

**BRECKINRIDGE COUNTY SCHOOL DISTRICT**

**REPORT ON AUDIT OF COMPREHENSIVE  
ANNUAL FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES**

**FOR THE YEAR ENDED JUNE 30, 2013**

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
TABLE OF CONTENTS**

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<b>Independent Auditor’s Report</b>	1 – 3
<b>Management’s Discussion and Analysis – Unaudited</b>	4 – 9
<b>Basic Financial Statements:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position	10
Statement of Activities	11
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds with the Statement of Activities	14
Statement of Net Position – Proprietary Fund	15
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	16
Statement of Cash Flows – Proprietary Fund	17
Statement of Fiduciary Assets and Liabilities – Fiduciary Fund	18
<b>Notes to Basic Financial Statements</b>	19 – 36
<b>Required Supplementary Information:</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual – General Fund	37
Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual – Special Revenue Fund	38
Notes to Required Supplementary Information	39

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
TABLE OF CONTENTS**

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**Supplementary Information:**

Combining Balance Sheet – Nonmajor Governmental Funds	40
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	41
Statement of Receipts, Disbursements, and Fund Balances:	
Breckinridge County High School Activity Fund	42
Activity Funds by School	43
<b>Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	44 – 45
<b>Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB A-133</b>	46 – 47
<b>Schedule of Expenditures of Federal Awards</b>	48
<b>Notes to Schedule of Expenditures of Federal Awards</b>	49
<b>Schedule of Findings and Questioned Costs</b>	50 – 51
<b>Summary Schedule of Prior Audit Findings</b>	52
<b>Management Letter Points</b>	53 – 64



## **INDEPENDENT AUDITOR'S REPORT**

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Breckinridge County School District  
Hardinsburg, Kentucky

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Breckinridge 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 as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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 Breckinridge County School District as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis - Unaudited on pages 4 through 9 and budgetary comparison information on pages 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information shown on pages 40 through 43 and the Schedule of Expenditures of Federal Awards, 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 accompanying supplementary information shown on pages 40 through 43 and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information shown on pages 40 through 43 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 16, 2013 on our consideration of Breckinridge County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Breckinridge County School District's internal control over financial reporting and compliance.

*Drane & Company, PLLC*

Drane & Company, PLLC  
Certified Public Accountants

Hardinsburg, KY

October 16, 2013

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
FOR THE YEAR ENDED JUNE 30, 2013**

As management of the Breckinridge County School District (District), we offer readers of the District's financial statements this overview and analysis of the financial activities 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**

- In total, the District's net position decreased by \$397,689. Net position of governmental activities decreased by \$431,389, while net position of business-type activities increased by \$33,700. The decrease in the net position in governmental activities was a result of increased sick-leave payout for retirees, and a 4.2% decrease in operating grants after taking out on-behalf payments. The decrease in grant funding is a situation the District is monitoring closely. In addition, the District is potentially liable for an insurance assessment from KSBIT, which created an additional increase in liabilities of \$188,820 (*additional information can be obtained from the notes to the financial statements located herein*).
- General revenues accounted for \$6,277,825 or 24.1% of total governmental revenues including transfers. Program revenues in the form of grants and contributions and charges for service accounted for \$19,796,321 or 75.9% of total governmental revenues including transfers of \$26,097,915.
- Construction projects continued during fiscal year 2013. Renovations were completed on Custer Elementary and the Area Technology Center. The projects increased the value of Custer Elementary by \$2.8 million and the value of the Area Technology Center by \$2.95 million.
- Funding for a multi-purpose athletic facility was approved during fiscal year 2013. The project is expected to be completed in fiscal year 2014 and cost approximately \$630,000. The facility will provide much needed space and resources for a variety of groups within the District.
- The District completed a refunding of series 2003 bonds in fiscal year 2013. The District completed the refunding to reduce its total debt service payments over the next 6 years by \$225,897. The present value of those savings was \$221,432.

**Using this Annual Financial Report**

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

**District-wide financial statements**

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

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

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

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

The district-wide financial statements can be found on pages 10 and 11 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 designated for specific activities or objectives. This is a state mandated uniform system 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.

The funds of the District can be divided into two categories: governmental and proprietary. The only proprietary fund is our food service operation. All other activities of the District are included in the governmental funds.

The basic fund financial statements can be found on pages 12 through 18 of this report.

### **Notes to financial statements**

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

The notes to the financial statements can be found on pages 19 through 36 of this report.

## **ANALYSIS AND DISCUSSION OF THE DISTRICT-WIDE FINANCIAL STATEMENTS**

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 \$28,255,779 for governmental activities and \$964,082 for business-type activities as of June 30, 2013.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment) less any related debt used to acquire those assets that is currently 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 because the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The district-wide financial statements are grouped according to governmental activities and business-type activities.

### Analysis of Governmental Activities

Total net position decreased by \$431,389. This decrease was due to several factors, such as an increase in sick leave payout for retirees and a 4.2% decrease in operating grants and contributions after removing on-behalf payments. The District also booked an additional liability for a KSBIT insurance assessment. The District's cash decreased by 30%; however, this was offset by an increase of 35% in net investment in capital assets. The District provided a significant amount of funding for construction projects from restricted for capital projects reserve.

Instruction comprised 55% of all governmental expenses. Table 2 below displays information from the statement of activities and shows cost of program services and the operating grants and contributions offsetting those services. In addition, the table identifies the cost of services supported by tax revenue and other income. For fiscal year 2013, the burden of school district operations being supported by tax revenue was \$6.7 million due in part to a decline in federal and state grant revenue.

### Analysis of Business-Type Activities

The business-type activities of the District is the food service program. Business activities receive no support from tax revenues. The total of all revenue was \$2,067,480, which consisted of \$523,045 in charges for services, \$1,523,515 from state and federal grants, and \$20,920 from general revenues. Indirect cost transfers accounted for \$23,769. Total expenditures accounted for \$2,010,011. Expenditures along with transfers resulted in a \$33,700 increase in the net position of the program. The District incurred a 1% increase in total expenses from fiscal year 2012. The increase was mainly due to general inflation in overall food costs. The District will continue to monitor the charges and costs of these activities. However, that increase was offset by a 2% increase in operating grants and contributions.

The following tables show a comparison of the total net position and a summary of changes in net position for the periods ended June 30, 2013 and June 30, 2012:

**Table 1-Changes in Net Position**

	2013				2012		
	Government Activities	Business Activities	Total		Government Activities	Business Activities	Total
Current and Other Assets	\$10,892,109	\$822,070	\$11,714,179		\$15,502,686	\$749,293	\$16,251,979
Capital Assets	30,621,735	238,672	30,860,407		28,247,351	279,375	28,526,726
<b>Total Assets</b>	<b>\$41,513,844</b>	<b>\$1,060,742</b>	<b>\$42,574,586</b>		<b>\$43,750,037</b>	<b>\$1,028,668</b>	<b>\$44,778,705</b>
Current Liabilities	3,234,058	96,660	3,330,718		4,384,146	98,286	4,482,432
Long-Term Liabilities	10,024,007	-	10,024,007		10,678,723	-	10,678,723
<b>Total Liabilities</b>	<b>\$13,258,065</b>	<b>\$96,660</b>	<b>\$13,354,725</b>		<b>\$15,062,869</b>	<b>\$98,286</b>	<b>\$15,161,155</b>
Net investment in capital assets	19,749,864	238,672	19,988,536		14,643,158	279,375	14,922,533
Restricted	742,318	725,410	1,467,728		1,999,826	651,007	2,650,833
Unrestricted	7,763,597	-	7,763,597		12,044,184	-	12,044,184
<b>Net Position</b>	<b>\$28,255,779</b>	<b>\$964,082</b>	<b>\$29,219,861</b>		<b>\$28,687,168</b>	<b>\$930,382</b>	<b>\$29,617,550</b>

**Table 2-Statement of Activities**

	<b>2013</b>			<b>2012</b>		
	<u>Government Activities</u>	<u>Business Activities</u>	<u>Total</u>	<u>Government Activities</u>	<u>Business Activities</u>	<u>Total</u>
<u>Program Revenues</u>						
Charges for Services	\$198,262	\$523,045	\$721,307	\$222,726	\$498,802	\$721,528
Operating Grants & Contributions	18,590,226	1,523,515	20,113,741	15,420,847	1,495,753	16,916,000
Capital Grants & Contributions	1,007,833	-	1,007,833	647,180	-	647,180
<u>General Revenues</u>						
Property Taxes	4,409,288	-	4,409,288	4,062,750	-	4,062,750
Motor Vehicle Taxes	784,908	-	784,908	747,529	-	747,529
Utility Taxes	845,938	-	845,938	796,392	-	796,392
Interest Income	81,558	5,388	81,558	87,324	4,764	92,088
State Aid	-	-	-	4,107,750	-	4,107,750
Other Income	203,331	17,069	203,331	194,200	-	194,200
Disposal of Fixed Assets	(47,198)	(1,537)	(47,198)	(25,677)	-	(25,677)
<u>Total Revenue</u>	<b>\$26,074,146</b>	<b>\$2,067,480</b>	<b>\$28,141,626</b>	<b>\$26,261,021</b>	<b>\$1,999,319</b>	<b>\$28,260,340</b>
<u>Program Expenses</u>						
Instruction	\$14,670,000	\$-	\$14,670,000	\$14,984,287	\$-	\$14,984,287
Student Support	823,602	-	823,602	832,395	-	832,395
Instructional Staff	977,863	-	977,863	981,443	-	981,443
District Administration	1,936,800	-	1,857,980	1,568,655	-	1,568,655
School Administration	1,656,723	-	1,656,723	1,617,837	-	1,617,837
Business Support	1,075,139	-	1,075,139	962,370	-	962,370
Plant Operations & Maintenance	2,522,270	-	2,522,270	2,434,341	-	2,434,341
Student Transportation	2,184,688	-	2,184,688	2,143,107	-	2,143,107
Other Support Services	595	-	595	735	-	735
Food Service	1,810	-	1,810	2,171	-	2,171
Community Services	359,616	-	359,616	361,574	-	361,574
Building Improvements	900	-	900	-	-	-
Bond Costs Amortization	36,847	-	36,847	30,174	-	30,174
Loss on Early Debt	-	-	-	10,932	-	10,932
Interest on L/T Debt	282,451	-	282,451	364,962	-	364,962
Food Service	-	2,010,011	2,010,011	-	1,987,908	1,987,908
<u>Total Expenses</u>	<b>\$26,529,304</b>	<b>\$2,010,011</b>	<b>\$28,539,315</b>	<b>\$26,294,983</b>	<b>\$1,987,908</b>	<b>\$28,282,891</b>
Transfers	<b>\$23,769</b>	<b>\$(23,769)</b>	<b>\$-</b>	<b>\$23,467</b>	<b>\$(23,467)</b>	<b>\$-</b>
<u>Change in Net Position</u>	<b>(\$431,389)</b>	<b>\$33,700</b>	<b>(\$397,689)</b>	<b>(\$10,495)</b>	<b>(\$12,056)</b>	<b>(\$22,551)</b>
<u>Ending Net Position</u>	<b>\$28,255,779</b>	<b>\$964,082</b>	<b>\$29,219,861</b>	<b>\$28,687,168</b>	<b>\$930,382</b>	<b>\$29,617,550</b>

**DISTRICT'S INDIVIDUAL FUNDS**

Information about the District's major funds begins on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources (uses) of \$28,675,122 and expenditures of \$32,121,172. This contributed to a net change in fund balance of \$(3,446,050). Overall, the net deficiency in revenue over expenditures was mainly due to the timing of construction related expenditures related to the renovations of the Area Tech Center and Custer Elementary. The funding for those projects was transferred in fiscal year 2012 with the majority of the expenditures coming out in fiscal year 2013. This created a reduction of fund balance in the Construction Fund of \$3,227,297. Additional information can be obtained from the notes to the financial statements located herein.

