

**Bourbon County School District**

**Audited Financial Statements  
and Other Financial Information**

**June 30, 2013**

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# SUMMERS, MCCRARY & SPARKS, P.S.C.

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## INDEPENDENT AUDITORS' REPORT

Kentucky State Committee of School District Audits  
Members of the Board of Education  
Bourbon County School District  
Paris, Kentucky 40361

### **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 Bourbon County School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bourbon County School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 4 through 8 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 Bourbon County School District's basic financial statements. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards, as required by U.S. 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 and individual non-major fund financial statements and the schedule of expenditures of federal awards are 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 and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2013, on our consideration of Bourbon County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Summers, McCrary & Sparks, PSC*

Summers, McCrary & Sparks, PSC  
Lexington, Kentucky  
October 5, 2013

**BOURBON COUNTY SCHOOL DISTRICT – PARIS, KENTUCKY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

As management of the Bourbon 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 General Fund balance for the District was \$4,271,594. The ending General Fund balance was \$3,896,105.

Average Daily Attendance (ADA), used to calculate base SEEK funding, decreased by 15 students. It is important to remember that kindergarten still receives a 50% ADA reduction for the SEEK calculation (funded at the ½ day level).

Property assessments certified by the Commissioner of Education showed a total real estate and personal property valuation of \$971,781,468. At the real estate rate of 55.4 and personal property rate of 55.5 cents per \$100 of assessed property, less exonerations of \$9,512, the calculated collection should yield \$5,384,682. The actual collections were \$5,178,371.

The district was concerned about the state funding due to the economy so a raise was not applied to the salary tables.

The General Fund had \$20,240,679 in revenue, which primarily consisted of the state program (SEEK), property, utility, and motor vehicle taxes. Excluding inter-fund transfers, there was \$20,617,599 in General Fund expenditures.

The District completed the local facility plan in 2013, and in line with this approval, the District purchased a warehouse and property adjacent to the high school to be used for storage purposes and refinanced FY 2006 bonds for a total savings of \$124,330. Our rating in the bond market remains at AA3, with the District having a total of \$605,000 in bonding potential as of February 1, 2013 at 90% of Capital Outlay funding. The Districts outstanding bonds totaled \$18,353,000 at June 30, 2013.

**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) government-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.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 11-21 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-44 of this report.

## **GOVERNMENT-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 \$14.6 million as of June 30, 2013 as compared to \$14.8 million in the prior year.

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

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

**Net position for the periods ending June 30, 2012 and 2013**

	June 30, 2012	June 30, 2013
Current Assets	\$7,293,098	\$5,392,906
Noncurrent Assets	28,418,452	28,687,044
<b>Total Assets</b>	35,711,550	34,079,950
<b>Deferred Outflows of Resources</b>	0	253,227
Current Liabilities	2,573,157	\$1,787,296
Noncurrent Liabilities	18,245,293	17,936,592
<b>Total Liabilities</b>	20,818,450	19,723,888
Net position		
Investment in capital assets (net of	8,983,277	9,449,785
Restricted	620,722	260,913
Unreserved Fund Balance	5,289,101	4,898,591
<b>Total Net position</b>	\$ 14,893,100	\$14,609,289

**Comments on Budget Comparisons**

The District's total general fund revenues for the fiscal year ended June 30, 2013 net of inter-fund transfers, were \$20,138,853 a decrease of \$326,966 from the total revenues of \$20,465,819 for 2012.

General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual revenues being \$485,766 more than budget (excluding on-behalf). Revenues for 2012 exceeded budget by \$1,154,329. General fund budget compared to actual expenditures varied slightly from line item to line item with the ending actual expenditures being \$1,985,380 less than budget (excluding on-behalf). The tentative budget revenues increased in the area of Property Taxes due to the increase in the property tax rates and a conservative prior year budget number and also in the Earning on Investment budget due to an understatement from the prior year. The tentative budget expenditures were increased through out all line items to estimate the increase cost of services provided.

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2012 and 2013.

**Summary of Revenue and Expenditures**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>
<b>Revenues:</b>						
Local revenue sources	\$7,750,450	\$7,257,262	\$551,368	\$522,667	\$8,294,384	\$7,779,929
State revenue sources	15,606,595	15,718,631	158,473	148,214	15,765,068	15,866,845
Federal revenue sources	5,052,137	3,674,114	1,085,578	1,129,282	6,137,715	4,803,396
Investments	135,926	91,332	7,474	6,974	143,400	99,348
<b>Total revenue</b>	<b>28,545,108</b>	<b>26,741,339</b>	<b>1,802,893</b>	<b>1,807,137</b>	<b>30,340,567</b>	<b>28,549,518</b>
<b>Expenses:</b>						
Instruction	16,698,993	16,631,674			16,698,993	16,631,674
Student support services	1,317,815	911,422			1,317,815	911,422
Instructional support	1,050,392	1,187,940			1,050,392	1,187,940
District administration	904,179	1,195,111			904,179	1,195,111
School administration	1,404,099	1,416,473			1,404,099	1,416,473
Business Support	548,102	576,510			548,102	576,510
Plant operations	2,360,366	2,262,564			2,360,366	2,262,564
Student transportation	2,036,960	1,993,139			2,036,960	1,993,139
Community Service	294,541	245,863			294,541	245,863
Facility Acquisition	62,758	54,179			62,758	54,179
Interest on long-term debt	707,058	721,705			707,058	721,705
Food Service			1,380,095	1,449,799	1,380,095	1,385,633
Child Care			200,366	214,219	200,336	214,219
<b>Total expenses</b>	<b>27,385,263</b>	<b>27,196,580</b>	<b>1,580,431</b>	<b>1,664,018</b>	<b>28,865,694</b>	<b>28,796,432</b>
Change in net position	1,171,645	(426,930)	199,130	143,119	1,370,775	(282,769)
Beginning net position	12,973,275	14,144,920	549,050	748,180	13,522,325	14,893,100
<b>Ending net position</b>	<b>\$14,144,920</b>	<b>\$13,717,990</b>	<b>\$748,180</b>	<b>\$891,299</b>	<b>\$14,893,100</b>	<b>\$14,610,331</b>

**Governmental Activities**

The majority of revenue was derived from local taxes making up 25% of the total revenue and state funding making up 59% of total revenue. Instruction makes up 52% of total Governmental Fund Expenditures. Central support services expenditures are: Transportation 7%, Maintenance & Operations 8%, School Administration 5% and Other Support Functions 28%.

**Business-Type Activities**

Revenues for Food Service Fund totals \$1,571,397 as of June 30, 2013, an increase of \$19,939 from 2012. These revenues include lunchroom sales, federal and state grants, federal commodities, and interest income. Total Operating Expenditures for Food Service Fund totals \$1,385,633 as of June 30, 2013, an increase of \$5,538 from 2012. The Change in Net position (Revenues less Expenditures) for the Food Service Fund is an increase of \$121,598.

**Debt**

At June 30, 2013, the School District had \$18,353,000 in revenue bonds outstanding; of this amount \$2,829,203 is to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$917,000 is due within one year.

**Capital Assets**

The Board added \$6,188,456 in capital assets during the year, primarily for construction projects, technology equipment and school buses.

**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 calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. Significant Board actions that impacted the finances included the Section 7 allocation of all day Kindergarten, expenditures for an alternative school setting, paraprofessional educators not required by KRS and additional staff to reduce class size below the KRS requirement.

Questions regarding this report should be directed to Andrea A. Kiser, Finance Officer (859) 987-2180 or by mail at the Bourbon County Board of Education, 3343 Lexington Rd., Paris, KY 40361.

**BOURBON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS:</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 3,558,027	\$ 692,976	\$ 4,251,003
Accounts receivable			
Taxes	149,314	0	149,314
Accounts	13,151	91,736	104,887
Intergovernmental - Federal	857,709	0	857,709
Inventory	0	29,993	29,993
Total Current Assets	<u>4,578,201</u>	<u>814,705</u>	<u>5,392,906</u>
<b>Noncurrent Assets</b>			
Bond discounts and issue costs net of accumulated amortization of \$194,186	445,697	0	445,697
Advanced bond refunding loss	253,227	0	253,227
Non-depreciated capital assets	84,188	0	84,188
Net depreciated capital assets	<u>28,078,079</u>	<u>79,080</u>	<u>28,157,159</u>
Total Noncurrent Assets	<u>28,861,191</u>	<u>79,080</u>	<u>28,940,271</u>
<b>TOTAL ASSETS</b>	<u><u>33,439,392</u></u>	<u><u>893,785</u></u>	<u><u>34,333,177</u></u>
<b>LIABILITIES:</b>			
<b>Current Liabilities</b>			
Accounts payable	100,514	2,486	103,000
Current portion of bond obligations	917,000	0	917,000
Current portion of lease obligations	22,602	0	22,602
Current portion of accrued sick leave	100,805	0	100,805
Accrued interest payable	249,791	0	249,791
Unearned revenue	394,098	0	394,098
Total Current Liabilities	<u>1,784,810</u>	<u>2,486</u>	<u>1,787,296</u>
<b>Noncurrent Liabilities</b>			
Noncurrent portion of bond obligations	17,436,000	0	17,436,000
KSBIT Payable	415,960	0	415,960
Noncurrent portion of accrued sick leave	84,632	0	84,632
Total Noncurrent Liabilities	<u>17,936,592</u>	<u>0</u>	<u>17,936,592</u>
<b>TOTAL LIABILITIES</b>	<u>19,721,402</u>	<u>2,486</u>	<u>19,723,888</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	9,370,705	79,080	9,449,785
Restricted			
Debt Service	122,607	0	122,607
Capital projects (expendable)	138,306	0	138,306
Unrestricted	<u>4,086,372</u>	<u>812,219</u>	<u>4,898,591</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 13,717,990</u></u>	<u><u>\$ 891,299</u></u>	<u><u>\$ 14,609,289</u></u>

