMENTS

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

Health Insurance	\$ 3,124,776
Life Insurance	7,757
Administrative Fees	36,839
Health Reimbursement Account	218,838
Federal Reimbursement	(163,744)
KTRS	1,787,393
Technology On Behalf Payments	99,503
Debt Service On Behalf Payments	<u>518,731</u>
Total On-Behalf Payments	\$ 5,630,093

NOTE R – DEPOSITS AND INVESTMENTS

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

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

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

ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE R – DEPOSITS AND INVESTMENTS (continued)

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, 2013, 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.

NOTE S – KSBIT ASSESSMENT

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 exact amount of the assessment has not been determined. The District has shown a liability of \$172,928 based on the "Novation" calculation provided by KSBIT. This amount is subject to change when final assessment amounts are calculated.

NOTE T – GASB 68

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

SUPPLEMENTARY INFORMATION

ANDERSON COUNTY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 For The Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	7,454,771	7,415,092	7,875,788	460,696
Other Local Sources	75,000	75,000	145,296	70,296
State Sources	<u>12,916,802</u>	<u>12,777,896</u>	<u>17,802,962</u>	<u>5,025,066</u>
TOTAL REVENUES	20,446,573	20,267,988	25,824,046	5,556,058
EXPENDITURES				
Instruction	12,248,817	12,846,453	17,440,682	(4,594,229)
Support Services				
Student	494,779	503,353	536,478	(33,125)
Instructional Staff	702,219	773,713	932,624	(158,911)
District Administration	930,348	1,052,430	1,017,448	34,982
School Administration	1,326,169	1,325,803	1,654,732	(328,929)
Business	208,904	204,955	268,677	(63,722)
Plant Operation and Maintenance	1,966,938	2,298,484	2,293,001	5,483
Student Transportation	1,685,097	1,914,610	2,268,170	(353,560)
Community Services				0
Contingency	<u>3,063,302</u>	<u>1,528,187</u>		<u>1,528,187</u>
TOTAL EXPENDITURES	22,626,573	22,447,988	26,411,812	(3,963,824)
Excess (Deficit) of Revenues Over Expenditures	(2,180,000)	(2,180,000)	(587,766)	1,592,234
OTHER FINANCING SOURCES (USES)				
Sale of Assets	0	0	82,889	82,889
Operating Transfers In	0	0	63,414	63,414
Operating Transfers Out	<u>(120,000)</u>	<u>(120,000)</u>	<u>(221,296)</u>	<u>(101,296)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(120,000)	(120,000)	(74,993)	45,007
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(2,300,000)	(2,300,000)	(662,759)	1,637,241
Fund Balance, July 1, 2012	<u>2,300,000</u>	<u>2,300,000</u>	<u>2,066,580</u>	<u>(233,420)</u>
Fund Balance, June 30, 2013	\$0	\$0	\$1,403,821	\$1,403,821

On-Behalf payments are not budgeted. Both revenues and expenditures are equally increased by the amount of on-behalf payments totaling \$4,951,458

ANDERSON COUNTY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR SPECIAL REVENUE
 For The Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
State Sources	\$703,089	\$1,001,771	\$1,596,908	595,137
Federal Sources	0	1,680,176	2,072,854	392,678
Local Sources	<u>0</u>	<u>0</u>	<u>193,015</u>	<u>193,015</u>
TOTAL REVENUES	703,089	2,681,947	3,862,777	1,180,830
EXPENDITURES				
Instruction	72,322	2,191,579	2,692,673	(501,094)
Support Services				
Instructional Staff	14,580	209,591	809,371	(599,780)
School Administration		1,000	1,033	(33)
Business Support	20,000	59,000	57,184	1,816
Student Transportation		77,045	114,342	(37,297)
Community Service Operations	<u>0</u>	<u>257,175</u>	<u>271,282</u>	<u>(14,107)</u>
TOTAL EXPENDITURES	106,902	2,795,390	3,945,885	(1,150,495)
Excess (Deficit) of Revenues Over Expenditures	596,187	(113,443)	(83,108)	30,335
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	0	120,000	93,108	(26,892)
Operating Transfers Out	<u>0</u>	<u>0</u>	<u>(10,000)</u>	<u>(10,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	0	120,000	83,108	(36,892)
Excesss (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	596,187	6,557	0	(6,557)
Restricted Fund Balance, July 1, 2012	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Restricted Fund Balance, June 30, 2013	\$596,187	\$6,557	\$0	(\$6,557)