## **ANALYSIS OF BUDGET AMOUNTS**

The District's budget is prepared according to Kentucky law and is based on the modified accrual basis of accounting. The most significant budgeted fund is the General Fund. A variance comparison is presented between the final budgeted amounts and the actual amounts. The General Fund revenues show a budget of \$20,153,388 and an actual amount of \$20,561,397 or 2.02% over budget. Expenditures show a budget of \$25,336,099 and an actual amount of \$23,645,418 or 6.7% under budget. The variance in budgeted expenditures versus actual expenditures is mainly due to a mandatory budgeted contingency that is placed into the budget. The effect after removing the \$1,416,678 budgeted contingency from expenditures was 1.1% under budget. Overall, the District was satisfied with the budget to actual results.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of fiscal year 2013, the District had \$30,279,432 in net capital assets of governmental activities and \$238,672 in net capital assets of business-type activities. The \$2,363,654 increase in net capital assets for governmental activities was mainly due to an increase in the buildings class due to the Custer Elementary and Area Technology renovations reaching final completion. The increase was partially offset by a decrease in construction in progress of \$2,075,245. The \$40,703 decrease in net capital assets of business-type activities is due to the Food Service program deferring equipment purchases until fiscal year 2014 and retiring equipment at various locations. Table 3 below shows a summary of activity for fiscal year 2013.

**Table 3-Changes in Capital Assets**

<u>Governmental Activities</u>	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Not Depreciated:				
Land	\$451,448	\$-	\$-	\$451,448
Construction in Progress	2,099,887	3,640,468	5,715,713	24,642
<b>Subtotal</b>	<b>2,551,335</b>	<b>3,640,468</b>	<b>5,715,713</b>	<b>476,090</b>
Depreciated:				
Land Improvements	3,397,194	8,570	600	3,405,164
Buildings	33,650,038	5,715,713	-	39,365,751
Technology Equipment	2,393,291	409,665	183,784	2,619,172
Vehicles	4,927,421	-	59,903	4,867,518
General Equipment	2,525,025	37,723	40,697	2,522,051
<b>Subtotal</b>	<b>46,892,969</b>	<b>6,171,671</b>	<b>284,984</b>	<b>52,779,656</b>
Less accumulated depreciation for:				
Land Improvements	2,822,090	99,137	600	2,920,627
Buildings	12,093,598	868,960	-	12,962,558
Technology Equipment	1,586,330	294,994	180,581	1,700,743
Vehicles	3,241,987	309,744	33,947	3,517,784
General Equipment	1,784,521	111,494	21,413	1,874,602
<b>Subtotal</b>	<b>21,528,526</b>	<b>1,684,329</b>	<b>236,541</b>	<b>22,976,314</b>
<b>Capital Assets-Net</b>	<b>\$27,915,778</b>	<b>\$8,127,810</b>	<b>\$5,764,156</b>	<b>\$30,279,432</b>

**Table 3-Changes in Capital Assets (Concluded)**

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
<u>Business-Type Activities</u>				
Depreciated:				
General Equipment	\$995,226	\$1,524	\$7,830	\$988,920
Technology Equipment	31,594	846	1,873	30,567
<u>Subtotal</u>	<b><u>1,026,820</u></b>	<b><u>2,370</u></b>	<b><u>9,703</u></b>	<b><u>1,019,487</u></b>
Less accumulated depreciation for:				
General Equipment	720,040	39,772	6,189	753,623
Technology Equipment	27,405	1,660	1,873	27,192
<u>Subtotal</u>	<b><u>747,445</u></b>	<b><u>41,432</u></b>	<b><u>8,062</u></b>	<b><u>780,815</u></b>
<u>Capital Assets-Net</u>	<b><u>\$279,375</u></b>	<b><u>\$(39,062)</u></b>	<b><u>\$1,641</u></b>	<b><u>\$238,672</u></b>

**Debt**

At June 30, 2013, the Breckinridge County School District had \$10,447,000 in bonds outstanding; of this amount \$6,762,247 is to be paid by the School District. \$885,000 is due within one year from the District and School Facilities Commission combined. The District also had \$82,568 in capital leases from commercial copiers in the District with \$40,920 due within one year. Additional information can be obtained from the notes to the financial statements located herein.

**DISTRICT CHALLENGES FOR THE FUTURE**

The Breckinridge County School District's financial status continues to remain financially stable year over year. This continues in the wake of decreases in federal and state grant funding pushing expenses for necessary services back to the General Fund. The District's risks are due primarily to the following contributing factors. First, the Federal Sequestration that continues to hang over federal programs. The cuts are projected to continue through fiscal year 2014 and beyond. Second, the District is faced with the challenge of providing for inadequate facilities with limited funding available. Finally, with the flattening in per pupil funding from state SEEK, further pressure is placed on the local community to bridge the gap in funding shortfalls. This creates an issue for the District to provide quality services to the community while limiting the undue burden put on the community from state funding deficits. The District uses great caution and care in planning and monitoring its finances.

**BUDGETARY IMPLICATIONS**

In Kentucky, the public school fiscal year is July 1 through June 30; other programs operate on a different fiscal calendar, but are reflected in the district's overall budget. By law, the budget must have a minimum 2% contingency.

Questions regarding this report should be directed to the following:

Janet Meeks, Superintendent  
86 Airport Road  
Hardinsburg, KY 40143  
(270) 756-3000

Michael Moreland, Finance Director  
86 Airport Road  
Hardinsburg, KY 40143  
(270) 756-3000

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Assets</u></b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 9,808,912	\$ 756,877	\$ 10,565,789
Accounts receivable:			
Taxes	241,078	-	241,078
Other	48,120	-	48,120
Intergovernmental	578,980	23,169	602,149
Inventory	-	39,665	39,665
Prepaid expenses	215,019	2,359	217,378
<b>Total Current Assets</b>	<u>10,892,109</u>	<u>822,070</u>	<u>11,714,179</u>
<b>Noncurrent Assets</b>			
Bond discounts and issue costs, net of accumulated amortization of \$100,391	342,303	-	342,303
Capital assets:			
Land and construction in process	476,090	-	476,090
Other capital assets, net of depreciation	29,803,342	238,672	30,042,014
<b>Total Noncurrent Assets</b>	<u>30,621,735</u>	<u>238,672</u>	<u>30,860,407</u>
<b>Total Assets</b>	<u>41,513,844</u>	<u>1,060,742</u>	<u>42,574,586</u>
<b><u>Liabilities</u></b>			
<b>Current Liabilities</b>			
Accounts payable	101,317	2,733	104,050
Accrued payroll and related expenses	2,091,578	93,927	2,185,505
Deferred revenues	53,761	-	53,761
Current portion of bond obligations	885,000	-	885,000
Current portion of capital leases	40,920	-	40,920
Current portion of accrued sick leave	12,142	-	12,142
Interest payable	49,340	-	49,340
<b>Total Current Liabilities</b>	<u>3,234,058</u>	<u>96,660</u>	<u>3,330,718</u>
<b>Noncurrent Liabilities</b>			
Noncurrent portion of bond obligations	9,562,000	-	9,562,000
Noncurrent portion of capital leases	41,648	-	41,648
Noncurrent portion of accrued sick leave	231,539	-	231,539
Other noncurrent liabilities	188,820	-	188,820
<b>Total Noncurrent Liabilities</b>	<u>10,024,007</u>	<u>-</u>	<u>10,024,007</u>
<b>Total Liabilities</b>	<u>13,258,065</u>	<u>96,660</u>	<u>13,354,725</u>
<b><u>Net Position</u></b>			
Net investment in capital assets	19,749,864	238,672	19,988,536
Restricted for capital and debt service	742,318	-	742,318
Restricted for food service	-	725,410	725,410
Unrestricted	7,763,597	-	7,763,597
<b>Total Net Position</b>	<u>\$ 28,255,779</u>	<u>\$ 964,082</u>	<u>\$ 29,219,861</u>

The accompanying notes are an integral part of this financial statement.

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b><u>Governmental Activities</u></b>							
Instruction	\$ 14,670,000	\$ 82,697	\$ 17,154,523	\$ -	\$ 2,567,220	\$ -	\$ 2,567,220
Support services:							
Student	823,602	7,111	145,974	-	(670,517)	-	(670,517)
Instructional staff	977,863	-	103,097	-	(874,766)	-	(874,766)
District administration	1,936,800	-	182,575	-	(1,754,225)	-	(1,754,225)
School administration	1,656,723	-	288,360	-	(1,368,363)	-	(1,368,363)
Business	1,075,139	-	222,846	353,660	(498,633)	-	(498,633)
Plant operations and maintenance	2,522,270	2,000	237,200	651,823	(1,631,247)	-	(1,631,247)
Student transportation	2,184,688	106,454	255,651	-	(1,822,583)	-	(1,822,583)
Other support services	595	-	-	-	(595)	-	(595)
Food service	1,810	-	-	-	(1,810)	-	(1,810)
Community services	359,616	-	-	-	(359,616)	-	(359,616)
Building improvements	900	-	-	2,350	1,450	-	1,450
Bond costs amortization	36,847	-	-	-	(36,847)	-	(36,847)
Interest on long-term debt	282,451	-	-	-	(282,451)	-	(282,451)
<b>Total Governmental Activities</b>	<b>26,529,304</b>	<b>198,262</b>	<b>18,590,226</b>	<b>1,007,833</b>	<b>(6,732,983)</b>	<b>-</b>	<b>(6,732,983)</b>
<b><u>Business-Type Activities</u></b>							
Food service	2,010,011	523,045	1,523,515	-	-	36,549	36,549
<b>Total Business-Type Activities</b>	<b>2,010,011</b>	<b>523,045</b>	<b>1,523,515</b>	<b>-</b>	<b>-</b>	<b>36,549</b>	<b>36,549</b>
<b>Total Primary Government</b>	<b>\$ 28,539,315</b>	<b>\$ 721,307</b>	<b>\$ 20,113,741</b>	<b>\$ 1,007,833</b>	<b>\$ (6,732,983)</b>	<b>\$ 36,549</b>	<b>\$ (6,696,434)</b>
			<b><u>General Revenues</u></b>				
			Taxes:				
			Property		\$ 4,409,288	\$ -	\$ 4,409,288
			Motor vehicle		784,908	-	784,908
			Utility		845,938	-	845,938
			Interest income		81,558	5,388	86,946
			Other income		203,331	17,069	220,400
			Disposal of fixed assets		(47,198)	(1,537)	(48,735)
			<b>Total General Revenues</b>		<b>6,277,825</b>	<b>20,920</b>	<b>6,298,745</b>
			<b>Transfers</b>		<b>23,769</b>	<b>(23,769)</b>	<b>-</b>
			<b>Changes in Net Position</b>		<b>(431,389)</b>	<b>33,700</b>	<b>(397,689)</b>
			<b>Net Position - Beginning of Year</b>		<b>28,687,168</b>	<b>930,382</b>	<b>29,617,550</b>
			<b>Net Position - End of Year</b>		<b>\$ 28,255,779</b>	<b>\$ 964,082</b>	<b>\$ 29,219,861</b>

The accompanying notes are an integral part of this financial statement.

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

	<u>General Fund</u>	<u>Special Revenue (Grant) Fund</u>	<u>Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 9,066,594	\$ -	\$ 655,408	\$ 86,910	\$ 9,808,912
Accounts receivable:					
Taxes	241,078	-	-	-	241,078
Other	48,120	-	-	-	48,120
Intergovernmental	-	578,980	-	-	578,980
Due from other funds	200,846	-	-	-	200,846
Prepaid expenses	215,019	-	-	-	215,019
<b>Total Assets</b>	<u>\$ 9,771,657</u>	<u>\$ 578,980</u>	<u>\$ 655,408</u>	<u>\$ 86,910</u>	<u>\$ 11,092,955</u>
<b>Liabilities</b>					
Accounts payable	\$ 96,369	\$ 4,948	\$ -	\$ -	\$ 101,317
Due to other funds	-	200,846	-	-	200,846
Accrued payroll	1,732,302	359,276	-	-	2,091,578
Deferred revenues	-	53,761	-	-	53,761
<b>Total Liabilities</b>	<u>1,828,671</u>	<u>618,831</u>	<u>-</u>	<u>-</u>	<u>2,447,502</u>
<b>Fund Balances</b>					
Nonspendable	215,019	-	-	-	215,019
Restricted	-	-	655,408	86,910	742,318
Committed	3,797,019	-	-	-	3,797,019
Assigned	2,109,690	-	-	-	2,109,690
Unassigned	1,821,258	(39,851)	-	-	1,781,407
<b>Total Fund Balances</b>	<u>7,942,986</u>	<u>(39,851)</u>	<u>655,408</u>	<u>86,910</u>	<u>8,645,453</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 9,771,657</u>	<u>\$ 578,980</u>	<u>\$ 655,408</u>	<u>\$ 86,910</u>	<u>\$ 11,092,955</u>

**Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities**

<b>Total Governmental Fund Balances</b>	\$ 8,645,453
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	30,279,432
Bond discounts and issue costs are financial uses and are reported as expenditures in governmental funds. This amount is capitalized in the district-wide financial statements and expensed over the life of the bonds.	342,303
Certain liabilities, such as bond obligations, capital leases, accrued sick leave, interest payable, and other noncurrent liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	(11,011,409)
<b>Total Net Position of Governmental Activities</b>	<u>\$ 28,255,779</u>

The accompanying notes are an integral part of this financial statement.