See Accompanying Notes to the Financial Statements

**BOURBON COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS PRIMARY GOVERNMENT		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government							
Governmental Activities:							
Instructional	\$ 16,631,674	\$ 19,787	\$ 8,321,971	\$ 0	\$ (8,289,916)	\$ 0	\$ (8,289,916)
Support Services:							
Student	911,422	0	144,253	0	(767,169)	0	(767,169)
Instructional staff	1,187,940	0	127,735	0	(1,060,205)	0	(1,060,205)
District administration	779,151	0	58,689	0	(720,462)	0	(720,462)
School administration	1,416,473	0	271,710	0	(1,144,763)	0	(1,144,763)
Business	576,510	0	104,518	0	(471,992)	0	(471,992)
Plant operations and maintainance	2,262,564	0	113,444	0	(2,149,120)	0	(2,149,120)
Student transportation	1,993,139	133,849	131,446	0	(1,727,844)	0	(1,727,844)
Community services	245,863	81,959	0	0	(163,904)	0	(163,904)
Facilities acquisition and construction	54,179	0	0	0	(54,179)	0	(54,179)
Interest on long-term debt	721,705	0	0	337,093	(384,612)	0	(384,612)
Total Governmental Activities	26,780,620	235,595	9,273,766	337,093	(16,934,166)	0	(16,934,166)
Business Type Activities:							
Food Service	1,385,633	340,471	1,223,952	0	0	178,790	178,790
Child Care	214,219	182,196	53,544	0	0	21,521	21,521
Total Business Type Activities	1,599,852	522,667	1,277,496	0	0	200,311	200,311
Total Primary Government	\$ 28,380,472	\$ 758,262	\$ 10,551,262	\$ 337,093	\$ (16,934,166)	\$ 200,311	\$ (16,733,855)
General Revenues:							
Taxes:							
Property					\$ 5,112,038	\$ 0	\$ 5,112,038
Motor vehicle					637,455	0	637,455
Utilities					1,096,393	0	1,096,393
State and formula grants					9,814,886	0	9,814,886
Interest and investment earnings					91,332	8,016	99,348
Miscellaneous					106,926	(1,042)	105,884
Transfers					64,166	(64,166)	0
Extraordinary Item - KSBIT assessment					(415,960)	0	(415,960)
Total General Revenues and Transfers					16,507,236	(57,192)	16,450,044
Change in Net Position					(426,930)	143,119	(283,811)
Net Position - beginning of year					14,144,920	748,180	14,893,100
Net Position - end of year					\$ 13,717,990	\$ 891,299	\$ 14,609,289

See Accompanying Notes to the Financial Statements

**BOURBON COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	CONSTRUCTION FUND	DEBT SERVICE FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 3,285,601	\$ 0	\$ 149,819	\$ 122,607	\$ 0	\$ 3,558,027
Accounts receivable						
Taxes	149,314	0	0	0	0	149,314
Accounts	13,151	0	0	0	0	13,151
Intergovernmental - Federal	0	857,709	0	0	0	857,709
Due from other funds	452,573	0	0	0	0	452,573
<b>TOTAL ASSETS</b>	<b>\$ 3,900,639</b>	<b>\$ 857,709</b>	<b>\$ 149,819</b>	<b>\$ 122,607</b>	<b>\$ 0</b>	<b>\$ 5,030,774</b>
<b>LIABILITIES:</b>						
Accounts payable	\$ 77,963	\$ 11,038	\$ 11,513	\$ 0	\$ 0	\$ 100,514
Accrued sick leave	23,906	0	0	0	0	23,906
Due to other funds	0	452,573	0	0	0	452,573
Unearned revenue	0	394,098	0	0	0	394,098
<b>TOTAL LIABILITIES</b>	<b>101,869</b>	<b>857,709</b>	<b>11,513</b>	<b>0</b>	<b>0</b>	<b>971,091</b>
<b>FUND BALANCES:</b>						
Restricted						
Debt service	0	0	0	122,607	0	122,607
Capital projects	0	0	138,306	0	0	138,306
Committed-sick leave	92,718	0	0	0	0	92,718
Assigned	30,725	0	0	0	0	30,725
Unassigned	3,675,327	0	0	0	0	3,675,327
<b>TOTAL FUND BALANCES</b>	<b>3,798,770</b>	<b>0</b>	<b>138,306</b>	<b>122,607</b>	<b>0</b>	<b>4,059,683</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,900,639</b>	<b>\$ 857,709</b>	<b>\$ 149,819</b>	<b>\$ 122,607</b>	<b>\$ 0</b>	<b>\$ 5,030,774</b>

See Accompanying Notes to the Financial Statements

**BOURBON COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

Total Governmental Fund Balances	\$	4,059,683
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.</p>		
Bond discounts and issue costs		445,697
Advanced bond refunding loss		253,227
Capital assets		28,162,267
<p>Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in the fund financial statement because they are not due and payable, but are presented in the statement of net assets.</p>		
Bond obligations		(18,353,000)
Capital lease obligations		(22,602)
Accrued interest		(249,791)
Other accrued liabilities		(415,960)
Accrued sick leave		(161,531)
		(18,353,000)
		(22,602)
		(249,791)
		(415,960)
		(161,531)
Net Position of Governmental Activities	\$	13,717,990

**BOURBON 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 (GRANT) FUNDS	CONSTRUCTION FUND	DEBT SERVICE FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>						
From local sources:						
Taxes:						
Property	\$ 4,568,873	\$ 0	\$ 0	\$ 0	\$ 543,165	\$ 5,112,038
Motor vehicle	637,455	0	0	0	0	637,455
Utilities	1,096,393	0	0	0	0	1,096,393
Earnings on investments	91,332	0	0	0	0	91,332
Other local revenues	26,766	351,610	33,000	0	0	411,376
Intergovernmental - State	13,718,034	1,078,649	0	337,093	584,855	15,718,631
Intergovernmental - Indirect federal	0	3,674,114	0	0	0	3,674,114
<b>TOTAL REVENUES</b>	<u>20,138,853</u>	<u>5,104,373</u>	<u>33,000</u>	<u>337,093</u>	<u>1,128,020</u>	<u>26,741,339</u>
<b>EXPENDITURES:</b>						
Current:						
Instruction:	12,640,597	3,268,448	0	0	0	15,909,045
Support Services:						
Student	698,937	200,552	0	0	0	899,489
Instructional staff	538,749	646,963	0	0	0	1,185,712
District administration	944,074	0	0	0	0	944,074
School administration	1,277,574	132,756	0	0	0	1,410,330
Business	578,768	0	0	0	0	578,768
Plant operations and maintainance	2,344,618	64,149	0	0	0	2,408,767
Student transportation	1,589,791	499,744	0	0	0	2,089,535
Community services	0	245,406	0	0	0	245,406
Facilities acquisition and construction	0	0	846,921	0	0	846,921
Debt service	0	0	0	1,594,034	0	1,594,034
<b>TOTAL EXPENDITURES</b>	<u>20,613,108</u>	<u>5,058,018</u>	<u>846,921</u>	<u>1,594,034</u>	<u>0</u>	<u>28,112,081</u>
Excess (Deficit) of Revenues over Expenditures	<u>(474,255)</u>	<u>46,355</u>	<u>(813,921)</u>	<u>(1,256,941)</u>	<u>1,128,020</u>	<u>(1,370,742)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Operating transfers in	81,073	38,998	94,500	1,214,704	0	1,429,275
Operating transfers out	(79,642)	(85,353)	0	0	(1,200,114)	(1,365,109)
Payments to refund debt escrow agent	0	0	0	(2,188,227)	0	(2,188,227)
Issuance of reunded debt	0	0	0	2,255,000	0	2,255,000
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<u>1,431</u>	<u>(46,355)</u>	<u>94,500</u>	<u>1,281,477</u>	<u>(1,200,114)</u>	<u>130,939</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>(472,824)</u>	<u>0</u>	<u>(719,421)</u>	<u>24,536</u>	<u>(72,094)</u>	<u>(1,239,803)</u>
Fund balance - beginning of year	<u>4,271,594</u>	<u>0</u>	<u>857,727</u>	<u>98,071</u>	<u>72,094</u>	<u>5,299,486</u>
Fund balance - end of year	<u>\$ 3,798,770</u>	<u>\$ 0</u>	<u>\$ 138,306</u>	<u>\$ 122,607</u>	<u>\$ 0</u>	<u>\$ 4,059,683</u>

See Accompanying Notes to the Financial Statements

**BOURBON COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Net Change in Fund Balances - Total Governmental Funds	\$ (1,239,803)
Amounts reported for governmental activities in the statement of activities are different because:	
Bond issue costs are expensed as incurred in the fund financial statement, but are amortized over the life of the bond in the statement of activities:	
Amortization expense	(88,502)
Bond issuance costs	81,288
The proceeds from the disposal of capital assets provide current financial resources and are reported in the fund financial statements. However, for governmental activities the proceeds are reported net of the cost less any accumulated depreciation.	
	(35,857)
Bond proceeds are recognized in this fund financial statement as resources available for use as current financial resources, but bond proceeds are not recognized in the statement of activities.	
Bond proceeds	(2,255,000)
Payments to escrow agents use current financial resources and are reported in the fund financial statement but they are not presented in the statement of activities.	
	2,188,227
Capital outlays are reported as expenditures in the fund financial statement because they are 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.	
Capital outlays	1,529,248
Depreciation expense	(1,178,678)
Generally, expenditures recognized in the 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	(9,341)
Change in other liabilities	(415,960)
Change in sick leave	108,564
Bond and lease payments are recognized as expenditures of current financial resources in the fund financial statement, but are reductions of liabilities in the statement of net position.	
	912,147
Change in Net Position of Governmental Activities	\$ (403,667)

