

CALDWELL COUNTY SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2013

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INTRODUCTORY SECTION

CALDWELL COUNTY SCHOOL DISTRICT

June 30, 2013

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Certified Public Accountants
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Independent Auditor's Report

Kentucky State Committee for School District Audits
Caldwell County Board of Education
Princeton, Kentucky

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 Caldwell County School 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 from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-12 and 41-42 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 Caldwell County School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 9, 2013, on our consideration of the Caldwell County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Caldwell County School District's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Murray, Kentucky
October 9, 2013

CALDWELL COUNTY SCHOOLS

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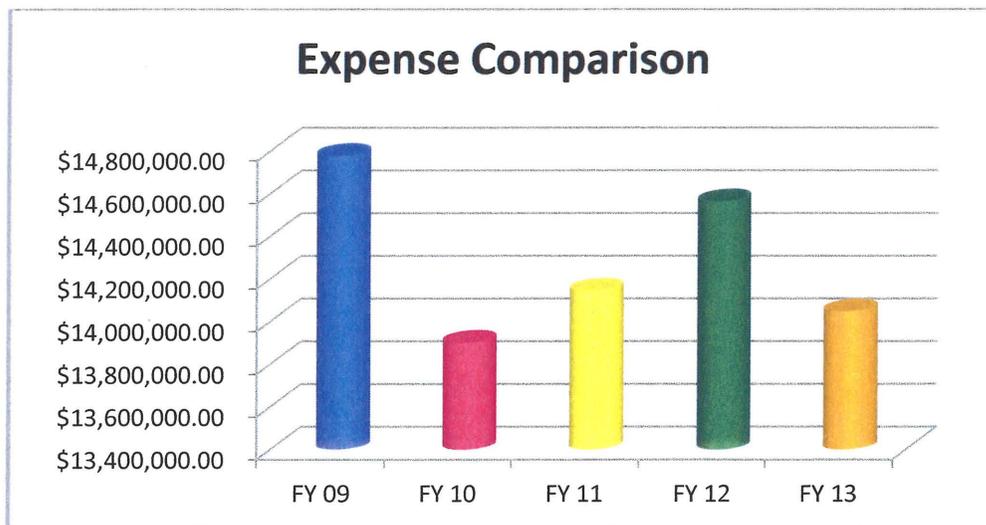
KELLY BYRD
Director of Special Education

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

As management of the Caldwell County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

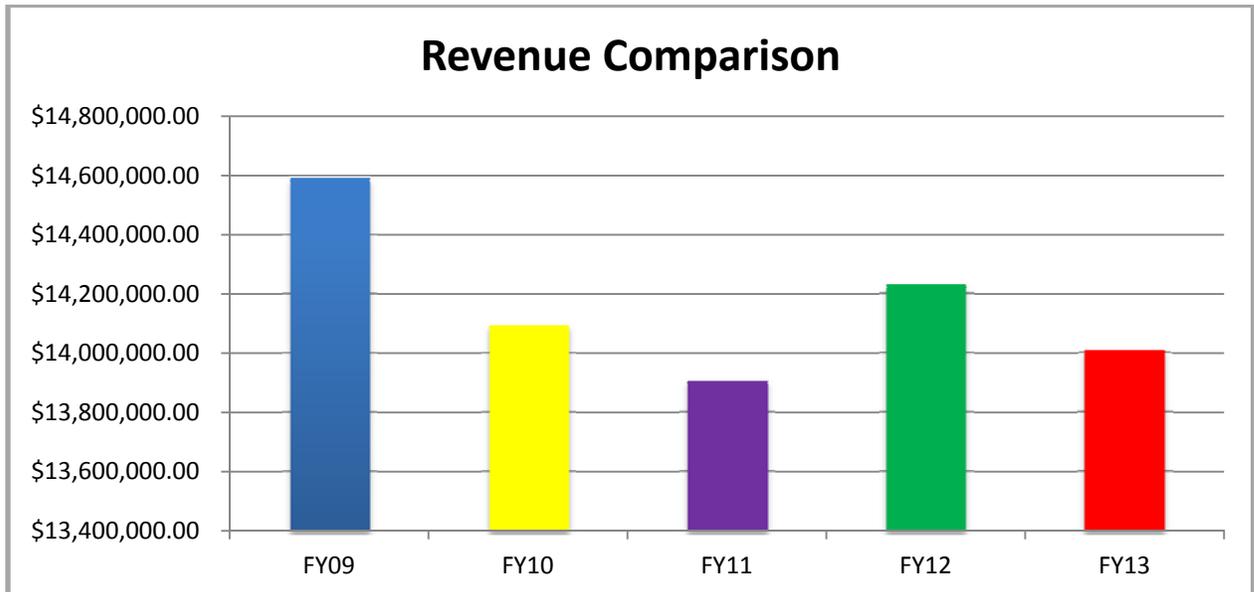
FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District's General Fund was approximately \$3,369,368.
- The general fund increased approximately \$202,000 from 2012. This is due to regulations allowing the transfer of restricted funds from capital outlay and building fund in the amount of \$240,000 to be used for general operating expenses and building maintenance.
- In 2013 the district assigned a total of \$166,366 in funds for KSBIT liability and building maintenance.
- The ending cash balance for the District's General Fund was \$3,522,347 including restricted and committed funds.
- During fiscal year 2013, the District General Fund expenditures decreased by \$514,805 because of no new bus purchases, reduction in fuel cost, reduction in building maintenance, and reduction in technology expenses. The General Fund expenditures were \$14,047,223.