**BRECKINRIDGE 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) Fund	Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
From local sources:					
Taxes:					
Property	\$ 3,909,601	\$ -	\$ -	\$ 499,687	\$ 4,409,288
Motor vehicle	784,908	-	-	-	784,908
Utility	845,938	-	-	-	845,938
Tuition and textbook fees	7,111	82,697	-	-	89,808
Transportation reimbursement	106,454	-	-	-	106,454
Interest income	71,201	-	8,548	1,809	81,558
Donations/grants	5,000	30,000	2,350	-	37,350
Other income	202,833	2,500	-	-	205,333
Intergovernmental - state	14,607,332	555,626	-	1,028,122	16,191,080
Intergovernmental - indirect federal	-	2,010,613	-	-	2,010,613
Intergovernmental - direct federal	21,019	984,336	-	-	1,005,355
<b>Total Revenues</b>	<b>20,561,397</b>	<b>3,665,772</b>	<b>10,898</b>	<b>1,529,618</b>	<b>25,767,685</b>
<b>Expenditures</b>					
Current:					
Instruction	11,520,906	2,675,102	-	-	14,196,008
Support services:					
Student	676,330	146,154	-	-	822,484
Instructional staff	478,470	500,263	-	-	978,733
District administration	1,152,984	3,547	-	-	1,156,531
School administration	1,673,074	-	-	-	1,673,074
Business	971,067	46,803	-	-	1,017,870
Plant operations and maintenance	2,246,517	-	-	-	2,246,517
Student transportation	2,001,898	2,774	-	-	2,004,672
Other support services	-	595	-	-	595
Food service	1,810	-	-	-	1,810
Community services	-	359,616	-	-	359,616
Facilities acquisition and construction	-	-	3,606,478	-	3,606,478
Debt service:					
Payment of principal	2,914,078	-	-	820,000	3,734,078
Payment of interest and fiscal charges	8,284	-	-	314,422	322,706
<b>Total Expenditures</b>	<b>23,645,418</b>	<b>3,734,854</b>	<b>3,606,478</b>	<b>1,134,422</b>	<b>32,121,172</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(3,084,021)</b>	<b>(69,082)</b>	<b>(3,595,580)</b>	<b>395,196</b>	<b>(6,353,487)</b>
<b>Other Financing Sources (Uses)</b>					
Bond proceeds	2,930,000	-	-	-	2,930,000
Bond issue costs and discount	(47,577)	-	-	-	(47,577)
Operating transfers in	23,769	51,457	368,283	843,224	1,286,733
Operating transfers out	(55,359)	-	-	(1,207,605)	(1,262,964)
Sale of fixed assets	1,245	-	-	-	1,245
<b>Total Other Financing Sources (Uses)</b>	<b>2,852,078</b>	<b>51,457</b>	<b>368,283</b>	<b>(364,381)</b>	<b>2,907,437</b>
<b>Net Changes in Fund Balances</b>	<b>(231,943)</b>	<b>(17,625)</b>	<b>(3,227,297)</b>	<b>30,815</b>	<b>(3,446,050)</b>
<b>Fund Balances - Beginning of Year</b>	<b>8,174,929</b>	<b>(22,226)</b>	<b>3,882,705</b>	<b>56,095</b>	<b>12,091,503</b>
<b>Fund Balances - End of Year</b>	<b>\$ 7,942,986</b>	<b>\$ (39,851)</b>	<b>\$ 655,408</b>	<b>\$ 86,910</b>	<b>\$ 8,645,453</b>

The accompanying notes are an integral part of this financial statement.

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

**Net Changes in Fund Balances - Total Governmental Funds** \$ (3,446,050)

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	2,412,097
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the book value of the disposed assets.	(48,443)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	3,734,078
Bond discounts and issue costs are reported as financing uses in governmental funds and thus contribute to the change in fund balance. In the Statement of Activities, these costs are capitalized and amortized over the life of the respective bond.	10,730
Interest is recorded as an expenditure when due in the governmental funds and as it accrues in the Statement of Activities.	40,255
In the Statement of Activities, sick leave is measured by the amount earned during the year. In governmental funds, however, expenditures for this item are measured by the amount actually paid.	(15,236)
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This represents an increase in noncurrent liabilities.	(188,820)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.	<u>(2,930,000)</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ (431,389)</u></u>

The accompanying notes are an integral part of this financial statement.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2013**

	<b>Enterprise Fund</b>
<b><u>Assets</u></b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 756,877
Intergovernmental receivable	23,169
Inventory	39,665
Prepaid expenses	2,359
	822,070
<b>Total Current Assets</b>	
<b>Noncurrent Assets</b>	
Capital assets	1,019,487
Less: accumulated depreciation	(780,815)
	238,672
<b>Total Noncurrent Assets</b>	
	1,060,742
<b>Total Assets</b>	
<b><u>Liabilities</u></b>	
<b>Current Liabilities</b>	
Accounts payable	2,733
Accrued payroll and related expenses	93,927
	96,660
<b>Total Current Liabilities</b>	
<b><u>Net Position</u></b>	
Investment in capital assets	238,672
Restricted for food service	725,410
	964,082
<b>Total Net Position</b>	
	\$ 964,082

The accompanying notes are an integral part of this financial statement.

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

	<b>Enterprise Fund</b>
<b><u>Operating Revenues</u></b>	
Lunchroom sales	\$ 523,045
<b>Total Operating Revenues</b>	523,045
<b><u>Operating Expenses</u></b>	
Salaries and wages	906,253
Contract services	40,097
Materials and supplies	1,022,229
Depreciation	41,432
<b>Total Operating Expenses</b>	2,010,011
<b>Operating Loss</b>	(1,486,966)
<b><u>Non-operating Revenues</u></b>	
Federal grants	1,232,043
State grants	213,251
Donated commodities	78,221
Insurance proceeds	17,069
Interest income	5,388
Loss on disposal of fixed assets	(1,537)
<b>Total Non-operating Revenues</b>	1,544,435
<b>Income Before Transfers</b>	57,469
<b>Transfers Out</b>	(23,769)
<b>Change in Net Position</b>	33,700
<b>Total Net Position - Beginning of Year</b>	930,382
<b>Total Net Position - End of Year</b>	\$ 964,082

The accompanying notes are an integral part of this financial statement.

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

	<u>Enterprise Fund</u>
<b><u>Cash Flows from Operating Activities</u></b>	
Cash received from user charges	\$ 523,045
Cash payments to employees for services	(713,957)
Cash payments for contract services	(42,456)
Cash payments to suppliers for goods and services	(925,705)
<b>Net Cash Used by Operating Activities</b>	<b><u>(1,159,073)</u></b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Insurance proceeds	17,069
Transfers to other funds	(23,769)
<b>Net Cash Used by Noncapital Financing Activities</b>	<b><u>(6,700)</u></b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Acquisition of capital assets	(2,370)
Proceeds from the sale of capital assets	105
Federal grants	1,222,021
State grants	16,768
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b><u>1,236,524</u></b>
<b><u>Cash Flows from Investing Activities</u></b>	
Interest income	5,388
<b>Net Increase in Cash and Cash Equivalents</b>	<b>76,139</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b><u>680,738</u></b>
<b>Cash and Cash Equivalents - End of Year</b>	<b><u>\$ 756,877</u></b>
<b><u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</u></b>	
Operating loss	\$ (1,486,966)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	41,432
Commodities used	78,221
On-behalf payments	196,483
Net changes in assets and liabilities:	
Inventory	15,743
Prepaid expenses	(2,359)
Accounts payable	2,560
Accrued payroll and related expenses	(4,187)
<b>Net Cash Used by Operating Activities</b>	<b><u>\$ (1,159,073)</u></b>
<b><u>Schedule of Non-cash Transactions</u></b>	
Donated commodities received from federal government	<b><u>\$ 78,221</u></b>
On-behalf payments relating to fringe benefits provided by state government	<b><u>\$ 196,483</u></b>

The accompanying notes are an integral part of this financial statement.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2013**

	<u>Agency Fund</u>
<b><u>Assets</u></b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 285,272
Accounts receivable	<u>2,242</u>
<b>Total Current Assets</b>	<b><u><u>287,514</u></u></b>
<b><u>Liabilities</u></b>	
<b>Current Liabilities</b>	
Accounts payable	26,132
Due to students and teachers	<u>261,382</u>
<b>Total Current Liabilities</b>	<b><u><u>\$ 287,514</u></u></b>

The accompanying notes are an integral part of this financial statement.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Breckinridge County Board of Education (Board), a five-member group, is the level of government that has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Breckinridge County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies that may influence operations, and primary accountability for fiscal matters.

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

The basic 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 basic financial statements:

Breckinridge County School District Finance Corporation

On October 22, 1991, the Breckinridge County Board of Education resolved to authorize the establishment of the Breckinridge County School District Finance Corporation (Corporation) (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act, KRS 273, and KRS Section 58.180) as an agency for the District for financing the costs of school building facilities. The board members of the Breckinridge County Board of Education also comprise the Corporation's Board of Directors.

The accounting policies of the Breckinridge County School District Finance Corporation substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Presentation (Continued)

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

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

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the changes in fund balances. Proprietary funds are reported using the economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in net position presents increases and decreases in total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

The District has the following funds:

I. Governmental Funds

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

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Presentation (Concluded)

- (B) The Special Revenue (Grant) Fund accounts for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. This is a major fund.
  
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is generally restricted for use in financing projects identified in the district's facility plan. This is not a major fund.
  - 2. The Facility Support Program of Kentucky (FSPK) Building Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan. This is not a major fund.
  - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund.
  
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs. This is not a major fund.

II. Proprietary Fund (Enterprise Fund)

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

III. Fiduciary Fund (Agency Fund)

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These activities are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds* (Redbook). Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 use the accrual basis of accounting.

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

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

Operating revenues are those revenues that are generated directly from the primary activity of the Proprietary Funds. Those revenues are primarily charges for meals and related items provided by the various schools. Nonoperating revenues of the Proprietary Funds include grants, donations, and interest income.

When both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund as an expense with a like amount reported as donated commodities revenue.

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

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Accounting (Concluded)

Property Taxes

Property taxes are levied by the county on behalf of the school district each October on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings, which are mailed by November 1, 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. A 2% discount is offered through November 30 and a penalty is assessed after December 31. Property taxes received after December 31 are considered to be delinquent and a lien can be filed against the property. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

The property tax rates assessed for the year ended June 30, 2013 were \$.498 per \$100 valuation for real property, \$.498 per \$100 valuation for tangible property, and \$.557 per \$100 valuation for motor vehicles.

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

Receivables

The District recognizes revenues as receivable when they are measurable and receipt is probable. Concentration of credit risk with respect to the receivables from federal, state, and local governments is limited due to the historical stability of those institutions; therefore, no allowance for doubtful accounts is recorded.

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.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the Proprietary Fund. 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 Fund are reported both in the business-type activities column of the government-wide Statement of Net Position and in the fund financial statements.