**BOURBON COUNTY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	GENERAL FUND			VARIANCE Favorable (Unfavorable)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
From local sources:				
Taxes:				
Property	\$ 4,310,000	\$ 4,460,000	\$ 4,568,873	\$ 108,873
Motor vehicle	500,000	500,000	637,455	137,455
Utilities	900,000	900,000	1,096,393	196,393
Tuition and fees	6,000	6,000	0	(6,000)
Earnings on investments	80,000	80,000	91,332	11,332
Other local revenues	0	0	26,766	26,766
Intergovernmental - State	9,512,000	9,803,939	13,718,034	3,914,095
<b>TOTAL REVENUES</b>	<u>15,308,000</u>	<u>15,749,939</u>	<u>20,138,853</u>	<u>4,388,914</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:	10,138,531	10,403,028	12,640,597	(2,237,569)
Support Services:				
Student	588,800	662,873	698,937	(36,064)
Instructional staff	430,699	433,224	538,749	(105,525)
District administration	1,024,415	1,005,408	944,074	61,334
School administration	1,025,172	1,031,153	1,277,574	(246,421)
Business	460,661	434,872	578,768	(143,896)
Plant operations and maintenance	2,429,707	2,840,983	2,344,618	496,365
Student transportation	1,719,074	1,816,187	1,589,791	226,396
Debt service	57,761	0	0	0
Other	0	0	0	0
<b>TOTAL EXPENDITURES</b>	<u>17,874,820</u>	<u>18,627,728</u>	<u>20,613,108</u>	<u>(1,985,380)</u>
Excess (Deficit) of Revenues over Expenditures	<u>(2,566,820)</u>	<u>(2,877,789)</u>	<u>(474,255)</u>	<u>2,403,534</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	0	16,907	81,073	64,166
Operating transfers out	(260,000)	(100,644)	(79,642)	21,002
Contingency	(686,714)	(1,175,021)	0	1,175,021
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<u>(946,714)</u>	<u>(1,258,758)</u>	<u>1,431</u>	<u>1,260,189</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>(3,513,533)</u>	<u>(4,136,547)</u>	<u>(472,824)</u>	<u>3,663,723</u>
Fund balance - beginning of year	<u>3,513,533</u>	<u>4,136,547</u>	<u>4,271,594</u>	<u>135,047</u>
Fund balance - end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,798,770</u>	<u>\$ 3,798,770</u>

Note: Both inflows and outflows are equally different in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds by the amount of on-behalf payments of \$3,903,148.

See Accompanying Notes to the Financial Statements

**BOURBON COUNTY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	SPECIAL REVENUE FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE Favorable (Unfavorable)
	ORIGINAL	FINAL		
REVENUES:				
From local sources:				
Other local revenues	\$ 3,000	\$ 7,851	\$ 351,610	\$ 343,759
Intergovernmental - State	1,020,775	76,469	1,078,649	1,002,180
Intergovernmental - Indirect federal	5,034,314	953,984	3,674,114	2,720,130
TOTAL REVENUES	<u>6,058,089</u>	<u>1,038,304</u>	<u>5,104,373</u>	<u>4,066,069</u>
EXPENDITURES:				
Current:				
Instruction:	3,979,998	626,532	3,268,448	(2,641,916)
Support Services:				
Student	542,711	36,017	200,552	(164,535)
Instructional staff	586,813	279,918	646,963	(367,045)
School administration	94,089	57,628	132,756	(75,128)
Plant operations and maintenance	336,264	5,326	64,149	(58,823)
Student transportation	217,601	30,002	499,744	(469,742)
Community services	274,574	16,101	245,406	(229,305)
Debt Service	86,039	0	0	0
TOTAL EXPENDITURES	<u>6,118,089</u>	<u>1,051,524</u>	<u>5,058,018</u>	<u>(4,006,494)</u>
Excess (Deficit) of Revenues over Expenditures	<u>(60,000)</u>	<u>(13,220)</u>	<u>46,355</u>	<u>59,575</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	60,000	21,002	38,998	17,996
Operating transfers out	0	0	(85,353)	(85,353)
TOTAL OTHER FINANCING SOURCES (USES):	<u>60,000</u>	<u>21,002</u>	<u>(46,355)</u>	<u>(67,357)</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	0	7,782	0	(7,782)
Fund balance - beginning of year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance - end of year	<u>\$ 0</u>	<u>\$ 7,782</u>	<u>\$ 0</u>	<u>\$ (7,782)</u>

See Accompanying Notes to the Financial Statements

**BOURBON COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013**

	FOOD SERVICE FUND	NON-MAJOR PROPRIETARY FUNDS	TOTAL PROPRIETARY FUNDS
<b>ASSETS:</b>			
Current Assets			
Cash and cash equivalents	\$ 524,211	\$ 168,765	\$ 692,976
Accounts receivable	91,736	0	91,736
Inventory	29,993	0	29,993
Total Current Assets	645,940	168,765	814,705
Noncurrent Assets			
Machinery & equipment	421,007	0	421,007
Accumulated depreciation	(341,927)	0	(341,927)
Total Noncurrent Assets	79,080	0	79,080
<b>TOTAL ASSETS</b>	<b>\$ 725,020</b>	<b>\$ 168,765</b>	<b>\$ 893,785</b>
<b>LIABILITIES:</b>			
Current Liabilities			
Accounts payable	\$ 2,259	\$ 227	\$ 2,486
Noncurrent Liabilities			
	0	0	0
<b>TOTAL LIABILITIES</b>	2,259	227	2,486
<b>NET POSITION:</b>			
Invested in capital assets, net of related debt	79,080	0	79,080
Unrestricted	643,681	168,538	812,219
<b>TOTAL NET POSITION</b>	722,761	168,538	891,299
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 725,020</b>	<b>\$ 168,765</b>	<b>\$ 893,785</b>

See Accompanying Notes to the Financial Statements

**BOURBON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>FOOD SERVICE FUND</u>	<u>NON-MAJOR PROPRIETARY FUNDS</u>	<u>TOTAL PROPRIETARY FUNDS</u>
OPERATING REVENUES:			
Lunchroom sales	\$ 340,471	\$ 0	\$ 340,471
Other operating revenues	0	182,196	182,196
TOTAL OPERATING REVENUES	<u>340,471</u>	<u>182,196</u>	<u>522,667</u>
OPERATING EXPENSES:			
Salaries and wages	430,824	120,878	551,702
Employee benefits	203,608	56,997	260,605
Contract services	32,249	440	32,689
Materials and supplies	700,030	35,127	735,157
Property	400	777	1,177
Miscellaneous	3,270	0	3,270
Depreciation	15,252	0	15,252
TOTAL OPERATING EXPENSES	<u>1,385,633</u>	<u>214,219</u>	<u>1,599,852</u>
Operating income (loss)	(1,045,162)	(32,023)	(1,077,185)
NON-OPERATING REVENUES (EXPENSES)			
Federal grants	1,034,016	4,931	1,038,947
Federal commodities	90,335	0	90,335
State grants	99,601	48,613	148,214
Loss on asset disposal	(1,042)	0	(1,042)
Interest income	8,016	0	8,016
NON-OPERATING REVENUES (EXPENSES)	<u>1,230,926</u>	<u>53,544</u>	<u>1,284,470</u>
Net income (loss) before operating transfers	185,764	21,521	207,285
Operating transfers	<u>(64,166)</u>	<u>0</u>	<u>(64,166)</u>
Change in net position	121,598	21,521	143,119
Total net position - beginning of year	<u>601,163</u>	<u>147,017</u>	<u>748,180</u>
Total net position - end of year	<u>\$ 722,761</u>	<u>\$ 168,538</u>	<u>\$ 891,299</u>

See Accompanying Notes to the Financial Statements

**BOURBON COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>FOOD SERVICE FUND</u>	<u>NON-MAJOR PROPRIETARY FUNDS</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 340,471	\$ 183,802	\$ 524,273
Cash paid to suppliers	(650,346)	(36,254)	(686,600)
Cash paid to employees	(550,303)	(154,271)	(704,574)
Net Cash Provided (Used) by Operating Activities	<u>(860,178)</u>	<u>(6,723)</u>	<u>(866,901)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers	(64,166)	0	(64,166)
Governmental grants	979,135	29,940	1,009,075
Net Cash Provided (Used) by Noncapital Activities	<u>914,969</u>	<u>29,940</u>	<u>944,909</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of Capital Assets	(650)	0	(650)
Net Cash Provided (Used) by Financing Activities	<u>(650)</u>	<u>0</u>	<u>(650)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	8,016	0	8,016
Net Cash Provided (Used) by Investing Activities	<u>8,016</u>	<u>0</u>	<u>8,016</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	62,157	23,217	85,374
<b>Cash and cash equivalents - beginning of year</b>	<u>462,054</u>	<u>145,548</u>	<u>607,602</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 524,211</u>	<u>\$ 168,765</u>	<u>\$ 692,976</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (1,045,162)	\$ (32,023)	\$ (1,077,185)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Federal commodities	90,335	0	90,335
On-behalf payments	84,129	23,604	107,733
Depreciation	15,252	0	15,252
Changes in Assets and Liabilities:			
Accounts Receivable	0	1,606	1,606
Inventory	11,846	0	11,846
Accounts payable	(16,578)	90	(16,488)
Net Cash Provided (Used) by Operating Activities	<u>\$ (860,178)</u>	<u>\$ (6,723)</u>	<u>\$ (866,901)</u>
<b>Schedule of non-cash transactions:</b>			
Donated commodities received from federal government	\$ 90,335	\$ 0	\$ 90,335
On-behalf payments	\$ 84,129	\$ 23,604	\$ 107,733