ANDERSON COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 As of June 30, 2013

	SEEK Capital Outlay Fund	Building Fund	Construction Fund	Total
ASSETS AND RESOURCES				
Cash and equivalents	\$0	\$79,502	\$228,788	\$308,290
TOTAL ASSETS AND RESOURCES	\$0	\$79,502	\$228,788	\$308,290
FUND BALANCES				
Restricted - SFCC	\$0	\$79,502	\$	\$79,502
Restricted - Future Constr BG-1			<u>228,788</u>	<u>228,788</u>
TOTAL FUND BALANCES	0	79,502	228,788	308,290
TOTAL LIABILITIES AND FUND BALANCES				
	\$0	\$79,502	\$228,788	\$308,290

ANDERSON COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For The Year Ended June 30, 2013

	SEEK Capital Outlay Fund	Building Fund	Construction Fund	Total
REVENUES				
From local sources				
Taxes	\$	\$2,407,881	\$	\$2,407,881
Other revenues			12,917	\$12,917
Intergovernmental-Federal		363,718		363,718
Intergovernmental-State	<u>343,650</u>	<u>886,204</u>		<u>1,229,854</u>
TOTAL REVENUES	343,650	3,657,803	12,917	4,014,370
EXPENDITURES				
Building Improvements			<u>267,600</u>	<u>267,600</u>
TOTAL EXPENDITURES			267,600	267,600
Excess (deficit) revenues over expenditures	343,650	3,657,803	(254,683)	3,746,770
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(343,650)</u>	<u>(3,595,950)</u>		<u>(3,939,600)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(343,650)	(3,595,950)	0	(3,939,600)
Excess (deficit) revenues and other financing sources over expenditures and other financing uses	0	61,853	(254,683)	(192,830)
Restricted Fund Balance, July 1, 2012	<u>0</u>	<u>17,649</u>	<u>483,471</u>	<u>501,120</u>
Restricted Fund Balance, June 30, 2013	\$0	\$79,502	\$228,788	\$308,290

ANDERSON COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 SCHOOL ACTIVITY FUNDS
 As of June 30, 2013

	Anderson County High School	Anderson County Middle School	Early Childhood Center	Emma B Ward Elementary School	Robert B Turner Elementary School	Saffell Street Elementary School	Total
ASSETS							
Cash and equivalents	\$116,557	\$107,398	\$14,740	\$32,488	\$27,525	\$15,210	\$313,918
Accounts receivable	<u>0</u>	<u>2,087</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,087</u>
TOTAL ASSETS	\$116,557	\$109,485	\$14,740	\$32,488	\$27,525	\$15,210	\$316,005
LIABILITIES							
Accounts payable	\$150	\$2,053	\$1,320	\$5,833	\$2,125	\$0	\$11,481
Due to student groups	<u>116,407</u>	<u>107,432</u>	<u>13,420</u>	<u>26,655</u>	<u>25,400</u>	<u>15,210</u>	<u>304,524</u>
TOTAL LIABILITIES	\$116,557	\$109,485	\$14,740	\$32,488	\$27,525	\$15,210	\$316,005

ANDERSON COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
 SCHOOL ACTIVITY FUNDS

For The Year Ended June 30, 2013

	Cash Balances		Receipts		Disbursement		Cash Balances		Accounts		Accounts		Due To	
	July 1, 2012				June 30, 2013		June 30, 2013	June 30, 2013	June 30, 2013	Payable	Receivable	Payable	Receivable	Student Groups
														June 30, 2013
Anderson County High School	\$136,589	\$591,442	\$611,474	\$116,557	\$0	\$150	\$116,407							\$116,407
Anderson County Middle School	\$124,269	\$278,793	\$295,664	\$107,398	2,087	2,053	\$107,432							\$107,432
Early Childhood Center	\$15,532	\$22,100	\$22,892	\$14,740	0	1,320	\$13,420							\$13,420
Emma B Ward Elementary School	\$19,275	\$91,315	\$78,102	\$32,488	0	5,833	\$26,655							\$26,655
Robert B Turner Elementary School	\$18,369	\$70,613	\$61,457	\$27,525	0	2,125	\$25,400							\$25,400
Saffell Street Elementary School	<u>\$18,888</u>	<u>\$47,257</u>	<u>\$50,935</u>	<u>\$15,210</u>	<u>0</u>	<u>0</u>	<u>\$15,210</u>							<u>\$15,210</u>
TOTAL ACTIVITY FUNDS	\$332,922	\$1,101,520	\$1,120,524	\$313,918	\$2,087	\$11,481	\$304,524							\$304,524