All capital assets are carried at historical cost. Where cost cannot be determined from the available records, estimated historical cost has been used to record the estimated value of the assets. Donated fixed assets are recorded at their fair market values as of the date received.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital Assets (Concluded)

The District maintains a capitalization threshold of \$5,000; however, the threshold for technology items is \$1,000, with the exception of workstations, laptops, and tablet devices, for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized, but the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	5-12 years
General equipment	5-20 years
Land improvements	10-20 years
Buildings	25-50 years

Insurance recoveries of \$1,915 for asset impairment and \$17,069 for misappropriation were reported in the General Fund and Proprietary Fund, respectively.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables and payables. These generally arise from payments made from the General Fund on behalf of the Special Revenue Fund. The General Fund does not have the legal liability for the expenditure, so a payable from the fund having the legal liability is established at such time. Unless there are net residual amounts due between governmental and business-type activities, these amounts are eliminated in the Statement of Net Position.

Accumulated Unpaid Sick Leave Benefits

The District's policies regarding sick leave permit employees to accumulate earned but unused sick leave. See Note G for additional information.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of goods or services. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. Outstanding encumbrances at year-end are included in assigned fund balance at June 30, 2013.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Budgetary Process

The Superintendent must submit the proposed budget for all funds other than agency funds to the Board members each year. The working budget is adopted by September 30 of each fiscal year, and amendments to the budget can be approved by the Board as needed. The budgetary data for the General Fund and Special Revenue Fund is presented on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Inventory

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the Proprietary Fund. Inventory consists of donated and purchased foods held for resale and are expensed when used. Purchased food is valued at cost (first-in, first-out method) and the value of U.S. Government donated commodities is determined by the U.S. Department of Agriculture.

Prepaid Expenses

Payments made that will benefit periods beyond June 30, 2013 are recorded as prepaid expenses 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.

Interfund Transfers

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues and expenses in proprietary funds.

Net Position

The District implemented GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in fiscal year 2013. This standard provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The main effect of this statement was a change in terminology from "net assets" to "net position."

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on 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.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

Payables, Accrued Liabilities, and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements and in the Proprietary Fund financial statements.

In general, payables, accrued liabilities, and long-term obligations that will be paid from governmental funds are reported on the government-wide financial statements regardless of whether they will be liquidated with current resources. However, these amounts are not recognized as liabilities in the fund financial statements until due.

Fund Equity

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

- Nonspendable fund balance - amounts that are not in a spendable form (such as inventory and prepayments) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the General Fund.

The District establishes (and modifies or rescinds) fund balance commitments by passage of a board order, which is done through motions made by the board of education members. Assigned fund balance is established by the Superintendent through adoption or amendment of the budget as intended for a specific purpose. Unassigned fund balances are reduced first, unless expenditures are incurred for a specific purpose for which fund balance has been restricted, committed, or assigned.

**NOTE B - ESTIMATES**

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

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE C - CAPITAL ASSETS**

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

<u>Governmental Activities</u>	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<b>Not Depreciated:</b>				
Land	\$ 451,448	\$ -	\$ -	\$ 451,448
Construction in progress	2,099,887	3,640,468	5,715,713	24,642
Subtotal	<u>2,551,335</u>	<u>3,640,468</u>	<u>5,715,713</u>	<u>476,090</u>
<b>Depreciated:</b>				
Land improvements	3,397,194	8,570	600	3,405,164
Buildings	33,650,038	5,715,713	-	39,365,751
Technology equipment	2,393,291	409,665	183,784	2,619,172
Vehicles	4,927,421	-	59,903	4,867,518
General equipment	2,525,025	37,723	40,697	2,522,051
Subtotal	<u>46,892,969</u>	<u>6,171,671</u>	<u>284,984</u>	<u>52,779,656</u>
<b>Less accumulated depreciation:</b>				
Land improvements	2,822,090	99,137	600	2,920,627
Buildings	12,093,598	868,960	-	12,962,558
Technology equipment	1,586,330	294,994	180,581	1,700,743
Vehicles	3,241,987	309,744	33,947	3,517,784
General equipment	1,784,521	111,494	21,413	1,874,602
Subtotal	<u>21,528,526</u>	<u>1,684,329</u>	<u>236,541</u>	<u>22,976,314</u>
<b>Capital Assets - Net</b>	<u><u>\$27,915,778</u></u>	<u><u>\$8,127,810</u></u>	<u><u>\$5,764,156</u></u>	<u><u>\$30,279,432</u></u>
 <b><u>Business-Type Activities</u></b>				
<b>Depreciated:</b>				
General equipment	\$ 995,226	\$ 1,524	\$ 7,830	\$ 988,920
Technology equipment	31,594	846	1,873	30,567
Subtotal	<u>1,026,820</u>	<u>2,370</u>	<u>9,703</u>	<u>1,019,487</u>
<b>Less accumulated depreciation:</b>				
General equipment	720,040	39,772	6,189	753,623
Technology equipment	27,405	1,660	1,873	27,192
Subtotal	<u>747,445</u>	<u>41,432</u>	<u>8,062</u>	<u>780,815</u>
<b>Capital Assets - Net</b>	<u><u>\$ 279,375</u></u>	<u><u>\$ (39,062)</u></u>	<u><u>\$ 1,641</u></u>	<u><u>\$ 238,672</u></u>

Depreciation expense was charged to functions in the Statement of Activities as follows:

<b><u>Governmental Activities</u></b>	
Instruction	\$ 547,215
<b>Support services:</b>	
Student	1,117
District administration	591,449
Plant operations and maintenance	360,073
Student transportation	184,475
	<u>\$1,684,329</u>
 <b><u>Business-Type Activities</u></b>	
Food service	<u>\$ 41,432</u>

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE D - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents were reported at cost and consisted of the following at June 30, 2013:

	Bank Balance	Book Balance
Governmental and proprietary funds	\$10,618,545	\$10,565,789
Fiduciary funds	293,729	285,272
	\$10,912,274	\$10,851,061

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. At year-end, the deposits of the District were either insured or collateralized with securities held by the pledging financial institution.

Kentucky Revised Statutes and Board policy authorize the District to invest in direct obligations of the U.S. government; obligations backed by the full faith and credit of the U.S. government; certificates of deposit or other interest bearing accounts issued by any bank or savings and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct U.S. government obligations; bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities; securities issued by any state or local government of the U.S. or bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency; certain mutual funds; commercial paper rated in the highest category by a nationally recognized rating agency. The District has formally adopted deposit and investment policies that limit its allowable deposits or investments and address the specific types of risk to which the government is exposed, but it currently has no investments.

**NOTE E - BOND OBLIGATIONS**

The District is obligated to make payments in amounts sufficient to satisfy debt service requirements on revenue bonds or refunding bonds of revenue bonds issued by the Breckinridge County School District Finance Corporation to construct or renovate school facilities. The bonds payable are collateralized by the educational facilities constructed/renovated with bond proceeds. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. Bonds are repaid principally from state and local revenues in the Building Fund. General Fund and Capital Outlay Fund revenues are available to pay for debt service if needed.

The original amount of the bond issues, the issue dates, interest rates, and outstanding balances at June 30, 2013 are summarized below:

Bond Series	Issue Date	Interest Rates	Bond Maturity	Original Issue	Outstanding Balance
2000	12/1/00	5% to 5.15%	12/1/12	\$1,720,000	\$ -
2003	7/1/03	1.2% to 4%	2/1/19	\$6,795,000	\$ -
2004	2/1/04	2.5% to 4.4%	2/1/24	\$ 735,000	\$ 205,000
2008	4/1/08	2.75% to 3.85%	4/1/28	\$3,005,000	\$2,700,000
2009A	5/1/09	2% to 3%	5/1/19	\$1,250,000	\$ 860,000
2009B	9/23/09	2% to 3.6%	12/1/20	\$1,175,000	\$1,105,000
2012	6/1/12	4.85%	6/1/32	\$2,647,000	\$2,647,000
2013	1/29/13	1%	6/30/19	\$2,930,000	\$2,930,000

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE E - BOND OBLIGATIONS (CONTINUED)**

In the prior year, the District defeased the 2004 series bond by placing \$410,645 in an irrevocable trust with an escrow agent to provide for future debt service payments to February 1, 2014. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's financial statements. On June 30, 2013, \$390,145 of bonds outstanding was considered defeased. The Kentucky School Facility Construction Commission's share of the 2004 series bond remained outstanding at \$205,000.

In January 2013, the District issued \$2,930,000 in refunding revenue bonds with an average interest rate of 1% to currently refund \$2,875,000 of outstanding 2003 series bonds. The net proceeds of \$2,882,423 (after payment of \$47,577 in underwriting fees and other issuance costs) were used to establish a \$3,902 sinking fund and to refund the 2003 series bond. The District completed the current refunding to reduce its total debt service payments over the next six years by \$225,897 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$221,432.

In July 1985, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission (SFCC). The SFCC was created by the Kentucky Legislature 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 SFCC 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 government-wide financial statements.

The bonds may be called prior to maturity, and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the SFCC, at June 30, 2013 for debt service (principal and interest) are as follows:

Year	District		SFCC		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 640,403	\$ 154,982	\$ 244,597	\$ 54,796	\$ 885,000	\$ 209,778
2015	644,952	147,031	120,048	50,377	765,000	197,408
2016	656,855	137,672	123,145	46,681	780,000	184,353
2017	673,342	127,567	126,658	42,568	800,000	170,135
2018	674,714	116,914	135,286	38,339	810,000	155,253
2019-23	1,594,737	426,667	480,263	130,781	2,075,000	557,448
2024-28	1,274,219	232,184	410,781	46,741	1,685,000	278,925
2029-32	603,025	60,352	2,043,975	-	2,647,000	60,352
	<u>\$6,762,247</u>	<u>\$1,403,369</u>	<u>\$3,684,753</u>	<u>\$410,283</u>	<u>\$10,447,000</u>	<u>\$1,813,652</u>

**Qualified Zone Academy Bonds**

On June 1, 2012, the District issued \$2,647,000 in Qualified Zone Academy Bonds (QZAB) to fund renovations to Custer Elementary School. The District and the SFCC are required to make annual sinking fund payments to be held in escrow until the bonds mature. The amount accumulated in the sinking fund at the maturity date of June 1, 2032 is expected to be sufficient to retire the debt. The amount on deposit at June 30, 2013 was \$83,008. The following schedule reports the annual deposits to be made to the sinking fund by the District and the SFCC.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE E - BOND OBLIGATIONS (CONCLUDED)**

Year	Sinking Fund Requirements		Total
	District Principal	SFCC Principal	
2014	\$ 2,702	\$ 80,298	\$ 83,000
2015	2,702	80,298	83,000
2016	2,702	80,298	83,000
2017	2,702	80,298	83,000
2018	2,702	80,298	83,000
2019-23	223,510	401,490	625,000
2024-28	163,510	401,490	565,000
2029-32	97,236	321,192	418,428
	\$497,766	\$1,525,662	\$2,023,428

**NOTE F - CHANGES IN LONG-TERM DEBT**

Changes in long-term debt principal (including current portion) were as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due In One Year
Bond obligations	\$11,212,000	\$2,930,000	\$3,695,000	\$10,447,000	\$885,000
Capital leases	121,646	-	39,078	82,568	40,920
Accrued sick leave	228,445	102,886	87,650	243,681	12,142
	\$11,562,091	\$3,032,886	\$3,821,728	\$10,773,249	\$938,062

The Debt Service Fund is primarily responsible for paying bond obligations through funding from the Capital Outlay and Building Funds. The General Fund is primarily responsible for paying capital leases and accrued sick leave.

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

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

**NOTE H - COMMITMENTS UNDER LEASES**

During the fiscal year, the District made payments totaling \$2,057 for operating leases on office equipment. Commitments under these operating lease agreements provide the minimum future rental payments as of June 30, 2013 as follows:

Year Ending June 30, 2014	Future Payments
	\$857

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE H - COMMITMENTS UNDER LEASES (CONCLUDED)**

The schedule of future minimum lease payments on all capital leases as of June 30, 2013 is as follows:

	Year Ending June 30,	Governmental Activities
	2014	\$43,895
	2015	40,480
	2016	2,269
Future Minimum Payments		86,644
Less Interest		(4,076)
Present Value of Future Minimum Payments		\$82,568

Amortization expense of \$15,976 is included in depreciation expense. The gross amount of assets recorded under capital leases and the accumulated amortization at year-end by major class according to nature or function is as follows:

Class	Gross Amount	Accumulated Amortization
Office Equipment	\$159,758	\$30,956

**NOTE I - DEFICIT FUND BALANCES**

The Special Revenue fund ended the year with a deficit balance. In addition, the General Fund, Construction Fund, Capital Outlay Fund, and Building Fund had operations that resulted in current year deficits of revenues over expenditures and corresponding reductions of fund balances. The governmental activities also experienced a reduction in net position.