See Accompanying Notes to the Financial Statements

**BOURBON COUNTY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013**

	SPECIAL PURPOSE TRUST FUNDS	AGENCY FUNDS
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 0	\$ 267,360
Accounts receivable	0	1,315
<b>TOTAL ASSETS</b>	<b>\$ 0</b>	<b>\$ 268,675</b>
<b>LIABILITIES:</b>		
Accounts payable	\$ 0	\$ 26,878
Due to student groups	0	241,328
<b>TOTAL LIABILITIES</b>	<b>\$ 0</b>	<b>\$ 268,206</b>
<b>NET POSITION:</b>		
Net position - restricted for school activity funds		\$ 469

See Accompanying Notes to the Financial Statements

**BOURBON COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>SPECIAL PURPOSE TRUST FUNDS</u>
ADDITIONS	
Contributions	\$ 500
DEDUCTIONS	
Scholarships awarded	<u>500</u>
Change in Net Position	0
Total net position - beginning of year	<u>0</u>
Total net position - end of year	<u><u>\$ 0</u></u>

See Accompanying Notes to the Financial Statements

**BOURBON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

***NOTE 1 – REPORTING ENTITY***

The Bourbon 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 Bourbon County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, 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 District, for financial purposes, includes all the funds and account groups relevant to the operation of the Bourbon 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 Boosters Club, Parent-Teacher Associations, etc.

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

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

**Blended Component Unit**

**Bourbon County Board of Education Finance Corporation** - In a prior year, the Board resolved to authorize the establishment of the Bourbon County School District Finance Corporation (a non-stock, non-profit corporation organized under Section 162.385 of the School Bond Act and Chapter 273 and KRS 58.180) (the Corporation) as an agency of the District for financing the costs of school building improvements. The Board members of the Bourbon County Board of Education also comprise the corporation's Board of Directors. The Corporation does not publish individual component unit financial statements.

**BOURBON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS**

**BASIS OF PRESENTATION**

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activity of the reporting entity, except for fiduciary funds. The statements distinguish between governmental and business-type activities. The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary 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 government-wide financial statements and the statements for governmental funds.

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

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major 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 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

**BOURBON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)**

Fund Financial Statements (Cont'd)

changes in the total fund balances. 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 financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

(B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. Project accounting is employed to maintain integrity for the various sources of funds. The Special Revenue Fund is a major fund.

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

- 1) The Support Education Excellence in Kentucky (SEEK) Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is generally restricted for use in financing capital acquisitions. This is a non-major fund of the District.
- 2) The Facility Support Program of Kentucky 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. This is a non-major fund of the District.

**BOURBON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)**

Fund Financial Statements (Cont'd)

- 3) The Construction Fund accounts for funds from two sources. First, funds generated by sales of bonds issues are used for various construction and renovation projects. Second, proceeds from the sale of properties and equipment owned by the District are to be used at the discretion of the Board for construction projects in future years. This is a major fund of the District.

(D) The Debt Service Fund accounts for financial resources used for payment of principal and interest and other debt related costs. This is a major fund of the District.

II. Proprietary Fund Types (Enterprise Fund)

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

(B) The Day Care Fund is used to account for child care revenue. The Day Care Fund is a non-major fund.

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

III. Fiduciary Fund Type

(A) 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 the *Uniform program of Accounting for School Activity Funds*.

(B) The Special Purpose Trust Fund accounts for funds donated to the District for special purposes.

**BOURBON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)**

**BASIS OF ACCOUNTING**

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

In the Government-wide Statement of Net position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenues from property taxes are 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.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Revenues from local sources consist primarily of property taxes. Property taxes collected are recorded as revenues in the fund for which they were levied. Revenue is recognized when susceptible to accrual. Miscellaneous revenues are recorded on the same basis, if measurable. Investment earnings are recorded as earned since they are measurable and available.

Grant funds which are recorded in the special revenue fund as restricted funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned.

**BOURBON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)**

Budgetary Process

The District's budgetary process accounts for certain transactions on a basis of accounting other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is that on-behalf payments made by the state for the District are not budgeted. See Note 15 for these amounts which were not known by the District at the time the budget was adopted.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per District policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end in accordance with state law.

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

The budget for the Special Revenue Fund consists of the sum of each active grant's budget. Large variances between budgeted and actual activity can occur because grants with little activity during the year will have their entire budget rolled up into the combined budget for all grants.

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.

Inventory

Inventory consists of food purchased by the District and commodities granted by the United States Department of Agriculture (USDA). The commodities are recognized as revenues and expenditures by the Food Service Fund when consumed. Any material commodities on hand at year end are recorded as inventory. All purchased inventory items are valued at the lower of cost or market (first-in, first-out) using the consumption method and commodities assigned values are based on information provided by the USDA.

Prepaid Assets

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

**BOURBON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)**

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 received after December 31, are considered delinquent and the County Attorney can file a lien against the property.

Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund; and then, transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2012 to finance the General Fund operations were \$.554 per \$100 valuation for real property, \$.555 per \$100 valuation for business personal property and \$.547 per \$100 valuation for motor vehicles.

The District levies a 3% utility tax on all businesses and households within the County.

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 maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are expensed.

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:

**BOURBON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)**

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

Bond issue costs

Costs associated with the issuance of bond obligations, including fiscal and rating agency fees, paying agent fees, and attorney fees, are reported as expenditures in the governmental funds financial statements. These costs are capitalized and amortized over the lives of the respective bonds on the government-wide financial statements.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund advances 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.

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 the 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 amount "accumulated sick leave payable" in the general fund. The non-current portion of the liability is not reported in the fund financial statements, but is reflected in the statement of net position.

Unearned Revenue

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

**BOURBON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)**

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources.

Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balances

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2013, the District had \$138,306 as restricted for capital projects in the Construction Fund and \$122,607 as restricted in the Debt Service Fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had \$92,718 committed at June 30, 2013 for sick leave.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2013, was \$30,725. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

**BOURBON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)**

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any of this type of item.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any of this type of item.

**BOURBON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS (Cont'd)**

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by various schools. All other revenues are non-operating. Operating expenses can be tied directly to the production of the goods and services, such as the materials and labor and direct overhead. Other expenses are non-operating.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts in the financial statements and the accompanying notes. Actual results could differ from those estimates.

New Accounting Pronouncements

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements, effective for periods beginning after December 15, 2011, incorporates into GASB's authoritative literature certain accounting and financial reporting guidance included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure, which do not conflict with or contradict GASB pronouncements. The District implemented the new requirements for the fiscal year 2013 financial statements.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, effective for periods beginning after December 15, 2011, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The District implemented the new requirements for the fiscal year 2013 financial statements.

**BOURBON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 3 - CASH AND CASH EQUIVALENTS**

The Kentucky Revised Statutes authorize the District to invest money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured; and national or state banks chartered in Kentucky and insured by an agency of the United States providing such banks pledge as security obligations, as permitted by KRS 41.240 (4), having a current quoted market value at least equal to uninsured deposits.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

At year end, the District's bank balances were collateralized by securities held by the pledging bank's trust department in the District's name and FDIC Insurance. At year end, the carrying amount of the District's cash and cash equivalents was \$4,518,363. The bank balance for the same time was \$5,859,379.

Due to the nature of the accounts and limitations imposed by the purposes of the various funds, all cash balances are considered to be restricted except for the General Fund.

**NOTE 4 - CAPITAL ASSETS**

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

**Governmental Activities:**

Instruction	\$825,653
Support Services:	
Student	11,932
Instructional staff	2,227
District administration	18,431
School administration	6,143
Business	109
Plant operations & maintenance	91,634
Student transportation	222,094
Non-instructional	456
Total depreciation expense, governmental activities	<u>\$1,178,679</u>

**BOURBON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 4 - CAPITAL ASSETS (cont'd)**

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

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$66,520	\$0	\$0	\$66,520
Construction in progress	3,883,486	792,741	(4,658,559)	17,668
Total capital assets not being depreciated	3,950,006	792,741	(4,658,559)	84,188
Other capital assets				
Land Improvements	1,309,566	1,089,643	0	2,339,209
Buildings & Improvements	31,050,083	3,838,559	0	34,888,642
Technological Equipment	1,082,246	141,587	(153,405)	1,070,428
Vehicles	3,275,686	318,490	(200,703)	3,393,473
General Equipment	716,442	6,786	(5,962)	717,266
Total other assets	37,253,489	5,395,065	(360,070)	42,469,018
Less accumulated depreciation for:				
Land Improvements	(1,045,625)	(116,400)	0	(1,162,025)
Buildings & Improvements	(9,143,093)	(665,893)	0	(9,808,986)
Technological Equipment	(736,249)	(133,883)	110,683	(759,449)
Vehicles	(2,099,678)	(229,258)	200,703	(2,128,233)
General Equipment	(503,082)	(33,245)	4,081	(532,246)
Total accumulated depreciation	(13,527,727)	(1,178,679)	315,467	(14,390,939)
Other capital assets, net	23,906,296	4,324,039	(35,856)	28,078,079
Governmental Activities, net	\$27,856,302	\$5,116,780	(\$4,694,415)	\$28,162,267
Business Activities:				
Technological Equipment	\$12,026	\$650	0	\$12,676
General Equipment	428,244	0	(19,913)	408,331
Total	440,270	650	(19,913)	421,007
Less accumulated depreciation for:				
Technological Equipment	(8,685)	(1,758)	0	(10,443)
General Equipment	(336,861)	(13,494)	18,871	(331,484)
Total accumulated depreciation	(345,546)	(15,252)	18,871	(341,927)
Business Activities, net	\$94,724	(\$14,602)	(\$1,042)	\$79,080

**BOURBON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 5 – LONG-TERM DEBT AND LEASE OBLIGATIONS**

Bonds

The District, through the General Fund, the Building Fund, and the SEEK Capital Outlay Fund are obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Bourbon County School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding.