ANDERSON COUNTY SCHOOL DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, DUE TO STUDENT GROUPS
 ANDERSON COUNTY HIGH SCHOOL
 For The Year Ended June 30, 2013

	Cash Balances		Receipts	Disbursements	Transfers	Cash Balances June 30, 2013	Accounts Receivable Year End	Accounts Payable Year End	Fund Balances June 30, 2013
	July 1, 2012	June 30, 2013							
General	\$2,628	\$3,683	\$2,097	\$3,683	\$7,204	\$8,246			\$8,246
Building Rental	956	412	120	412		664			664
Locks	0	1,914	608	1,914	1,306	0			0
Parking	1,316	4,274	2,200	4,274	758	0			0
Cash/Start-up Change	0	11,350	9,350	11,350	2,000	0			0
Contingency Fund	6	(6)				0			0
Science Dept	1,019	814	828	814		1,033			1,033
Soc St Dept	982	12	12			994			994
English Dept	249		171			420			420
Math Dept	505	399	243	399		349			349
Arts & Hum Dept	299					299			299
Special Ed Dept	116	1,134	2,544	1,134	(1,060)	466			466
Technology Dept	101					101			101
Reading	200				(200)	0			0
Summer School	1,000		150			1,150			1,150
Graphic Design	304	689	604	689	50	269			269
Computer Graphics	61				(61)	0			0
Journalism-Paw Print	70	11		11		59			59
Nolan's Asian Studies	109					109			109
Mud Club/Ceramics	532		1,727	2,177		82			82
Art II	170				(170)	0			0
Humane Teen	0	302	302	302		0			0
Testing	155				(155)	0			0
Football Concessions	0	1,647	3,155	1,647		1,508			1,508
Football	2,854	54,301	48,445	54,301	4,736	1,734			1,734
Weightlifting	348				(348)	0			0
All Sports	2,664	42,924	73,980	42,924	(27,658)	6,062			6,062

ANDERSON COUNTY SCHOOL DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, DUE TO STUDENT GROUPS
 ANDERSON COUNTY HIGH SCHOOL
 For The Year Ended June 30, 2013

	Cash Balances		Receipts	Disbursements	Transfers	Cash Balances Year End	Accounts Receivable		Accounts Payable		Fund Balances Year End
	Beginning	Ending					Year End	Year End	Year End	Year End	
Boys Basketball	1,733	28,173	23,834	(501)	5,571					5,571	
Girls Basketball	847	19,457	15,646	(2,033)	2,625					2,625	
Girls Basketball Trv	119	100			219					219	
Softball	1,951	25,368	27,186	1,275	1,408					1,408	
Volleyball	1,462	12,507	9,066	(300)	4,603					4,603	
Tennis-Boys	0	675	1,149	500	26					26	
Track	2,398	861	3,835	1,000	424					424	
Cross Country	1,305	765	1,448	(516)	106					106	
Tennis-Girls	0	720	1,149	500	71					71	
Swim Team	3,102		2,337		765					765	
Archery	1,571	2,074	2,797	(818)	30					30	
Golf-Boys	3,641		5,153	3,081	1,569					1,569	
Golf-Girls	5,305	19,069	10,241	(5,766)	8,367					8,367	
Wrestling	299	2,405	3,942	1,263	25					25	
Soccer-Boys	5,077	3,301	8,172	(192)	14					14	
Soccer-Girls	2,992	15,830	18,614	(123)	85					85	
Central KY Soccer C	298			(298)	0					0	
Baseball	650	15,818	26,149	9,681	0					0	
Blue/Cheer	2,961	10,147	13,113	255	250					250	
Dance Team	1,140	4,642	6,032	500	250					250	
Disc Golf	1,429	2,333	2,294	(939)	529					529	
FCCLA	(367)	25,141	22,793	(1,845)	136					136	
STLP	167		43		124					124	
Memorial	1,413	1,606	2,137		882					882	
Beta Club	1,709	6,024	4,451	320	3,602					3,602	
NHS	533	1,150	643		1,040					1,040	
Floral Design	4	1,770	1,918	144	0					0	
FFA	299	24,829	25,901	1,596	823					823	

ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, DUE TO STUDENT GROUPS
ANDERSON COUNTY HIGH SCHOOL
For The Year Ended June 30, 2013