**NOTE J - RETIREMENT PLANS**

**Teachers' Retirement System of Kentucky**

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

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan and the medical insurance 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 [www.ktrs.ky.gov](http://www.ktrs.ky.gov).

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE J - RETIREMENT PLANS (CONTINUED)**

Funding policy - Contribution rates are established by KRS. Members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky and employers required to pay matching contribute 14.105% of salaries for members. 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 access to post-employment healthcare benefits to eligible members and dependents. The KTRS medical insurance benefit is a cost sharing, multiple-employer, defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the 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 - The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement 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% of members' salary for the 2012-2013 fiscal year.

The Breckinridge County School District's total payroll for the year was \$15,718,310. The payroll for employees covered under KTRS was \$11,576,182. For the year ended June 30, 2013, the Commonwealth contributed an estimated \$1,308,091 to KTRS for the benefit of the District's participating employees. The School District's contributions to KTRS for the year ended June 30, 2013 were \$324,731 for employees covered by federal programs.

The District's contributions to KTRS for the past three years are listed below. The actual contributions were equal to the required contributions for each year.

Fiscal Year Ended June 30,	Total Payroll Subject to KTRS	Contributions		Total
		Employee	Employer	
2013	\$11,576,182	\$1,256,595	\$324,731	\$1,581,326
2012	\$11,463,463	\$1,195,046	\$344,803	\$1,539,849
2011	\$11,206,948	\$1,140,373	\$260,301	\$1,400,674

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE J - RETIREMENT PLANS (CONTINUED)**

County Employee's Retirement System

Plan Description - Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a defined benefit plan sponsored by the Commonwealth of Kentucky. CERS is a cost-sharing, multiple-employer, public employee retirement system that covers substantially all regular full-time members employed in non-hazardous duty positions of each participating county and city, non-certified school board employees, and any additional eligible local agencies electing to participate in CERS. The Kentucky Retirement System (KRS) issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601 or from the KRS website at [www.kyret.ky.gov](http://www.kyret.ky.gov).

Funding Policy - Funding for the plan is provided through payroll withholdings and participating employers are required to contribute at an actuarially determined rate. For the year ended June 30, 2013, non-hazardous plan employees who began participating with KRS prior to September 1, 2008 contributed 5% of creditable compensation to CERS. Employees who began participating with KRS on or after September 1, 2008 contributed 6%, with the additional 1% going to a health insurance account. Employer contribution rates, determined by the Board of Trustees of the Kentucky Retirement Systems, are intended to fund the CERS's normal cost on a current basis plus fund an amount equal to the amortization of unfunded past service costs over thirty years, using the level percentage of payroll method. Participating employers contributed 19.55% of members' non-hazardous compensation for the year ended June 30, 2013.

The District's contributions to CERS for the past three years are listed below. The actual contributions were equal to the required contributions for each year.

Fiscal Year Ended June 30,	Total Payroll Subject to CERS	Contributions		
		Employee	Employer	Total
2013	\$3,925,908	\$203,213	\$767,515	\$970,728
2012	\$3,936,173	\$201,709	\$746,299	\$948,008
2011	\$3,797,782	\$191,939	\$642,964	\$834,903

As the District is only one of several employers participating in the plan, it is not practical to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the plan assets.

Medical Insurance Plan

Plan description - In addition to the pension benefits described above, Kentucky Revised Statute 61.702 requires CERS to provide post-retirement healthcare benefits to eligible members and dependents. Changes made to the medical plan may be made by the Kentucky Retirement Systems' Board of Trustees and the General Assembly. Additional information can be obtained in the aforementioned financial statements and required supplementary information for CERS.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE J - RETIREMENT PLANS (CONCLUDED)**

To be eligible for medical benefits, the member must have retired either for service or disability. The amount funded by the insurance fund depends on the months of service. The insurance fund shall continue the same level of coverage for a recipient who was a member of the CERS after the age of 65 as before the age of 65, if the recipient is not eligible for Medicare coverage.

Funding policy - The post-retirement healthcare provided by CERS is financed wholly or partly from funds contributed by the recipient of a retirement allowance, by the Kentucky Retirement Systems insurance fund, or by another state-administered retirement system under a reciprocal agreement. Also, any premiums collected from retirees and investment interest help with the medical expenses of the plan.

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

The District makes available 401(k) and 403(b) defined contribution pension plans for all employees. Employees are allowed to contribute to the plans up to the Internal Revenue Code maximum allowable amount. The District does not contribute to these plans.

**NOTE K - DEFERRED COMPENSATION**

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 termination, retirement, death or unforeseeable emergency. GASB Statement No. 32 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 show these assets and liabilities on its financial statements. The District does not contribute to this plan.

**NOTE L - COMMITMENTS AND CONTINGENCIES**

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on 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 refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is contingent upon the grantors' satisfaction that the funds provided are being spent as intended, the grantors' intent to continue the programs, and the availability of funding.

The Kentucky School Boards Insurance Trust (KSBIT) determined its Workers' Compensation and Liability Self-Insurance Pools were running in insurmountable deficits. As part of a corrective action plan required by state law, KSBIT assessed current and past participating members to fund the deficit and transfer the liability to a qualified insurer/reinsurer. A final assessment has not been issued, but a preliminary estimate of \$188,820 was recorded as a noncurrent liability in the government-wide financial statements, as it is not expected to be due until fiscal year 2014-2015.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE M - INSURANCE AND 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, students, and guests; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, general and automotive liability coverage, and other miscellaneous risks, the District purchases commercial insurance.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund.

**NOTE N - COBRA**

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

**NOTE O - ON-BEHALF PAYMENTS**

For the year ended June 30, 2013, payments were made for life insurance, health insurance, health reimbursement accounts, KTRS matching retirement contributions, administrative fees, and technology by the Commonwealth of Kentucky on behalf of the District. In addition, debt service payments (principal and interest) made by the SFCC on behalf of the District were also made. These on-behalf payments were recorded as intergovernmental revenue and expenses/expenditures in the government-wide, General Fund, Proprietary Fund, and Debt Service Fund financial statements. The on-behalf payments received were as follows:

Health insurance	\$2,901,541
Life insurance	6,886
Administrative fee	32,643
Health reimbursement account	154,525
KTRS retirement contributions	1,308,091
Federal reimbursement (pd by District)	(392,298)
Debt service (SFCC payments)	376,299
Technology (KEN, MUNIS, etc.)	69,748
Total On-Behalf Payments	\$4,457,435

The amount received for the fiscal year ended June 30, 2013 was allocated as follows:

General Fund/Governmental Activities	\$3,884,653
Proprietary Fund/Business-Type Activities	196,483
Debt Service Fund	376,299
Total On-Behalf Payments	\$4,457,435

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE P - FUND BALANCES**

The fund balances for the Governmental Funds were classified as follows:

Fund Balances	General Fund	Special Revenue (Grant) Fund	Construction Fund	Nonmajor Governmental Funds
Nonspendable:				
Prepaid items	\$ 215,019	\$ -	\$ -	\$ -
Restricted:				
Capital projects	-	-	655,408	-
Debt service	-	-	-	86,910
Committed:				
Sick leave	1,764	-	-	-
Future construction	3,795,255	-	-	-
Assigned:				
Encumbrances	113,510	-	-	-
Site based councils	47,274	-	-	-
Educational programs	1,175,000	-	-	-
District improvement plan	264,100	-	-	-
Other programs	509,806	-	-	-
Unassigned	1,821,258	(39,851)	-	-
Total Fund Balances	<u>\$7,942,986</u>	<u>\$(39,851)</u>	<u>\$655,408</u>	<u>\$86,910</u>

**NOTE Q - INTERFUND ACTIVITY**

Most program costs in the Special Revenue Fund must be paid for by District funds before reimbursement is requested from the federal government. The General Fund temporarily covered program expenditures, so an interfund balance resulted from the time lag between the dates expenditures were made and the date that grant funds were received. As a result, interfund balances at June 30, 2013, consisted of \$200,846 due to the General Fund from the Special Revenue Fund.

The following interfund transfers were made during the year:

From Fund	To Fund	Amount	Purpose
General	Special Revenue	\$ 11,621	Fund local projects
General	Special Revenue	39,836	Technology match
General	Debt Service	3,902	Debt service
Food Service	General	23,769	Indirect costs
Capital Outlay	Construction	251,934	Fund construction project
Building	Construction	116,349	Fund construction project
Building	Debt Service	839,322	Debt service
		<u>\$1,286,733</u>	

**NOTE R - SUBSEQUENT EVENTS**

Subsequent to year-end, the District purchased four new buses at a cost of \$345,376. The District also awarded bids for the construction of a multi-purpose facility. The expected cost of \$630,643 will be paid by funds set aside for construction projects.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable) Final to Actual</u>
<b>Revenues</b>				
From local sources:				
Property taxes	\$ 3,726,320	\$ 3,732,650	\$ 3,909,601	\$ 176,951
Motor vehicle taxes	751,342	732,462	784,908	52,446
Utility taxes	794,020	790,000	845,938	55,938
Tuition and textbook fees	6,200	6,200	7,111	911
Transportation reimbursement	100,000	110,000	106,454	(3,546)
Interest income	60,000	70,005	71,201	1,196
Donations/grants	100	-	5,000	5,000
Other income	225,748	169,000	202,833	33,833
Intergovernmental - state	10,797,449	14,523,071	14,607,332	84,261
Intergovernmental - direct federal	20,000	20,000	21,019	1,019
<b>Total Revenues</b>	<b>16,481,179</b>	<b>20,153,388</b>	<b>20,561,397</b>	<b>408,009</b>
<b>Expenditures</b>				
Instruction	8,949,335	11,555,046	11,520,906	34,140
Support services:				
Student	521,467	664,948	676,330	(11,382)
Instructional staff	372,704	477,891	478,470	(579)
District administration	2,499,534	2,595,333	1,152,984	1,442,349
School administration	1,417,122	1,704,782	1,673,074	31,708
Business	842,040	1,082,859	971,067	111,792
Plant operations and maintenance	1,904,954	2,327,734	2,246,517	81,217
Student transportation	2,025,864	2,042,924	2,001,898	41,026
Food service	2,159	2,159	1,810	349
Debt service:				
Payment of principal	-	2,882,423	2,914,078	(31,655)
Payment of interest and fiscal charges	-	-	8,284	(8,284)
<b>Total Expenditures</b>	<b>18,535,179</b>	<b>25,336,099</b>	<b>23,645,418</b>	<b>1,690,681</b>
<b>Deficiency of Revenues over Expenditures</b>	<b>(2,054,000)</b>	<b>(5,182,711)</b>	<b>(3,084,021)</b>	<b>2,098,690</b>
<b>Other Financing Sources (Uses)</b>				
Bond proceeds	-	2,930,000	2,930,000	-
Bond issue costs and discount	-	(47,577)	(47,577)	-
Operating transfers in	22,000	22,000	23,769	1,769
Operating transfers out	(68,000)	(65,387)	(55,359)	10,028
Proceeds from sale of fixed assets	-	-	1,245	1,245
<b>Total Other Financing Sources (Uses)</b>	<b>(46,000)</b>	<b>2,839,036</b>	<b>2,852,078</b>	<b>13,042</b>
<b>Net Changes in Fund Balances</b>	<b>(2,100,000)</b>	<b>(2,343,675)</b>	<b>(231,943)</b>	<b>2,111,732</b>
<b>Fund Balances - Beginning of Year</b>	<b>2,100,000</b>	<b>2,343,675</b>	<b>8,174,929</b>	<b>5,831,254</b>
<b>Fund Balances - End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,942,986</b>	<b>\$ 7,942,986</b>

See accompanying notes to required supplementary information.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable) Final to Actual</u>
<b><u>Revenues</u></b>				
From local sources:				
Tuition and textbook fees	\$ 100,231	\$ 16,000	\$ 82,697	\$ 66,697
Donations/grants	15,000	30,000	30,000	-
Other income	-	39,462	2,500	(36,962)
Intergovernmental - state	591,391	532,430	555,626	23,196
Intergovernmental - indirect federal	1,937,374	1,992,127	2,010,613	18,486
Intergovernmental - direct federal	977,422	984,336	984,336	-
<b>Total Revenues</b>	<u>3,621,418</u>	<u>3,594,355</u>	<u>3,665,772</u>	<u>71,417</u>
<b><u>Expenditures</u></b>				
Instruction	2,523,282	2,530,470	2,675,102	(144,632)
Support services:				
Student	174,603	209,539	146,154	63,385
Instructional staff	559,521	599,536	500,263	99,273
District administration	-	-	3,547	(3,547)
Business	46,895	29,179	46,803	(17,624)
Student transportation	21,568	22,078	2,774	19,304
Other support services	-	-	595	(595)
Community services	363,549	268,940	359,616	(90,676)
<b>Total Expenditures</b>	<u>3,689,418</u>	<u>3,659,742</u>	<u>3,734,854</u>	<u>(75,112)</u>
<b>Deficiency of Revenues over Expenditures</b>	<u>(68,000)</u>	<u>(65,387)</u>	<u>(69,082)</u>	<u>(3,695)</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Operating transfers in	68,000	65,387	51,457	(13,930)
<b>Total Other Financing Sources (Uses)</b>	<u>68,000</u>	<u>65,387</u>	<u>51,457</u>	<u>(13,930)</u>
<b>Net Changes in Fund Balances</b>	-	-	(17,625)	(17,625)
<b>Fund Balances - Beginning of Year</b>	-	-	(22,226)	(22,226)
<b>Fund Balances - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (39,851)</u>	<u>\$ (39,851)</u>

See accompanying notes to required supplementary information.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - BASIS OF PRESENTATION**

The Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the General Fund and Special Revenue Fund present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, and variances between the final budget and actual data.