In connection with the school revenue bonds issued after May 1, 1996, 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 original amount of each issue, the issue date, interest rates, and outstanding balances of each bond are summarized below:

<u>Issue</u>	<u>Proceeds</u>	<u>Rates</u>	<u>Maturity Dates</u>	<u>Outstanding Balance June 30, 2013</u>
2002B	2,495,000	1.35-3.75%	6/1/2014	330,000
2005	3,230,000	2.80-3.80%	3/1/2020	2,700,000
2006	2,720,000	4.00-4.20%	7/1/2026	365,000
2009	5,940,000	3.25-4.15%	2/1/2029	5,755,000
2010	1,280,000	1.00-2.70%	7/1/2021	1,165,000
2010	229,000	2.25%	6/1/2018	143,000
2011	1,865,000	1.00-2.40%	4/1/2022	1,750,000
2012	3,940,000	0.75-3.625%	10/1/2031	3,890,000
2013R	2,255,000	1.9-2.1%	7/1/2026	2,255,000
	<u>\$23,954,000</u>			<u>\$18,353,000</u>

The bonds which 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:

**BOURBON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 5 - LONG-TERM DEBT AND LEASE OBLIGATIONS (cont'd)**

YEAR	Bourbon County School District		Kentucky School Construction Commission		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2014	\$651,779	\$634,748	\$265,221	\$110,818	\$1,662,566
2015	665,772	615,819	235,228	104,328	1,621,147
2016	683,425	594,476	242,575	96,836	1,617,312
2017	704,575	571,184	250,425	88,987	1,615,171
2018	726,347	504,151	257,653	43,065	1,531,216
2019-2023	3,874,701	2,049,241	890,299	132,666	6,946,907
2024-2028	4,182,193	1,217,841	582,807	50,824	6,033,665
2029-2032	4,035,005	314,919	104,995	6,926	4,461,845
	<u>\$15,523,797</u>	<u>\$6,502,379</u>	<u>\$2,829,203</u>	<u>\$634,450</u>	<u>\$25,489,829</u>

**Defeased Bonds**

During fiscal year 2013, the District issued \$2,255,000 of Series 2013 School Building Refunding Revenue Bonds, with an average interest rate of 2.0% to advance refund previously issued and outstanding Series 2006 School Building Revenue Bonds, with an average interest rate of 4.1%. The net proceeds of the Series 2013R bonds were deposited into an irrevocable trust with an escrow agent for future debt service payments on \$1,935,000 of the 2006 Series bonds. The remaining \$365,000 of the Series 2006 bonds originally scheduled to mature July 1, 2013 through July 1, 2016 will be paid as and when due by the revenues of the District. The Series 2006 School Building Revenue Bonds will be called on July 1, 2016, the earliest date on which the Series 2006 bonds are subject to redemption prior to maturity at par. As a result of this issuance, \$1,935,000 of the obligation is considered to be defeased and the liability for those bonds has been removed from the District's financial statements.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$253,227. This difference, reported in the accompanying statement of net position as a non-current asset, will be amortized to operations through 2026. The District reduced its aggregate debt service payments to maturity by \$124,330 and obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$108,378.

**BOURBON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 5 - LONG-TERM DEBT AND LEASE OBLIGATIONS (cont'd)**

Capital Leases

The Board leases copiers for the District under capital leases. The leases expire in 2014. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense. The following is an analysis of the leased property under capital lease by class:

<u>Class of Property</u>	
Copiers	104,380
Less: Accumulated Depreciation	<u>(73,066)</u>
	<u>\$31,314</u>

The following is a schedule by years of the future minimum lease payments under capital leases together with the present value of the minimum lease payments as of June 30, 2013:

<u>Year Ending June 30,</u>	<u>Capital lease payable</u>
2014	<u>23,393</u>
Total minimum lease payments	\$23,393
Less: Amount of interest	<u>(791)</u>
Present value of net minimum Lease payments	<u>\$22,602</u>

KSBIT Payable

The Kentucky School Board Insurance Trust (KSBIT) notified the District during the year that its self-insurance pools for worker's compensation and liability insurance were underfunded. As a result, an assessment will be required, under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members, to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On June 24, 2013, the KSBIT Board voted to submit a plan to the Kentucky Department of insurance using the novation option of funding. A novation transfers all existing KSBIT claims and risk to a highly rated reinsurer which will take over the future responsibility for all present and future claims. The District's liability under the novation method would be \$415,960. The District will have the option to make a lump-sum payment of its assessment or to finance the liability over 20 years. The plan is still subject to approval and no payment is expected for the year ending June 30, 2014. The District has recorded this estimated amount in its long-term obligations since payment is probable and is included as an extraordinary item on the statement of activities.

**BOURBON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 5 - LONG-TERM DEBT AND LEASE OBLIGATIONS (cont'd)**

The following is a summary of the District's long-term debt transactions for the year ended June 30, 2013:

	06/30/12 Beginning Balance	Additions	Payments	06/30/13 Ending Balance	Amounts Due Within One Year
Bonds	\$18,886,000	\$2,255,000	\$2,788,000	\$18,353,000	\$917,000
Capital Leases	\$81,749	\$0	\$59,147	\$22,602	\$22,602
Sick Leave KSBIT	\$270,095	\$22,139	\$106,797	\$185,437	\$100,805
Payable	\$0	\$415,960	\$0	\$415,960	\$0

**NOTE 6 - COMMITMENTS UNDER NON-CAPITALIZED LEASES**

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

<u>Year Ending June 30</u>	<u>Amount</u>
2014	\$41,730
2015	39,425
2016	19,713
	<u>\$100,868</u>

Expenditures for equipment under operating leases for the year ended June 30, 2013 totaled \$22,018.

**NOTE 7 - RETIREMENT PLAN**

Kentucky Teacher's Retirement System

The District contributes to the Kentucky Teachers' Retirement System (KTRS), a cost-sharing, multiple-employer, defined benefit pension plan, for the District's certified employees. 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 members of KTRS to occupy a position requiring either a four year degree or certification by the KY Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

**BOURBON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 7 - RETIREMENT PLAN (Cont'd)**

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 the financial statements and required supplementary information for the defined benefit plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS website at <http://ktrs.ky.gov/>.

*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 in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions.

Medical Insurance Plan

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

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

*Funding policy* – In order to fund the post-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 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 members' salary for the 2012-2013 fiscal year.

The District's total payroll for the year was \$16,319,166. The payroll for employees covered under KTRS was \$12,274,829. For the year ended June 30, 2013, the Commonwealth contributed \$1,434,147 for the benefit of the District's participating employees. The District's contributions to KTRS for the year ending June 30, 2012, were \$319,753, which represented those employees covered by federal programs. The District's required contributions for pension obligations to KTRS for the fiscal years ended June 30, 2012,

**BOURBON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 7 - RETIREMENT PLAN (Cont'd)**

2011 were \$1,744,697 and \$1,642,533, respectively; 100 percent has been contributed for fiscal years 2013, 2012, and 2011.

County Employees' Retirement System

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. CERS provides retirement, death and disability benefits to Plan members and beneficiaries. Cost of living adjustments are provided at the discretion of the State Legislature. Under the provisions of the Kentucky Revised Statute Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions.

Plan members are required to contribute 5% of their annual covered compensation and the District is required to contribute at an actuarially determined rate. The current rate is 19.55% of the employee's total compensation. The contribution requirement for CERS for the year ended June 30, 2013 was \$968,964, which consisted of \$761,233 from the District and \$194,446 from the employees.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. A copy of the annual report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601, or by calling (502) 564-4646.

Retirement Plans

The District also offers employees the option to participate in defined contribution plans under Sections 403(B) and 401(K) of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law.

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until their termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not report these assets and liabilities on its financial statements.

**BOURBON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 8 – ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Employee contributions made to the plans during the year totaled \$305,943. The District does not contribute to these plans.

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. At June 30, 2013, this amount totaled \$185,437. The District follows a policy of funding up to one-half of the total amount accrued as a reservation of the General Fund balance.

**NOTE 9- INSURANCE AND RELATED ACTIVITIES**

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

**NOTE 10 - CONTINGENCIES**

Funding for the District's Grant Funds is provided by federal, state and local government agencies. These funds are to be used for designated purposes only. If, based upon the grantor's review, the funds are considered not to have been used for the intended purpose the grantor may request a refund of monies advanced, or to refuse to reimburse the District for its disbursements. The amount of such future refunds and un-reimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress or the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

**BOURBON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 11- 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 worker's compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such a fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term. The liability insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage, and for any reason, by giving ninety days notice. In the event the Trust terminated coverage, any amount remaining in the Fund would be returned to the member on a pro rata basis.

The District purchases 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 several fiscal years.