	Cash Balances		Receipts	Disbursements	Transfers	Cash Balances	Accounts Receivable	Accounts Payable	Fund Balances
	Beginning					Year End	Year End	Year End	Year End
Drama/Act Cats	16,185	17,823	14,270	(870)	18,868			18,868	
Co-Ed-Y	118	81			199			199	
Academic Team	0	96	69	(27)	0			0	
Spanish Club	105				105			105	
Spanish Honor Society	957	555	829	(900)	683			683	
FCA	984	300	68	(944)	316			316	
Student Council	944	100		(280)	100			100	
French Club	1,146	867	366		1,367			1,367	
French Honor Society	165				165			165	
Pep Club	215				215			215	
AYCC	170			(170)	0			0	
TIP	227			(227)	0			0	
CPS	182			(182)	0			0	
GT Clubs	741	305	369		677			677	
Speech & Debate	499			(499)	0			0	
Green Club	1,045	80		(40)	1,085			1,085	
Stimulating Ink	358			(358)	0			0	
Art Club	89	25		(114)	0			0	
Homecoming	406			(406)	0			0	
Class of 2013	1,436		(85)	(1,521)	0			0	
Class of 2014	108	14,037	11,461	(293)	2,391			2,391	
Band	3,285	36,632	37,622	(250)	2,045		150	1,895	
Chorus	38	7,646	6,583		1,101			1,101	
FCS-H Adams	0	500	500		0			0	
FCS-L Raterman	0	5,833	6,066	252	19			19	
Horticulture	6,571	3,261	3,650	(4,124)	2,058			2,058	
Unite to Read	25	35			60			60	
Senior Class Trip	3,524	38,572	40,816	(564)	716			716	
ADM. Paws	377	1,375		(1,752)	0			0	

ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
ANDERSON COUNTY HIGH SCHOOL
For The Year Ended June 30, 2013

	Cash Balances Beginning	Receipts	Disbursements	Transfers	Cash Balances Year End	Accounts Receivable Year End	Accounts Payable Year End	Fund Balances Year End
Junior DC Trip	1,230			(1,230)	0			0
Annual	16,061	24,851	29,797	540	11,655			11,655
Magazines	121			(121)	0			0
Guidance	1,428	5,459	3,434	22	3,475			3,475
Library	1,355	215	219		1,351			1,351
Textbooks	3,942	35,187	38,819	(84)	226			226
Pepsi	1,160	2,794	3,642	(177)	135			135
Pepsi-TL	657	4,352	2,695	(1,346)	968			968
Staff Team Bldg/Supp	27			(27)	0			0
Copiers	3,114		822	(2,292)	0			0
Bearcats	529	770	1,289	(10)	0			0
Gum/Vending	500		222	(278)	0			0
Scratching Post	7,346	17,547	41,129	25,362	9,126			9,126
Alumni Association	220			(220)	0			0
Donation/NMSI	206	99	156	(149)	0			0
Collections From TE	<u>111</u>	<u>744</u>	<u>592</u>	<u>99</u>	<u>362</u>			<u>362</u>
Totals	\$136,589	\$591,442	\$611,474	\$0	\$116,557	\$0	\$150	\$116,407

ANDERSON COUNTY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended June 30, 2013

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 12	\$138,136
National School Lunch Program	10.555	7750002 13	624,319
School Breakfast Program	10.553	7760005 12	43,572
School Breakfast Program	10.553	7760005 13	210,844
Summer Food Service Program for Children	10.559	7740023 12	14,222
Summer Food Service Program for Children	10.559	7690024 12	1,468
Commodities	10.555	510 4950	<u>112,674</u>
SubTotal Child Nutrition Cluster			1,145,235
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,145,235
<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 11	134,556
Title I Grants to Local Educational Agencies	84.010	3100002 12	<u>187,308</u>
		subtotal	321,864
Special Education Cluster (IDEA)			
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 10	2,050
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 11	377,338
Special Education-Grants to States (IDEA, Part B)	84.027	3810002 12	575,383
Early Childhood Regional Training Center	84.173	3800003 11	156,093
Early Childhood Regional Training Center	84.173	3800003 12	280,106
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002 10	8,237
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002 11	47,689
Special Education-Preschool Grants (IDEA, Preschool)	84.173	3800002 12	<u>78,475</u>
		subtotal	1,525,371
Education Jobs Fund (Ed Jobs)	84.410	EJOB00	478
Race to the Top	84.413A	3960002 11	11,144

The accompanying notes are an integral part of this schedule

ANDERSON COUNTY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended June 30, 2013