**NOTE B - BUDGET VIOLATIONS**

During the 2013 fiscal year, the District's General Fund and Special Revenue Fund incurred line item expenditures in excess of budget, and the Special Revenue Fund's expenditures exceeded the appropriations for the fiscal year.

**SUPPLEMENTARY INFORMATION**

**BRECKINRIDGE COUNTY SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

	<u>Capital Project Funds</u>			
	<u>SEEK Capital Outlay Fund</u>	<u>FSPK Building Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ -	\$ -	\$ 86,910	\$ 86,910
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,910</u>	<u>\$ 86,910</u>
<b><u>Fund Balances</u></b>				
Restricted for debt service	\$ -	\$ -	\$ 86,910	\$ 86,910
<b>Total Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,910</u>	<u>\$ 86,910</u>

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

	<u>Capital Project Funds</u>			<b>Total Nonmajor Governmental Funds</b>
	<b>SEEK Capital Outlay Fund</b>	<b>FSPK Building Fund</b>	<b>Debt Service Fund</b>	
<b><u>Revenues</u></b>				
From local sources:				
Property taxes	\$ -	\$ 499,687	\$ -	\$ 499,687
Interest income	832	968	9	1,809
Intergovernmental - state	248,975	402,848	376,299	1,028,122
<b>Total Revenues</b>	<b>249,807</b>	<b>903,503</b>	<b>376,308</b>	<b>1,529,618</b>
<b><u>Expenditures</u></b>				
Debt service:				
Payment of principal	-	-	820,000	820,000
Payment of interest and fiscal charges	1,800	-	312,622	314,422
<b>Total Expenditures</b>	<b>1,800</b>	<b>-</b>	<b>1,132,622</b>	<b>1,134,422</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>248,007</b>	<b>903,503</b>	<b>(756,314)</b>	<b>395,196</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Operating transfers in	-	-	843,224	843,224
Operating transfers out	(251,934)	(955,671)	-	(1,207,605)
<b>Total Other Financing Sources (Uses)</b>	<b>(251,934)</b>	<b>(955,671)</b>	<b>843,224</b>	<b>(364,381)</b>
<b>Net Changes in Fund Balances</b>	<b>(3,927)</b>	<b>(52,168)</b>	<b>86,910</b>	<b>30,815</b>
<b>Fund Balances - Beginning of Year</b>	<b>3,927</b>	<b>52,168</b>	<b>-</b>	<b>56,095</b>
<b>Fund Balances - End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 86,910</b>	<b>\$ 86,910</b>

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

	Cash Balances		Transfers		Cash Balances	Accounts Receivable	Accounts Payable	Fund Balances
	July 1, 2012	Receipts	Disbursements	In (Out)	June 30, 2013	June 30, 2013	June 30, 2013	June 30, 2013
<b>ACCOUNTS:</b>								
Academic Team	\$ -	\$ -	\$ 1,571	\$ 1,571	\$ -	\$ -	\$ -	\$ -
Archery	-	3,363	4,163	800	-	-	-	-
Art Club	553	-	300	-	253	-	-	253
Athletics	4,037	15,508	13,203	(2,350)	3,992	-	-	3,992
Athletic Concessions	3,639	29,153	19,200	(6,595)	6,997	250	-	7,247
Band	1,704	45,914	47,618	-	-	-	-	-
Baseball	1,814	10,312	16,134	4,008	-	50	-	50
Boys Basketball	10,298	33,252	38,224	365	5,691	-	110	5,581
Challenge Club	647	4,100	4,318	1,000	1,429	-	-	1,429
Charitable Gaming	-	11,530	11,530	-	-	-	-	-
Chorus	4,252	15,849	14,949	(394)	4,758	-	54	4,704
Cross Country	780	1,694	2,524	249	199	-	-	199
Dance	7,917	14,436	17,242	(83)	5,028	-	217	4,811
Drama Club	-	894	435	-	459	-	-	459
FCA	119	-	-	-	119	-	-	119
FFA	1,036	21,630	21,548	(900)	218	-	40	178
FCCLA	1,960	7,076	8,958	-	78	-	-	78
5 K Run	375	-	-	-	375	-	-	375
Flower Fund	456	580	418	-	618	-	-	618
Football	11,147	62,514	52,213	156	21,604	-	14,860	6,744
FMD	107	-	-	(107)	-	-	-	-
General	5,821	22,771	26,982	94	1,704	-	58	1,646
Girls Basketball	662	13,342	14,395	391	-	1,270	-	1,270
Girls Regional Tournament	25	-	-	(25)	-	-	-	-
Girls Soccer	1,475	5,046	6,411	358	468	-	-	468
Girls Softball	8,301	23,230	29,983	1,511	3,059	360	-	3,419
Golf	995	8,900	7,719	255	2,431	-	-	2,431
Greenhouse	22,138	14,380	11,127	-	25,391	-	35	25,356
JV Cheerleaders	2,151	5,617	5,445	-	2,323	-	52	2,271
Music Club	10	260	200	-	70	-	-	70
National Honor Society	434	375	386	(14)	409	-	-	409
Pep Club	2,541	4,836	2,594	(2,116)	2,667	-	-	2,667
Powderpuff	-	1,226	-	(1,226)	-	-	-	-
Problem Solving	551	-	-	(551)	-	-	-	-
Project Graduation	4,110	31,830	34,165	(61)	1,714	-	50	1,664
Prom	6,920	7,650	5,091	-	9,479	-	25	9,454
SADD	62	680	550	(150)	42	-	-	42
Scholarships	-	2,500	2,500	-	-	-	-	-
Spanish Club	324	-	-	-	324	-	-	324
Sports Flex	1,420	240	1,340	-	320	-	-	320
Student Council	227	-	-	-	227	-	-	227
Student Y Club	128	8,064	7,512	-	680	-	-	680
Teacher Concessions	437	2,424	1,777	(104)	980	39	172	847
Tiger Paws	5,867	14,144	16,994	5,643	8,660	-	-	8,660
Varsity Cheerleader	1,311	13,759	9,392	(1,412)	4,266	-	53	4,213
Volleyball	4,369	11,483	10,395	447	5,904	-	-	5,904
Yearbook	14,541	21,841	21,063	300	15,619	-	-	15,619
Youth Services Center	-	9,000	2,521	(1,060)	5,419	-	5,000	419
<b>Totals</b>	<b>\$ 135,661</b>	<b>\$ 501,403</b>	<b>\$ 493,090</b>	<b>\$ -</b>	<b>\$ 143,974</b>	<b>\$ 1,969</b>	<b>\$ 20,726</b>	<b>\$ 125,217</b>

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

<b>ACTIVITY FUND:</b>	<b>Cash Balances July 1, 2012</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Cash Balances June 30, 2013</b>	<b>Accounts Receivable June 30, 2013</b>	<b>Accounts Payable June 30, 2013</b>	<b>Fund Balances June 30, 2013</b>
Ben Johnson Elementary School	\$ 28,046	\$ 42,312	\$ 45,124	\$ 25,234	\$ 3	\$ 123	\$ 25,114
Custer Elementary School	24,818	23,831	31,940	16,709	18	1,236	15,491
Hardinsburg Elementary School	44,731	96,598	100,722	40,607	199	514	40,292
Irvington Elementary School	21,592	58,071	62,298	17,365	-	1,356	16,009
Breckinridge County Middle School	45,062	126,926	130,605	41,383	53	2,177	39,259
Totals	<u>\$ 164,249</u>	<u>\$ 347,738</u>	<u>\$ 370,689</u>	<u>\$ 141,298</u>	<u>\$ 273</u>	<u>\$ 5,406</u>	<u>\$ 136,165</u>



# DRANE & COMPANY, PLLC

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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  
Breckinridge County School District  
Hardinsburg, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Breckinridge 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 16, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 *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. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 13-1 to be a material weakness.

### **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 also noted certain additional matters that we have reported to management in a separate letter dated October 16, 2013.

### **Breckinridge County School District's Response to Findings**

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 result 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.

*Drane & Company, PLLC*

Drane & Company, PLLC  
Certified Public Accountants

Hardinsburg, KY

October 16, 2013



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

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Breckinridge County School District  
Hardinsburg, Kentucky

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

We have audited the Breckinridge County School District's (District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

*Drane & Company, PLLC*

Drane & Company, PLLC  
Certified Public Accountants

Hardinsburg, KY

October 16, 2013

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Local Code	Grant or Pass-Through Number	Federal Expenditures
<b>U.S. Department of Health and Human Services</b>				
<b>Direct Programs:</b>				
Head Start	93.600	655X	04CH2675 44	\$ 984,336
<b>Total U.S. Department of Health and Human Services</b>				<u>984,336</u>
<b>U.S. Department of Agriculture</b>				
<b>Passed Through Kentucky Department of Education:</b>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	203X	7760005 12/13	369,293
National School Lunch Program [Cash Assistance]	10.555	205X	7750002 12/13	809,105
National School Lunch Program [Noncash Assistance]	10.555	205X	7750002 13	78,221
Total National School Lunch Program				<u>887,326</u>
Summer Food Service Program for Children	10.559	209X	7690024 12	2,083
Summer Food Service Program for Children	10.559	209X	7740023 12	20,137
Total Summer Food Service Program for Children				<u>22,220</u>
Total Child Nutrition Cluster				<u>1,278,839</u>
Child and Adult Care Food Program	10.558	208X	7790021 12/13	21,287
Child and Adult Care Food Program	10.558	208X	7800016 13	116
Total Child and Adult Care Food Program				<u>21,403</u>
<b>Total U.S. Department of Agriculture</b>				<u>1,300,242</u>
<b>U.S. Department of Education</b>				
<b>Passed Through Kentucky Department of Education:</b>				
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	337X	3810002 12	608,126
Special Education - Preschool Grants	84.173	343X	3800002 11/12	37,618
Total Special Education Cluster (IDEA)				<u>645,744</u>
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	84.010	310X	3100002 11/12	968,827
Title I Grants to Local Educational Agencies	84.010	320X	3100202 10/11	88,819
Total Title I Grants to Local Educational Agencies				<u>1,057,646</u>
Total Title I, Part A Cluster				<u>1,057,646</u>
School Improvement Grants Cluster:				
ARRA - School Improvement Grants, Recovery Act	84.388	560X	4100302 09	46,289
Total School Improvement Grants Cluster				<u>46,289</u>
Migrant Education - State Grant Program	84.011	311X	3110002 09	3,847
Career and Technical Education - Basic Grants to States	84.048	348X	4621232 11	4,971
Career and Technical Education - Basic Grants to States	84.048	348X	4621332 12/13	16,961
Total Career and Technical Education - Basic Grants to States				<u>21,932</u>
Rural Education	84.358	350X	3140002 10/11	36,838
Improving Teacher Quality State Grants	84.367	401X	3230002 10/11	179,010
ARRA - Education Jobs Fund	84.410	441X	EJOB00 10	4,307
Race to the Top	84.413	452X	3960002 11	15,000
<b>Total U.S. Department of Education</b>				<u>2,010,613</u>
<b>Total Expenditures of Federal Awards (All Programs)</b>				<u>\$ 4,295,191</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (schedule) includes the federal grant activity of the Breckinridge County School District under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. As the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments*.