**NOTE 12 - COBRA**

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

**NOTE 13 - DEFICIT OPERATING/ FUND BALANCES**

There were no funds operating at a deficit fund balance at June 30, 2013. However, the following fund had operations that resulted in a current year deficit of revenues over expenditures resulting in the following reductions of fund balance:

General Fund	\$472,824
Construction Fund	\$719,421
Capital Outlay Fund	\$30,527
Building Fund	\$41,567

**BOURBON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 14 – INTERFUND TRANSACTIONS**

At June 30, 2013, the interfund status of payables and receivables (all current) of the various funds of the district are in the following table. All balances are expected to be settled within the next fiscal year.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Special Revenue Fund	Advance	\$452,573

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special Rev.	KETS Matching	\$38,998
General	Debt Service	Debt Service	\$40,644
Building	General	Insurance	\$16,907
Special Rev.	Debt Service	Debt Service	\$85,353
Capital Outlay	Construction	Construction	\$94,500
Capital Outlay	Debt Service	Debt Service	\$179,923
Building	Debt Service	Debt Service	\$908,783
Food Service	General	Indirect Costs	\$64,166

**NOTE 15 - ON-BEHALF PAYMENTS**

During the year, the Commonwealth of Kentucky contributed estimated payments on behalf of the District. These payments were recorded in the appropriate revenue and expense accounts on the statement of revenue, expenses, and changes in fund balance. These revenues and expenditures are not budgeted by the District. As a result, the actual expenditures for the General and Special Revenue funds exceeded budgeted amounts, as presented on pages 15 and 16.

For the fiscal year ended June 30, 2013, the on-behalf payments were recorded as follows:

General Fund	\$3,903,148
Food Service Fund	84,129
Day Care Fund	23,604
Debt Service Fund	<u>337,093</u>
Total	<u>\$4,347,974</u>

**BOURBON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 16– LITIGATION**

The District is subject to several legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

**NOTE 17– SUBSEQUENT EVENTS**

The District issued \$468,000 in School Building Revenue Bonds dated August 1, 2013 for roof replacement at the high school and middle school. The bonds have interest rates ranging from 2.75% to 4.05% and mature in 2033.

BOURBON COUNTY SCHOOL DISTRICT  
SUPPLEMENTAL SCHEDULES

**BOURBON COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	CAPITAL OUTLAY FUND	BUILDING FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS:			
Cash and cash equivalents	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>0</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>0</u></b>
LIABILITIES:			
Accounts payable	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
TOTAL LIABILITIES	0	0	0
FUND BALANCES:			
Restricted	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL FUND BALANCES	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>0</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>0</u></b>

**BOURBON COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013**

	CAPITAL OUTLAY FUND	BUILDING FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES:			
From local sources:			
Taxes:			
Property	\$ 0	\$ 543,165	\$ 543,165
Intergovernmental - State	243,896	340,959	584,855
TOTAL REVENUES	243,896	884,124	1,128,020
EXPENDITURES:			
Current:			
Support Services:			
Debt service	0	0	0
TOTAL EXPENDITURES	0	0	0
Excess (Deficit) of Revenues over Expenditures	243,896	884,124	1,128,020
OTHER FINANCING SOURCES (USES):			
Operating transfers in	0	0	0
Operating transfers out	(274,423)	(925,691)	(1,200,114)
TOTAL OTHER FINANCING SOURCES (USES):	(274,423)	(925,691)	(1,200,114)
Excess (Deficit) of revenues and Other financing sources over expenditures and other financing uses	(30,527)	(41,567)	(72,094)
Fund balance - beginning of year	30,527	41,567	72,094
Fund balance - end of year	\$ 0	\$ 0	\$ 0

**BOURBON COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS  
 AND FUND BALANCES  
 SCHOOL ACTIVITY FUNDS  
 For The Year Ended June 30, 2013**

	Cash Balances June 30, 2012	Receipts	Disbursements	Cash Balances June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Fund Balances June 30, 2013
Bourbon Co. High School	\$ 107,953	\$ 552,033	\$ 522,763	\$ 137,222	\$ -	\$ 18,385	\$ 118,367
Bourbon Co. Middle	64,467	261,949	266,944	59,472	1,300	6,726	54,046
Cane Ridge Elementary	8,207	47,769	46,036	9,939	15	1,500	8,454
North Middletown Elementary	4,997	14,883	12,065	7,815	-	166	7,649
Bourbon Central Elementary	51,398	90,043	88,529	52,912	-	101	52,811
	<u>\$ 266,291</u>	<u>\$ 966,677</u>	<u>\$ 936,337</u>	<u>\$ 267,360</u>	<u>\$ 1,315</u>	<u>\$ 26,878</u>	<u>\$ 241,328</u>

**BOURBON COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES  
BOURBON COUNTY COUNTY HIGH SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

ACCOUNTS:	Cash			Cash	Accounts	Accounts	Fund
	Balances June 30, 2012	Receipts	Disbursements	Balances June 30, 2013	Receivable June 30, 2013	Payable June 30, 2013	Balances June 30, 2013
Advanced Placement	\$ 2,012	\$ 15,128	\$ 14,794	\$ 2,346	\$ -	\$ -	\$ 2,346
Academic Team	-	-	-	-	-	-	-
Art Club	1,486	2,249	3,137	598	-	-	598
Baseball	21,247	21,826	26,462	16,611	-	1,186	15,426
Boys Basketball	350	38,046	32,334	6,062	-	745	5,318
Girls Basketball	4,943	29,814	29,941	4,815	-	688	4,127
Cheerleading	1,552	17,766	14,216	5,102	-	3,742	1,360
Athletic Promotion	296	8,043	4,464	3,876	-	3,500	376
Concessions	-	10,017	10,017	-	-	-	-
Football	200	45,828	45,067	961	-	600	361
Track	-	3,955	3,955	-	-	-	-
Golf	20	559	323	256	-	-	256
Boys Soccer	-	15,791	15,309	482	-	-	482
Boys Tennis	71	1,641	1,311	401	-	42	359
Girls Softball	2,024	33,179	27,078	8,125	-	1,994	6,131
Softdrink Account	-	1,274	1,274	-	-	-	-
Girls Soccer	50	20,942	17,547	3,445	-	-	3,445
District	-	7,667	7,667	-	-	-	-
Regional	-	13,444	13,444	-	-	-	-
Bass Fishing	-	1,300	924	376	-	-	-
Cross Country	200	661	(91)	952	-	812	140
Parking	-	3,902	3,902	-	-	-	-
Science Honorary	119	-	-	119	-	-	119
Fees	21	17,740	15,557	2,204	-	155	2,049
Dance	5,257	24,684	22,632	7,309	-	-	7,309
SADD	389	-	268	121	-	-	121
Beta	-	1,750	1,738	13	-	-	13
Office	134	3,516	3,025	625	-	-	625
WBBA	536	130	-	666	-	-	666
Small Engines	378	5	383	-	-	-	-
Foods	384	12,007	12,191	200	-	-	200
Volleyball	-	7,615	7,402	213	-	-	213
Drama Club	270	-	-	270	-	-	270
English	33	70	59	44	-	-	44
FBLA	-	240	240	-	-	-	-
FFA	11,112	24,415	27,139	8,388	-	2,007	6,381
FFA Seed Corn	302	4,533	940	3,895	-	-	3,895
FFA Book Project	4,689	4	1,500	3,193	-	-	3,193
FFA Tractor	2	-	2	-	-	-	-
FFA Investment	3,292	2	-	3,295	-	-	3,295
FCCLA/FHA	-	10,768	10,768	-	-	-	-
Homecoming	-	513	513	-	-	-	-
Horticulture	10,301	13,350	9,747	13,903	-	-	13,903
Journalism	196	1,710	1,829	77	-	-	77
Library	2,167	1,595	1,012	2,750	-	-	2,750
NAHS	78	255	55	278	-	127	152
National Honor Society	79	1,991	1,811	259	-	-	259
Office Interest	3,719	3,301	6,267	753	-	205	548
PSAT	-	495	495	-	-	-	-
PE	20	75	(49)	144	-	-	144
Prom	530	10,270	7,297	3,503	-	-	3,503
School Play	6,705	10,443	7,624	9,524	-	1,600	7,924
School Pictures	-	4,643	4,583	60	-	-	60
Humanities	-	757	320	437	-	-	437
SHH/Spanish Club	173	1,180	919	434	-	-	434
STL	-	-	-	-	-	-	-
2014	216	-	-	216	-	-	216
GBB Christmas Tourney	-	7,490	7,490	-	-	-	-
Girls Golf	80	9	89	-	-	-	-
Seacamp	-	-	-	-	-	-	-
WLC	1,780	1,260	988	2,052	-	777	1,276
BCHS Preschool	417	251	83	585	-	-	585
Rise	355	19,251	19,181	424	-	-	424
Colonial Staples	-	-	-	-	-	-	-
Student Needs	176	200	-	376	-	-	376
Seniors/Games/Trip	-	-	-	-	-	-	-
<b>SUBTOTALS</b>	<b>\$ 88,362</b>	<b>\$ 479,552</b>	<b>\$ 447,174</b>	<b>\$ 120,738</b>	<b>\$ -</b>	<b>\$ 18,179</b>	<b>\$ 102,184</b>

**BOURBON COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES  
BOURBON COUNTY COUNTY HIGH SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