Federal Grantor/Passed-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education			
Vocational Education	84.048	4621232 12	5,819
Vocational Education	84.048	4621332 13	<u>23,266</u>
		subtotal	29,085
Improving Teacher Quality State Grants	84.367	3230002 10	479
Improving Teacher Quality State Grants	84.367	3230002 11	63,287
Improving Teacher Quality State Grants	84.367	3230002 12	<u>35,214</u>
		subtotal	98,980
Pass Through Council on Postsecondary Education			
Adult Education - Basic Grants to States	84.002	3733	39,667
Adult Education - Professional Development	84.002	3733S	92
Adult Education - Recruitment, Retention and Results	84.002	3653	<u>1,990</u>
		subtotal	41,749
TOTAL U.S. DEPARTMENT OF EDUCATION			2,028,671
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$3,173,906

The accompanying notes are an integral part of this schedule

ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2013

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Anderson County School District (the "District") under programs of the federal government for the year ended June 30, 2013. 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 \$112,674.

DENISE M. KEENE, CPA
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
502-857-2579

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

(for a Governmental Entity)

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

Independent Auditor's Report

State Committee For School District Audits
Members of the Board of Education
Anderson County School District
Lawrenceburg, 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 Anderson County Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 25, 2013.

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 October 25, 2013.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies, pass-through entities and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
October 25, 2013

DENISE M. KEENE, CPA
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
Anderson County School District
Lawrenceburg, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Anderson 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, 2013. 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, 2013.

Report on Internal Control Over Compliance

Management of the Anderson 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 Anderson County School District as of and for the year ended June 30, 2013, and have issued our report thereon dated October 25, 2013, 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.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies, pass-through entities and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
October 25, 2013

ANDERSON COUNTY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For The Year Ended June 30, 2013

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
10.553, 10.555, 10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

ANDERSON COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For The Year Ended June 30, 2013

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, CPA
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
502-857-2579**

Anderson County Board of Education
Lawrenceburg, Kentucky

I have audited the financial statements of the Anderson County School District for the year ended June 30, 2013 and have issued my report thereon dated October 25, 2013. As part of my audit, I made a study and evaluation of the District's system of internal accounting control to the extent I considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of my 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. My 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 Anderson 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.

My 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, I do not express an opinion on the system of internal accounting control of the Anderson County School District taken as a whole. My study and evaluation disclosed no condition that I 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: Central Office 2012-01, 2012-02, 2012-03, 2012-04, School Activity 2012-01, 2012-02, 2012-04, 2012-06, 2012-07, 2012-08, 2012-09, 2012-10, 2012-11, 2012-12, 2012-13, 2012-14, 2012-17, 2012-18, 2012-19, 2012-20, 2012-22, 2012-23, 2012-24, 2012-25.

The following items from last year's management letter points were not corrected:
Central Office 2012-05, School Activity 2012-03, 2012-05, 2012-15, 2012-16, 2012-21.

CURRENT YEAR MANAGEMENT POINTS

2013-01

KRS 65.944 requires School District's to have all leases in excess of \$100,000 reviewed and approved by the Commissioner of Education. The District entered into a lease purchase with Dell Financial Services for \$549,971, there is no evidence of approval by the Commissioner of Education. **This is a repeat finding from last year.**

Management's response:

The chief information officer has prepared all required documentation. We are currently waiting on a letter from the attorney, and have been waiting for sometime. Once letter is received documentation will be sent to Kentucky Department of Education.

2013-02

Food Service did not complete the section on the application for free and reduced lunch "For School Use Only". The District has software that computes eligibility. The form should be completed so that the form can stand alone.

Management's response:

Food Service director is going to cross train an individual to verify the applications.

2013-03

The District purchased 32 sets of boys basketball sweet sixteen tickets. The number of tickets seems excessive. The District needs to consider whether this is a fringe benefit for the employees that received the tickets.

Management's response:

The number of tickets will be reviewed by finance officer, athletic director, and superintendent to decrease the number of tickets that are being purchased.

ANDERSON COUNTY HIGH SCHOOL

2013-04

All checks written on the Activity Fund shall contain the signatures of the principal or his/her designee and the school treasurer. Testing disclosed four checks with only one signature. **This is a repeat finding from last year.**

Management's Response:

We have implemented a new procedure that I feel will eliminate future problems. The Principal will sign all checks first. I will then sign the checks and another secretary will check for both signatures before checks are mailed.