**NOTE C - FOOD DONATION**

Non-monetary assistance in the form of commodities received and disbursed, which is equivalent to a fair market value of \$78,221, is included in the schedule under National School Lunch Program [Noncash Assistance] (CFDA 10.555).

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

**Section I: Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- |   |   |   |
|---|---|---|
| Any material weakness(es) identified?                     | <input checked="" type="checkbox"/> yes | <input type="checkbox"/> no                       |
| Any significant deficiency(ies) identified?               | <input type="checkbox"/> yes            | <input checked="" type="checkbox"/> none reported |
| Any noncompliance material to financial statements noted? | <input type="checkbox"/> yes            | <input checked="" type="checkbox"/> no            |

**Federal Awards**

Internal control over major programs:

- |   |                              |   |
|---|------------------------------|---|
| Any material weakness(es) identified?       | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no            |
| Any significant deficiency(ies) identified? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> none reported |

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

- |  |                              |  |
|--|------------------------------|--|
| Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |
|--|------------------------------|--|

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
•Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
•Title I, Part A Cluster:	
Title I Grants to Local Educational Agencies	84.010
•Special Education Cluster (IDEA):	
Special Education - Grants to States	84.027
Special Education - Preschool Grants	84.173

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

- |  |                              |  |
|--|------------------------------|--|
| Auditee qualified as low-risk auditee? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |
|--|------------------------------|--|

**Section II: Financial Statement Findings**

Finding 13-1.

**Section III: Federal Awards Findings**

None reported.

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

**Finding: 13-1 (Repeat)**

<i>Condition:</i>	Certain material adjustments were required as part of the audit process.
<i>Criteria:</i>	Audit adjustments are indicative of a deficiency in the internal controls over financial reporting.
<i>Cause:</i>	Traditionally, small governments have expected such adjustments to be part of the audit process. However, accounting pronouncements have placed a greater expectation on the government to make all material adjustments itself.
<i>Effect:</i>	Account balances were overstated or understated.
<i>Recommendation:</i>	Staff should obtain any necessary training to familiarize themselves with the applicable accounting principles for the preparation of complete governmental financial statements, as well as routinely perform a final review to determine that all known adjustments have been made.
<i>Management Response:</i>	<i>The District Finance Officer will ensure all material adjustments are made. The District will ensure all financial staff receives and maintains all necessary training for preparation of the financial statements.</i>

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

**Finding: 05-1**

<i>Finding:</i>	Time and Effort
<i>Status:</i>	This was partially corrected this fiscal year. We will continue working on the planned corrective action during the next fiscal year.

**Finding: 11-2**

<i>Finding:</i>	Maintenance of Fiscal Effort
<i>Status:</i>	This was partially corrected this fiscal year. We will continue working on the planned corrective action during the next fiscal year.

## **MANAGEMENT LETTER POINTS**



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Superintendent and  
Members of the Board of Education  
Breckinridge County School District  
Hardinsburg, Kentucky

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

However, during our audit we became aware of matters that are opportunities for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those immaterial matters. A separate report dated October 16, 2013 contains our report on internal control. This letter does not affect our report dated October 16, 2013 on the basic financial statements of the Breckinridge 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.

*Drane & Company, PLLC*

Drane & Company, PLLC  
Certified Public Accountants

Hardinsburg, KY

October 16, 2013

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**PRIOR YEAR**

**CENTRAL OFFICE**

**Bonding**

The District's public employee dishonesty coverage may be inadequate, as it is limited to \$50,000 per occurrence. 702 KAR 3:080(4) stipulates, "A district board of education shall require the bonding of **all** employees who are responsible for board funds." In addition to a possible violation of state statute, the current coverage may be inadequate to safeguard the funds of the District. The District should review its coverage for compliance with 702 KAR 3:080(4), and at a minimum, the superintendent should be bonded for the same amount as the finance officer.

*Management Response: The District will review 702 KAR 3:080 (4) to determine compliance. If the District determines that additional bonding is required, then the District will ensure compliance.*

**Disbursements**

As in the prior year, in order to ensure payments are made by the due date, one of the District's credit cards is paid by automatic bank draft; however, the District still prepares a paper check through the accounts payable function. Although the check is typically voided (on paper only), the potential exists for the check to be accidentally mailed to the vendor. The amount of the check does not always agree with the amount of the bank draft, so a reconciling item is then created during the bank reconciliation. The check has to be cleared in the system even though it never actually cleared the bank. This failure to maintain document control effectively removes any audit trail and could permit misappropriation. We continue to recommend that the District discontinue this practice as soon as possible. The District should either cancel the automatic bank draft and resume payment by paper check or enter the amount paid by automatic bank draft as a journal entry and discontinue preparation of a paper check.

*Management Response: The District agrees with the recommendation and in 2013-2014 plans to make the necessary changes needed to ensure proper control in all points of the process. Specifically, the District will continue to pay by automatic bank draft and enter the amount paid as a journal entry.*

During the testing of sixty disbursements, thirteen errors were found, consisting of one invoice that was not cancelled, one invoice paid to the wrong vendor, four purchases made without a proper purchase order, five without a receiving report, and two without proper approval. Every effort should be made to obtain a purchase order prior to the purchase, and the person receiving the goods or services should sign the invoice, packing slip, or receivership section of the purchase order to indicate receipt. All invoices should be properly approved and cancelled to avoid duplicate payment.

*Management Response: The Finance Officer will ensure that all purchasing procedures are being followed. This will be done by meeting with Central Office personnel and reviewing proper purchasing procedures. The Finance Officer will also conduct periodic audits to ensure all necessary paperwork is included with payment vouchers.*

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**INDIVIDUAL SCHOOL ACTIVITY FUNDS**

**Ben Johnson Elementary School**

Annual Reports

As in the prior year, the annual financial report submitted by one of the school's support organizations was not in the prescribed format, and it did not appear that a budget was presented at the beginning of the year. The Redbook states that support/booster organizations should submit a budget at the start of the school year and report receipts, expenditures, and beginning and ending balances to the principal by July 25 for the year ended June 30. We continue to recommend that more effort be made to obtain the required reports in the prescribed format.

As in the prior year, a list of accounts receivable did not accompany the annual school activity report for the fiscal year. We continue to recommend that a list of receivables accompany the annual school activity report as required by the Redbook.

Receipts

As in the prior year, we noted problems with receipts tested. Out of twenty-five transactions tested, twelve Multiple Receipt Forms (MRF) did not contain the student's signatures as required by Redbook, and one was not completed properly. We recommend that more effort be made to ensure the proper completion of the MRF. We noted three instances where several MRF were combined into one receipt. A separate receipt should be issued for each MRF. One deposit over \$100 was not made timely. Per Redbook guidelines, deposits over \$100 should be made daily.

Transfers

As in the prior year, we noted that four out of twenty-seven transfers were missing the faculty signature. We continue to recommend that the sponsor of the remitting activity and the principal sign the Transfer Form as outlined in the Redbook.

Donations

In the prior year, a list of donations was not submitted to the Board. This was rectified during the current year.

Ticket Sales

As in the prior year, we noted two Ticket Sale Forms that were completed incorrectly. The recorded beginning ticket number was incorrect. The beginning number should be the first ticket number sold. In addition, the calculations on the forms were incorrect and had been changed extensively. We continue to recommend that more attention be given to the accurate preparation of Ticket Sale Forms.

*Management Response: The District contracted with an outside vendor to conduct mandatory Redbook training for all applicable staff in May 2013. Going forward, a meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.*

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Breckinridge County High School**

Receipts

As in the prior year, we noted problems with the receipts tested. Out of sixty transactions tested, there were two instances where the Fundraiser Approval Forms and Worksheets were not completed, and four receipts were not supported by Multiple Receipt Forms. We continue to recommend that support forms available in the Redbook accompany receipts when applicable. We again noted one instance where a receipt was coded to the incorrect fund. We recommend that more effort be made to ensure the proper coding of receipts. Account ledgers should be scanned monthly to verify that receipts were coded to the correct accounts.

Concessions

In prior years, the gross profit earned on concessions was low (29.4%). Much improvement was noted in this area during the current year.

Credit Cards

As in prior years, we noted instances in which the Credit Card Sign-In/Out Form was not completed properly. There was one instance where the employee that checked out the credit card did not sign the form. There were ten instances where the date and/or time the card was issued or returned was not documented. We continue to recommend that more effort be made to ensure that the Credit Card Sign-In/Out Form is completed properly.

Annual Reports

In prior years, a list of accounts receivable did not accompany the annual school activity report. Although the annual report included a list of accounts receivable and accounts payable during the current year, the audit revealed additional receivables and payables of \$1,919 and \$5,000, respectively. We recommend that more effort be made to ensure that complete lists of receivables and payables accompany the annual school activity report as required by the Redbook.

In the prior year, a copy of the Annual Financial Report could not be provided during the audit. This issue was rectified during the current year.

As in the prior year, annual financial reports were not submitted in the prescribed format by the school's support organizations. Also, it did not appear that the lists of officers and budgets were filed at the beginning of the school year. The Redbook states that support/booster organizations should submit a list of officers at the start of the school year and a final budget within thirty days after the school year begins. Support/booster organizations must also report receipts, expenditures, and beginning and ending balances to the principal by July 25 for the year ended June 30. We recommend that more effort be made to obtain the required reports in the prescribed format in a timely manner.

Disbursements

In the prior year, school activity funds were used to purchase staff appreciation gifts. We noted no repeat occurrences during the current year.

As in the prior year, we noted problems with the disbursements tested. Out of sixty transactions tested, three purchase orders appeared to be made after the purchases, one invoice was paid late, and one check did not have two signatures. Purchase orders should be made prior to purchases, invoices should be paid timely, and all checks require dual signatures.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Breckinridge County High School (Concluded)**

Transfers

As in the prior year, we noted that eight out of thirty-seven transfers were missing the faculty signature. We continue to recommend that the sponsor of the remitting activity and the principal sign the Transfer Form as outlined in the Redbook.

Donations

As in the prior year, a \$5,000 grant/donation was not remitted to the Central Office for deposit and tracking. Board policies require that any deposit over \$2,500 be remitted to the Central Office. Further, this donation was intended to apply to Board expenditures. We continue to recommend that more effort be made to ensure that donations over the threshold are processed through the Central Office.

A list of donations was not submitted to the Board in the prior year, but this was rectified during the current year.

*Management Response: The District contracted with an outside vendor to conduct mandatory Redbook training for all applicable staff in May 2013. Going forward, a meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.*

**Breckinridge County Middle School**

Credit Cards

In the prior years, we observed some issues with the credit card log, such as improper completion of the form. We noted no repeat occurrences during the current year.

Annual Reports

As in the prior year, a list of accounts receivable did not accompany the annual school activity report for the fiscal year. We recommend that a list of receivables accompany the annual report as required by the Redbook.

Donations

In the prior year, a list of donations was not submitted to the Board. This was rectified during the current year.

Receipts

As in the prior year, we noted problems during the testing of twenty-five receipts. Five Multiple Receipt Forms (MRF) did not contain the student's signatures as required by Redbook. We recommend that more effort be made to ensure the proper completion of the MRF.

Disbursements

As in the prior year, we noted problems during the testing of twenty-five disbursements. We noted four instances where the statements were cancelled instead of the invoices and one invoice that was paid late. All invoices should be cancelled to avoid duplicate payments, and payments should be made by the due date.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Breckinridge County Middle School (Concluded)**

*Management Response: The District contracted with an outside vendor to conduct mandatory Redbook training for all applicable staff in May 2013. Going forward, a meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.*

**Custer Elementary School**

**Annual Reports**

In prior years, a list of accounts payable did not accompany the annual school activity report for the fiscal year. This was rectified during the current year.