ACCOUNTS:	Cash	Receipts	Disbursements	Cash	Accounts	Accounts	Fund
	Balances			Balances	Receivable	Payable	Balances
	June 30,			June 30,	June 30,	June 30,	June 30,
	2012			2013	2013	2013	2013
SUBTOTALS	\$ 88,362	\$ 479,552	\$ 447,174	\$ 120,738	\$ -	\$ 18,179	\$ 102,184
Student Government	83	-	-	83	-	-	83
Vo Ag Mechanics	2,085	7,053	8,625	513	-	-	513
Library Student	-	-	-	-	-	-	-
TMH Fund	86	396	225	257	-	-	257
Speech Team	-	134	134	-	-	-	-
Drug Testing	-	-	-	-	-	-	-
Anatomy	854	251	1,014	91	-	-	91
Science Classes Trips	-	-	-	-	-	-	-
KYA Club	185	10,480	10,588	77	-	-	77
Special Ed Class Trips	-	-	-	-	-	-	-
Fashion Design	-	373	353	20	-	-	20
Floral Design	251	160	7	404	-	-	404
Faculty Club Social	350	618	446	522	-	-	522
Reading Component	-	-	-	-	-	-	-
Pep Club	516	-	-	516	-	-	516
Yearbook Account	150	10,368	10,518	-	-	-	-
FCA	924	-	-	924	-	-	924
Wrestling	4,589	4,420	5,900	3,109	-	-	3,109
Smoke & Pay	600	151	52	699	-	-	699
Future Educators Assoc	150	-	-	150	-	-	150
Math Batteries	360	1,294	1,133	521	-	-	521
Spray Painting	105	-	-	105	-	-	105
KJHS	-	-	-	-	-	-	-
Swimming	-	370	342	28	-	-	28
Assessment Committee	128	-	-	128	-	-	128
Science & Environment	249	-	-	249	-	-	249
Pennies for Patients	-	306	306	-	-	-	-
CATS - Student Rewards	251	-	-	251	-	-	251
DECA	177	-	-	177	-	-	177
2012/All God's Children	-	-	-	-	-	-	-
2011/Wesley's Place	-	-	-	-	-	-	-
Chorus	67	2,954	3,021	-	-	-	-
Colonel Staples	23	653	564	111	-	-	111
2010/Soldiers	-	-	-	-	-	-	-
Jeff Collins Golf	-	-	-	-	-	-	-
2013/Male A Wish	451	-	451	-	-	-	-
Key Club	137	-	-	137	-	-	137
German Trip	168	88	256	-	-	-	-
Bowling	-	6,688	6,116	572	-	-	572
Timmy Case Memorial	379	-	-	379	-	-	379
AP Calculus Trip	-	-	-	-	-	-	-
Friends of Rachel	64	-	22	42	-	-	42
KY Bank Shootout	-	3,896	3,896	-	-	-	-
KY Bank Shootout Con.	-	2,492	2,492	-	-	-	-
GBB/BBB Programs	-	-	-	-	-	-	-
Athletic Physicals	-	-	-	-	-	-	-
John Sosby Memorial	2,962	-	1,965	997	-	-	997
Girls Tennis	-	2,097	1,721	376	-	56	320
10th Regional	-	-	-	-	-	-	-
District Concessions	-	-	-	-	-	-	-
Soccer Regional	-	-	-	-	-	-	-
Textbooks	1,810	14,851	13,160	3,502	-	-	3,502
Colenelette	355	-	-	355	-	-	355
Michael Hickerson Fund	316	-	316	-	-	-	-
BCHS Band	104	1,000	668	436	-	150	286
YSC	-	-	-	-	-	-	-
Women in AG	662	1,088	1,119	631	-	-	631
Child Dev	-	165	138	27	-	-	27
Restitution	-	86	-	86	-	-	-
Back Pack Fund	-	50	42	8	-	-	-
Seniors	-	-	-	-	-	-	-
TOTALS	\$ 107,953	\$ 552,033	\$ 522,763	\$ 137,222	\$ -	\$ 18,385	\$ 118,367

**BOURBON COUNTY SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures (\$)</i>
<b><i>U.S. Department of Education</i></b>			
<i>Passed Through State Department of Education</i>			
<b><i>Special Education Cluster (IDEA)-Cluster</i></b>			
Special Education_Grants to States	84.027		
IDEA-B - 3373		3810002-12	\$514,942
IDEA BASIC PRIVATE SCHOOL - 3371P		3810002-10	\$6,103
IDEA-B - 3372		3810002-11	\$8,130
IDEA B PRIVATE SCHOOL - 3372P		3810002-12	\$1,461
<i>Total</i>			<u>\$530,636</u>
Special Education_Preschool Grants	84.173		
IDEA-B PRESCHOOL - 3432		3800002-11	\$6,029
IDEA-B PRESCHOOL - 3433		3800002-12	\$23,520
<i>Total</i>			<u>\$29,549</u>
<i>Total Special Education Cluster (IDEA)-Cluster</i>			<u>\$560,185</u>
Title I Grants to Local Educational Agencies	84.010		
TITLE I – 3103		3100002-12	\$358,960
PROF DEV FOR DIST IMP - 3102D		3100002-11	\$38,453
TITLE I - 3102		3100002-11	\$107,524
TIER 3 DEFERRED AMOUNT - 3102T		3100002-11	\$4,755
TITLE I PARENT INVOLVEMENT - 3103M		3100002-12	\$5,398
TITLE I PARENT INVOLVEMENT - 3102M		3100002-11	\$722
<i>Total</i>			<u>\$515,812</u>
<i>Total Title 1</i>			<u>\$515,812</u>
Adult Education - Basic Grants to States	84.002		
ADULT ED BASIC ED - 3733		3733	\$47,236
ADULT ED CORRECTIONS - 3803		3803	\$3,480
PROFESSIONAL DEVELOPMENT - 3733S		3733S	\$486
AE STUDENT SUCCESS - 3653		3653	\$5,411
ADULT ED CORRECTIONS - 3801		3801	\$376
AE PD STAFF DEVELOPMENT - 3732S		3732S	\$29
ADULT ED BASIC FED - 3732		3732	\$982
<i>Total</i>			<u>\$58,000</u>
Career and Technical Education -- Basic Grants to States	84.048		
VOCATIONAL EDUCATION BASIC GRANT - 3483		4621332-13	\$19,797
PERKINS TITL I PARTC VOCATIONAL - 3482A		4621232-11	\$755
VOCATIONAL EDUCATION BASIC GRANT - 3482		4621232-11	\$5,054
<i>Total</i>			<u>\$25,606</u>
Education Jobs Fund	84.410		
EDUJOBS - 4411		EJOB00-10	\$3,788
<i>Total</i>			<u>\$3,788</u>

**BOURBON COUNTY SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

English Language Acquisition Grants	84.365		
TITLE III, LEP CON - 3453		3300002-12	\$13,268
TITLE III, LEP CON - 3452		3300002-11	\$8,245
<i>Total</i>			<u>\$18,669</u>
Improving Teacher Quality State Grants	84.367		
TITLE II TEACHER QUALITY - 4012		3230002-11	\$75,442
TITLE II TEACHER QUALITY - 4013		3230002-12	\$15,138
<i>Total</i>			<u>\$90,580</u>
Mathematics and Science Partnerships	84.366		
M/S PARTNERSHIP MATH PORTION - 3522M		3200102-10	\$74,028
MATH/SCIENCE PARTNERSHIP - 3523S		3200102-11	\$43,781
M/S PARTNERSHIP SCIENCE PORT - 3522S		3200102-11	\$74,186
MATH/SCIENCE PARTNERSHIP - 3523M		3200102-11	\$43,571
<i>Total</i>			<u>\$235,566</u>
Migrant Education_State Grant Program	84.011		
MIGRANT EDUCATION BASIC GRANT - 3112		3110002-11	\$66,906
MIGRANT EDUCATION BASIC GRANT - 3113		3110002-12	\$205,544
<i>Total</i>			<u>\$272,450</u>
Race to the Top	84.413		
RACE TO THE TOP - 4521		3960002-11	\$9,409
<i>Total</i>			<u>\$9,409</u>
Safe and Drug-Free Schools and Communities_National Programs	84.184		
SS/HS ELEMENTS 1,2,3 - 5342L		5342L	\$3,217
SS/HS ELEMENTS 1,2,3 - 5343L		5343L	\$23,486
SS/HS GRANT ELEMENT 4,5 - 5343H		5343H	\$61,531
SS/HS GRANT ELEMENT 4,5 - 5342H		5342H	\$6,376
<i>Total</i>			<u>\$94,610</u>
Twenty-First Century Community Learning Centers	84.287		
21ST CENTURY BCHS BCMS - 5501		3400002-10	\$12,379
21ST CENTURY BCES - 5501B		3400002-10	\$17,943
21ST CENTURY NMES - 5501N		3400002-10	\$38,258
21ST CENTURY - 5502N		3400002-11	\$63,649
21ST CENTURY - 5502		3400002-11	\$107,471
21ST CENTURY SUPPLEMENTAL FUNDS - 5501J		3400002-10	\$48,802
21ST CENTURYCRES - 5501C		3400002-10	\$793
21ST CENTURY - 5502C		3400002-11	\$59,536
21ST CENTURY BCES - 5502B		3400002-11	\$102,675
<i>Total</i>			<u>\$451,506</u>
<i>Total Department of Education</i>			<u>\$2,336,181</u>
<b><i>United States Department of Justice- Direct Program</i></b>			
Juvenile Mentoring Program	16.726	4342	\$1
Juvenile Mentoring Program	16.726	4343	\$90,850
<i>Total United States Department of Justice</i>			<u>\$90,851</u>

**BOURBON COUNTY SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

***Department of Health and Human Services-  
Direct Program***

Head Start	93.600		
HEAD START - 6553		04CH243547	\$991,819
HEAD START - 6552		04CH243546	\$234,466
<i>Total</i>			<u>\$1,226,285</u>
<i>Total Department of Health and Human Services</i>			<u>\$1,226,285</u>

**United States Department of Agriculture  
Programs**

Passed Through State Department of Education

Child Nutrition Cluster:

National School Lunch Program	10.555	7750002-12	\$154,453
National School Lunch Program	10.555	7750002-13	611,970
Summer Food Service Program	10.559	7740023-13	20,418
Summer Food Service Program	10.559	7690024-13	3,034
School Breakfast Program	10.553	7760005-13	238,888
<i>Total</i>			<u>\$1,028,763</u>
 Child and Adult Care Food Program	 10.558	 7790021-13	 \$5,253
 Non Cash Commodity	 10.555		 \$90,335
<i>Total</i>			<u>\$1,124,351</u>
<i>Total United States Department of Agriculture</i>			<u>\$1,124,351</u>
 <b><i>Total Expenditures of Federal Awards</i></b>			 <u><u>\$4,777,668</u></u>

**BOURBON COUNTY SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2013**

**NOTE 1- BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Bourbon County School District under the 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of operations of the Bourbon County School District, it is not intended to and does not present the financial position, changes in net assets 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 A-87, Cost Principles for State and Local Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursements. 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**

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2013, the District received food commodities totaling \$90,335.