ANDERSON COUNTY HIGH SCHOOL (continued)

2013-05

According to the Internal Revenue Code Section 61, a fringe benefit provided to any person in connection with the performance of services is treated as compensation for those services. Unless it's specifically excluded, the benefit is includible in the gross income of the person performing the services, even if it's furnished to someone else. The District needs to consider possible taxable fringe benefits for employees, such as coaches cards for individuals other than coaches. **This is a repeat finding from last year.**

Management's Response:

The list of coaches cards to be ordered are now being sent to the District's Finance Officer, for his approval before any purchases are made. The purchase is being made by the district now and not the high school.

2013-06

There was a reimbursement to the principal that included a travel reimbursement. The travel form was not approved by anyone other than the principal. The principal should have his travel approved by his supervisor. That same reimbursement also included sales tax on two purchases that was reimbursed but should not have been.

Management's Response:

This was an oversight. Another principal did sign the check but not the reimbursement request. From this point forward all of the head principals reimbursements will be approved by the superintendent before a check is issued.

ANDERSON COUNTY MIDDLE SCHOOL

2013-07

All checks written on the Activity Fund shall contain the signatures of the principal or his/her designee and the school treasurer. Testing disclosed 3 checks with only one signature, the school treasurer. **This is a repeat finding from last year.**

Management's Response:

This will be reviewed and with a new principal I believe this is being watched much closer. Also the bank has been notified of this to watch and let the finance officer know if or when this occurs.

2013-08

To initiate a purchase, a Purchase Order shall be prepared and approved by the sponsor and principal before the payment is obligated. 3 out of 28 tested were not approved prior to being obligated. 5 out of 28 tested did not have the sponsor's approval. One expenditure did not have a purchase order, therefore was not approved by anyone. Staff need to be reminded that all purchases must be approved by the principal and the sponsor of the paying activity fund prior to ordering or purchasing. **This is a repeat finding from last year.**

Management's Response:

This was addressed with new principal and bookkeeper and noted that these will be much closer monitored to assure that this does not occur in the future.

ANDERSON COUNTY MIDDLE SCHOOL (continued)

2013-09

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." Two (2) out of thirty-four (34) did not have a sponsor signature. Transfer forms should be completed with both signatures before the transfer is executed.

Management's Response:

This was addressed with new principal and bookkeeper and noted that these will be much closer monitored to assure that this does not occur in the future.

2013-10

During the year, a cash advance was given to an individual who was not a school employee and who did not have students participating in a class trip or club outing. The advance was to be used to purchase materials to build a greenhouse. 5 out of 8 invoices were from Lowes and Walmart, the other 3 invoices were for online purchases from Home Depot and 2 from Outdora.com. Sales tax was paid on these purchases. The money not spent was not returned to the school for over one month. This is an unacceptable expenditure. Most of the items could have been purchased through the normal purchase procedures.

Management's Response:

This was requested by former principal to handle in this manner. With new principal this was addressed and noted that this was not proper procedure.

ROBERT B TURNER ELEMENTARY

2013-11

To initiate a purchase, a Purchase Order shall be prepared and approved by the sponsor and principal before the payment is obligated. 3 out of 18 tested were not approved prior to being obligated. One payment did not have a vendor invoice attached. Staff need to be reminded that all purchases must be approved by the principal and the sponsor of the paying activity fund prior to ordering or purchasing. Payments should not be made until all documentation is obtained.

This is a repeat finding from last year.

Management's Response:

The payment without an invoice was to Domino's Pizza. If I am not physically in office to ask for receipt, Dominos will not leave one, the office staff has been asked for a receipt any time pizza is delivered. This has been addressed to staff they have been told to do a requisition before ordering anything, even if they have to guess at the amount. I have told them it can be changed when the actual bill is received. So far this year this has been done correctly, and I will keep reminding them.

ROBERT B TURNER ELEMENTARY (continued)

2013-12

There is an unreasonable delay between the date staff receive money and the time it is turned into the school treasurer. According to Accounting Procedures for Kentucky School Activity Funds (the Redbook), all money collected by a teacher/sponsor shall be given to the school treasurer on the day collected. I recommend the Principal instruct all staff to turn in money collected on a daily basis.

Management's Response:

Teachers have been instructed to turn money in daily, but some have not. Mr. Reese will address this and I will send out emails to remind them also. We will do our best to correct this problem.

EMMA B. WARD ELEMENTARY – no comments, nice job

SAFFELL ELEMENTARY – no comments, nice job

EARLY CHILDHOOD CENTER – no comments, nice job