As in the prior year, the annual financial report submitted by one of the school's support organizations was not in the prescribed format. The Redbook states that support/booster organizations should report receipts, expenditures, and beginning and ending balances to the principal by July 25 for the year ended June 30. We recommend that more effort be made to obtain the required reports in the prescribed format.

**Receipts**

As in the prior year, we noted problems with the receipts tested. Out of twenty-five transactions, four Multiple Receipt Forms (MRF) did not contain the student's signatures as required by Redbook. Two MRF and two other forms were missing information. We recommend that more effort be made to ensure the proper completion of all forms. One deposit over \$100 was not made timely. Per Redbook guidelines, deposits over \$100 should be made daily.

**Ticket Sales**

As in the prior year, we noted problems with Ticket Sale Forms. The recorded beginning ticket number was incorrect, and no ending tickets were attached. The beginning number should be the first ticket number sold, and the unsold end ticket should be attached to the form. It is our recommendation that more attention be given to the accurate preparation of Ticket Sale Forms.

**Donations**

As in the prior year, a list of donations was not submitted to the Board. Redbook requires the school treasurer to prepare a list of all donations to the school for the Board. We recommend that more effort be made to ensure this requirement is met.

*Management Response: The District contracted with an outside vendor to conduct mandatory Redbook training for all applicable staff in May 2013. Going forward, a meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.*

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Hardinsburg Elementary School**

Annual Reports

In the prior year, the annual financial report submitted by one of the school's support organizations was not in the prescribed format. This appeared to be rectified during the current year. As in the prior year, a budget was not presented at the beginning of the year. The Redbook states that support/booster organizations should submit a budget at the start of the school year. We recommend that more effort be made to obtain the required reports in the prescribed format.

In the prior year, a list of accounts receivable did not accompany the annual school activity report for the fiscal year. This was rectified during the current year.

Credit Cards

As in the prior year, we noted two instances in which the Credit Card Sign-In/Out Form was not completed properly. There was one instance where the employee that checked out the credit card did not sign the log and one instance where the check-out time was missing. We continue to recommend that more effort be made to ensure that the Credit Card Sign-In/Out Form is completed properly.

Receipts

As in the prior year, we noted problems during the testing of twenty-five receipts. Thirteen Multiple Receipt Forms (MRF) did not contain the student's signatures as required by Redbook, and one receipt had the wrong payee. We recommend that more effort be made to ensure the proper completion of the MRF and that receipts are issued to the proper person.

Donations

In the prior year, a list of donations was not submitted to the Board. This was rectified during the current year.

Disbursements

In the prior year, there was no supporting documentation for checks issued from the gaming account to cover prizes. This was rectified during the current year.

*Management Response: The District contracted with an outside vendor to conduct mandatory Redbook training for all applicable staff in May 2013. Going forward, a meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.*

**Irvington Elementary School**

Annual Reports

As in the prior year, the annual financial report was prepared incorrectly. The receipts and disbursements listed on the Recapitulation and Bank Reconciliation did not agree with the annual financial report. We continue to recommend that more effort be made to ensure that all reports are correct.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Irvington Elementary School (Continued)**

As in the prior year, an annual financial report was not submitted in the prescribed format by one of the school's support organizations. In addition, it did not appear that a budget was presented at the beginning of the year. The Redbook states that support/booster organizations should submit a budget at the start of the school year and report receipts, expenditures, and beginning and ending balances to the principal by July 25 for the year ended June 30. We continue to recommend that more effort be made to obtain the required reports in the prescribed format in a timely manner.

In the prior year, a list of accounts receivable did not accompany the annual school activity report for the fiscal year. There were no receivables for the current year. \$1,769 of payables was recorded, but the audit revealed only \$1,356. We recommend that more effort be made to ensure that payables are recorded accurately at year-end.

**Credit Cards**

In the prior years, we noted instances in which the Credit Card Sign-In/Out Form was not completed properly. We noted no repeat occurrences in the current year.

**Receipts**

As in the prior year, we noted problems during the testing of twenty-five receipts. Twelve Multiple Receipt Forms (MRF) did not contain the student's signatures as required by Redbook, and two MRF had other missing information. One receipt was not properly voided. We recommend that more effort be made to ensure the proper completion of the MRF. Receipts should be defaced when they are voided.

**Disbursements**

As in the prior year, we noted problems during the testing of twenty-five disbursements. One payment was made with no supporting documentation, another was made based on an incomplete purchase order only, and two invoices were paid late. Purchase orders should be properly completed prior to a purchase, and payments should be made from an original or standard invoice by the due date.

**Donations**

In the prior year, a list of donations was not submitted to the Board. This was rectified during the current year.

**Support Organizations**

In the prior year, the Parent Teacher Organization (PTO) was given control over ticket sales and concessions at ballgames. Some proceeds appear to be remitted to the school, while the remainder is retained by the PTO. The PTO also pays the ballgame referees, so 1099 reporting requirements may not have been met. This arrangement affords little to no control over receipts and disbursements, and a large portion of the proceeds are being retained by the PTO. We continue to recommend that the school resume control over ticket sales and concessions at ballgames.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Irvington Elementary School (Concluded)**

*Management Response: The District plans to move ticket sale operations back to the school and under applicable Redbook regulations. In addition, referees will be paid with school funds to ensure 1099 reporting is being followed. The District contracted with an outside vendor to conduct mandatory Redbook training for all applicable staff in May 2013. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.*

**CURRENT YEAR**

**CENTRAL OFFICE**

**Published Information**

The District did not publish annual financial information required by state law. KRS 424.220 requires that local boards of education publish annual financial statements which shall include the total amount of funds collected and received during the fiscal year from each individual source, the amount dispersed during the fiscal year to each individual payee, and the purpose for which the funds were expended. The amount of salaries paid to district employees shall be shown as lump sum expenditures. We recommend that the District make more effort to ensure that all required information is published timely and in accordance with state laws.

*Management Response: The District will ensure all public information and reports are published in accordance with all applicable statutes.*

**Food Service**

During the testing of the Food Service program, we noted some instances of nonmaterial noncompliance and deficiencies in internal control. The program director did not sign two lunch applications during the verification process, and one applicant did not provide the proper support. Proper internal control requires the signature of the program director to indicate approval, and certain documents must be provided by lunch applicants when selected for verification. We recommend that more effort be made to ensure that the proper documentation is obtained and that the program director sign the forms as required.

We noted that seven invoices selected for testing were not signed by the program director. Proper internal control requires invoices to be approved by the program director. We recommend that more effort be made to ensure that the program director signs off on invoices prior to payment. The food service assistant should check the invoice for the director's approval before entering it into the system for payment.

The lunch prices charged by the elementary schools were lower than the minimum price required for paid lunches. As the Food Service fund has substantial equity, the District felt it was not necessary to increase prices and place an undue burden on the student families. We recommend that the District follow the paid lunch equity guidelines or obtain a waiver from the requirements.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**CENTRAL OFFICE (Concluded)**

*Management Response:* Beginning with the 2013-2014 school year, the Finance Officer will conduct internal audits at each school location and the Central Office to ensure control of disbursement activities. In addition, the Finance Officer along with the Food Service Director, will monitor the paid lunch equity model to ensure compliance with Section 205 of the Healthy, Hunger-Free Kids Act of 2010. If additional non-federal contributions are needed, then the District may seek a waiver as the Food Service program is financially stable.

**INDIVIDUAL SCHOOL ACTIVITY FUNDS**

**Ben Johnson Elementary School**

**Receipts**

A Multiple Receipt Form (MRF) is used to log money collected during the day, and one receipt is issued at the end of the day. Per Redbook, a receipt should be issued each time that money is collected from a different source. Several receipts can then be combined into one deposit for the day. We also noted that all receipts are issued to the principal rather than to the actual source. We recommend that receipts be issued in the name of the person submitting the money.

*Management Response:* The District contracted with an outside vendor to conduct mandatory Redbook training for all applicable staff in May 2013. Going forward, a meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.

**Breckinridge County High School**

**Receipts**

Out of sixty receipts tested, we noted these additional problems. Four Multiple Receipt Forms (MRF) did not contain the student's signatures as required by Redbook, and two were missing other information. We recommend that more effort be made to ensure the proper completion of the MRF. Two deposits over \$100 were not made timely. Per Redbook guidelines, deposits over \$100 should be made daily.

**Travel Advances**

We noted two instances where Form FS-A-9 (Expense Report) was not used for travel advances. In both cases, a standard invoice was used by the coaches to request travel money. The check received was cashed, and money was issued to students to cover expenditures. No receipts were presented, and there was no indication that the students actually received the money. As this practice could permit misappropriation, we recommend that it be discontinued immediately. As outlined in the Redbook, cash advances should be supported by Form FS-A-9. The completed form, related receipts, other supporting documents, and unused cash should be returned the next business day after the travel.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Breckinridge County High School (Concluded)**

*Management Response: The District contracted with an outside vendor to conduct mandatory Redbook training for all applicable staff in May 2013. Going forward, a meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.*

**Breckinridge County Middle School**

**Annual Reports**

The annual financial report presented by one of the school's support organizations was not submitted timely or in the prescribed format. The Redbook states that support/booster organizations should report receipts, expenditures, and beginning and ending balances to the principal by July 25 for the year ended June 30. We recommend that more effort be made to obtain the required reports in the prescribed format by the due date.

**Disbursements**

The General Fund was used to purchase staff appreciation gifts, and items for coaches were purchased with student concession funds. As outlined in the Redbook, we recommend that only staff generated funds such as proceeds from staff vending machines be used for staff gifts, dinners, etc. Student generated funds should only be used for the benefit of students.

**Ticket Sales**

During the audit, we noted that one Ticket Sale Form was not completed properly, and the same ticket color was used for consecutive games. More attention should be given to the accurate preparation of the forms, and ticket colors should be rotated with each event.

*Management Response: The District contracted with an outside vendor to conduct mandatory Redbook training for all applicable staff in May 2013. Going forward, a meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.*

**Custer Elementary School**

**Receipts**

During testing we discovered that two deposits were made without corresponding receipts. In accordance with the Redbook requirements, we recommend that a receipt be issued any time money is received.

**Disbursements**

Out of twenty-five disbursements tested, we noted the following problems. Two purchase orders were made after the purchase, three invoices were not cancelled, two invoices were paid late, and sales tax was paid on one invoice. Purchase orders should be made prior to purchases, sales tax should be deducted before payment, and all invoices should be paid by the due date and cancelled to avoid duplicate payments.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Custer Elementary School (Concluded)**

*Management Response:* The District contracted with an outside vendor to conduct mandatory Redbook training for all applicable staff in May 2013. Going forward, a meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.

**Hardinsburg Elementary School**

Disbursements

Out of twenty-five disbursements tested, we noted the following problems. One payment was based on a statement instead of an invoice, one invoice was not cancelled, and two invoices were paid late. Payments should be made from invoices rather than statements, and all invoices should be paid by the due date and cancelled to avoid duplicate payments.

The General Fund was used to purchase staff appreciation gifts. As outlined in the Redbook, we recommend that only staff generated funds such as proceeds from staff vending machines be used for staff gifts, dinners, etc.

Transfers

During testing we noted that one transfer was missing the faculty signature. In accordance with the Redbook requirements, we recommend that the sponsor of the remitting activity and the principal sign the Transfer Form.

The balance in the Student Concession Fund was transferred to the General Fund at year-end. We recommend keeping student generated funds separate from the General Fund.

*Management Response:* The District contracted with an outside vendor to conduct mandatory Redbook training for all applicable staff in May 2013. Going forward, a meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.

**Irvington Elementary School**

Activity Fund

As a result of a payable recorded, the Flower Fund ended the year with a \$12 deficit balance. As this is not allowed by the Redbook, we recommend that transfers be made prior to year-end to cover funds with a deficit balance after receivables and payables are recorded.

*Management Response:* The District contracted with an outside vendor to conduct mandatory Redbook training for all applicable staff in May 2013. Going forward, a meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed. In addition, more attention will be given to end of year ledger balances to ensure no deficit balances.