# SUMMERS, MCCRARY & SPARKS, P.S.C.

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

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Bourbon County School District  
Paris, KY

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Bourbon County School District (District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 5, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the District in a separate letter dated October 5, 2013.

### **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.

*Summers, McCrary & Sparks, PSC*

Summers, McCrary & Sparks, PSC  
Lexington, Kentucky  
October 5, 2015

# SUMMERS, MCCRARY & SPARKS, P.S.C.

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

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Bourbon County School District  
Paris, Kentucky

### Report on Compliance for Each Major Federal Program

We have audited Bourbon County School District's (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, Non-Profit Organizations* and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the Bourbon County School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

Management of the 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 federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

*Summers, McCrary & Sparks, PSC*

Summers, McCrary & Sparks, PSC  
Lexington, Kentucky  
October 5, 2013



**BOURBON COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Section II – Financial Statement Findings**

There were no findings this year.

**Section III – Federal Award Findings and Questioned Costs**

There were no findings this year.

**BOURBON COUNTY SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013**

There were no findings in the prior year.

# SUMMERS, MCCRARY & SPARKS, P.S.C.

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Bourbon County School District  
Paris, Kentucky

In planning and performing our audit of the financial statements of Bourbon County School District for the year ended June 30, 2013, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated October 5, 2013 on the financial statements of the Bourbon County School District

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various district personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

*Summers, McCrary & Sparks, PSC*

Summers, McCrary & Sparks, PSC  
Lexington, Kentucky  
October 5, 2013

**BOURBON COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
JUNE 30, 2013**

**BOARD**

Comment: During our review of cash receipts, we noted deficiencies in internal controls over cash receipts procedures for some after school programs. Inconsistent application of policy and procedures of the cash receipts function could lead to inadvertently mistakes in the accounting of the revenue in the general ledger. It appears the change in persons and insufficient training could be responsible for these deficiencies.

Response: The finance officer has discussed with the all parties involved. We have discussed that we will implement a training for all of the individuals involved approximately twice a year to reiterate the importance of documentation and procedures for deposits made from receipts of after school programs including the 21<sup>st</sup> century fee money.

**BOURBON COUNTY HIGH SCHOOL**

Comment: During our review of accounts payable, we found multiple invoices that were not included on the accounts payable listing at year end, which should have been. The Bookkeeper should review the “Financial Reports” policy section, item no. 1, and the “Definitions” section of the “Redbook,” which states a listing of accounts payable (Form F-SA-15B) shall accompany the report. An accounts payable is when merchandise or services are received but not paid for at the end of the reporting period.

Response: I have reviewed the policy section regarding the accounts payables, but there were occasions when I was unaware of the purchases until after closing year. Everyone has been instructed that purchase orders are required for all purchases.

Comment: During our review of the school activity support organizations, we found the reports that are required to be submitted by the organizations, were not submitted properly. Per the “Redbook”, all support organizations need to turn in a budget and a list of officers at the beginning of the school year, and an annual report at the end of the school year.

Response: We have informed the outside support organizations of the Redbook guidelines and have stress the importance of following Redbook.

Comment: During our review of Ticket Sales, we found multiple “Requisition and Report of Ticket Sales” (Form F-SA-1) that were not completed correctly. The Bookkeeper and Athletic Director need to review the form to ensure they are aware of all components of the form.

Response: Redbook guideline procedures for ticket sales have been reviewed with all volunteer ticket takers.

**BOURBON COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
JUNE 30, 2013**

**BOURBON COUNTY MIDDLE SCHOOL**

Comment: During our review of the "Requisition and Report of Ticket Sales" (Form F-SA-1) forms, we found multiple forms that did not have an explanation of differences noted. The Bookkeeper should review the "Ticket Sales" procedures section, item no. 6, of the "Redbook", which states reconciliation, explanation of shortages/overages, and signatures are recorded using Form (F-SA-1).

Response: I have reviewed the comment and appropriate Redbook section with David Poe, Athletic Director. We have made the appropriate adjustment our procedures for compliance.

Comment: During our review of cash disbursements, we found one check that was voided after it had been written. This check had the signature line removed, but "VOID" was not written on the check. The Bookkeeper should review the "Purchasing" procedures section, item no. 8, of the "Redbook", which states to void checks print the word VOID across the face of the check and tear the signature portion off.

Response: I have reviewed the appropriate Redbook section and adjusted my procedure for compliance.

**CANE RIDGE ELEMENTARY**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**NORTH MIDDLETOWN ELEMENTARY**

Comment: During our review of forms required to be completed by the Redbook, we found multiple instances where the bookkeeper had signed the sponsor's name and initialed off as being the one who signed their name. The bookkeeper should obtain the sponsors signature when it is required, and not sign on behalf of a sponsor.

Response: Teachers will sign multiple receipts and submit to office before paperwork is processed.

Comment: During our review of the school activity support organizations, we found the reports that are required to be submitted by the organizations, were not submitted properly. Per the "Redbook", all support organizations need to turn in a budget and a list of officers at the beginning of the school year, and an annual report at the end of the school year.

**BOURBON COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
JUNE 30, 2013**

Response: A Booster officer has been contacted and asked to provide a budget, list of officers and an annual report.

**BOURBON CENTRAL ELEMENTARY**

Comment: During our review of the school activity support organizations, we found the reports that are required to be submitted by the organizations, were not submitted properly. Per the “Redbook”, all support organizations need to turn in a budget and a list of officers at the beginning of the school year, and an annual report at the end of the school year.

Response: I have reviewed the appropriate Redbook section and will communicate more effectively with the correct reports and budgets in a timely manner.

Comment: During our review of accounts payable, we found an invoice that was not included on the accounts payable listing at year end, which should have been. The Bookkeeper should review the “Financial Reports” policy section, item no. 1, and the “Definitions” section of the “Redbook,” which states a listing of accounts payable (Form F-SA-15B) shall accompany the report.

Response: I have reviewed the appropriate Redbook section and will supply a more thorough record with a full listing of accounts payable.

Comment: During our review of monthly bank reconciliation we noted two reconciliations that were not completed in a timely fashion. We recommend the bank reconciliation be performed, at a minimum, before the following month is over.

Response: I have noted the deficiency in the monthly bank reconciliation and all future reports will be completed within 10 days of receiving the bank statement.

**STATUS OF PRIOR YEAR COMMENTS**

**BOURBON COUNTY HIGH SCHOOL**

- Previously, we found multiple invoices that were not included on the accounts payable listing at year end, which should have been. We recommended the Bookkeeper review the “Financial Reports” policy section, item no. 1, and the “Definitions” section of the “Redbook,” which states a listing of accounts payable (Form F-SA-15B0) shall accompany the report. Similar finding occurred in the current year.

**BOURBON COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
JUNE 30, 2013**

- Previously, we found the required reports that are to be submitted by the school activity support organizations, were not submitted properly. Per the “Redbook”, all support organizations need to turn in a budget and a list of officers at the beginning of the school year, and an annual report at the end of the school year. Similar finding occurred in the current year.
- Previously, we found multiple “Requisition and Report of Ticket Sales” (Form F-SA-1) that were not completed correctly. We recommended the Bookkeeper and Athletic Director review the form to ensure they are aware of all components of the form. Similar finding occurred in the current year.
- Previously, we found one instance of a purchase order being completed after the purchase was made. We recommended the Bookkeeper review the “Purchasing” procedures section, item no. 1 of the “Redbook”, which states a Purchase order shall be prepared and approved before the payment is obligated. No similar finding occurred in the current year.
- Previously, we found one instance of a purchase made greater than the approved purchase order amount. We recommended the Bookkeeper review the “Purchasing” procedures section, item no. 5, of the “Redbook,” which states the school treasurer shall match up the purchase order and the vendor invoice to verify all amounts agree. No similar finding occurred in the current year.

**BOURBON COUNTY MIDDLE SCHOOL**

- Previously, we found multiple “Standard Invoices” (Form F-SA-8) that were not approved by the Principal. We recommended that the Bookkeeper and Principal review the “Standard Invoice” to ensure they are aware of all the components of the form. No similar finding occurred in the current year.
- Previously, we found multiple “Inventory Control Worksheet” (Form F-SA-5) and “Requisition and Report of Ticket Sales” (Form F-SA-1) forms that did not have an explanation of differences noted. We recommended the Bookkeeper review the “Inventory Control Worksheet” to ensure they are aware of all components of the form, and review the “Ticket Sales” procedures section, item no. 6, of the “Redbook”, which states reconciliation, explanation of shortages/overages, and signatures are recorded using Form (F-SA-1). Similar finding occurred in the current year.

**BOURBON COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
JUNE 30, 2013**

**CANE RIDGE ELEMENTARY**

- Previously, we found multiple “Inventory Control Worksheet” (Form F-SA-5) that did not have an explanation of differences noted. We recommended Bookkeeper review the “Inventory Control Worksheet” to ensure they are aware of all components of the form. Any differences need to be explained at the bottom of the form. No similar finding occurred in the current year.

**NORTH MIDDLETOWN ELEMENTARY**

- Previously, we found two invoices that were not included on the accounts payable listing at year end, which should have been. We recommended the Bookkeeper review the “Financial Reports” policy section, item no. 1, and the “Definitions” section of the “Redbook,” to better understand what defines an Accounts Payable. No similar findings occurred in the current year.