The General Fund had \$14,009,407 in revenues, which primarily consisted of the state program (SEEK) and property taxes, utility taxes, and motor

vehicle taxes. The general fund revenues increased in property taxes but SEEK funding decreased by \$127,927.



- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education’s (KDE) stringent compliance regulations. The District’s total debt from bonds and leases decreased by \$512,065 during the current year.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities

of the District include instruction, support services, operation, and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$16,243,799 as of June 30, 2013.

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

The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets. Government-wide net positions for fiscal year ending June 30, 2013 as compared to June 30, 2012 are as follows:

<u>Net Position as of June 30,</u>	<u>2013</u>	<u>2012</u>
Assets		
Current Assets	\$ 4,725,180	\$ 4,547,725
Noncurrent Assets	<u>22,361,369</u>	<u>23,679,701</u>
Total Assets	<u>27,086,549</u>	<u>28,227,426</u>
Liabilities and Net Position		
Current Liabilities	963,990	822,148
Noncurrent Liabilities	<u>9,878,760</u>	<u>10,471,107</u>
Total Liabilities	<u>10,842,750</u>	<u>11,293,255</u>

Net investment in capital assets	12,491,107	13,413,001
Restricted	665,670	818,335
Unrestricted	<u>3,087,022</u>	<u>2,702,835</u>
Total Net Position	<u>\$16,243,799</u>	<u>\$16,934,171</u>

The following shows changes in net position for the fiscal years 2013 and 2012

<u>Statement of Activities for the year ended June 30,</u>	<u>2013</u>	<u>2012</u>
Revenues		
Program Revenues:		
Charges for services	\$ 317,228	\$ 340,249
Operating Grants and Contributions	2,727,904	3,574,619
General Revenues:		
Local taxes	3,209,243	3,075,431
State revenues	11,539,766	11,699,183
Investment earnings	108,796	64,300
Other revenues	<u>29,792</u>	<u>89,277</u>
Total Revenues	<u>17,932,729</u>	<u>18,843,059</u>
Expenses		
Instruction	10,318,605	10,278,292
Support services:		
Student	690,708	679,612
Instructional staff	434,023	551,790
District administration	603,576	706,068
School administration	977,956	956,927
Business	569,659	855,035
Plant operations	1,988,827	1,807,561
Student transportation	1,355,863	1,409,781
Non-instructional	176,579	189,392
Interest on long-term debt	348,571	416,418
Amortization - unallocated	40,779	40,778
Food service	<u>1,117,955</u>	<u>1,125,104</u>
Total Expenses	<u>18,623,101</u>	<u>19,016,758</u>
Excess (Deficit) Revenues over Expenditures	<u>\$ (690,372)</u>	<u>\$ (173,699)</u>

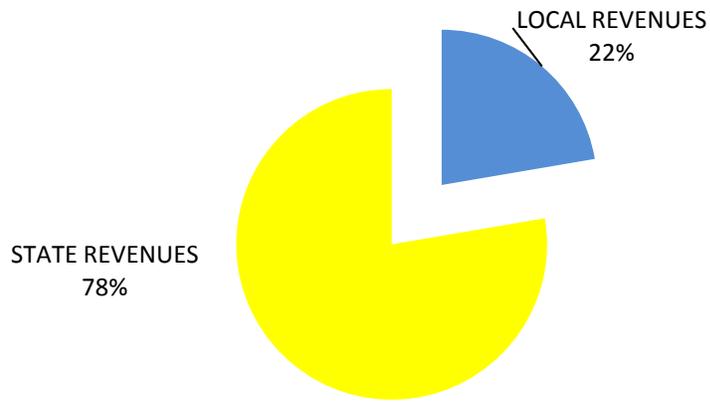
GOVERNMENTAL FUND FINANCIAL STATEMENTS

The governmental fund financial statements are comprised of the general fund, special revenue fund, capital projects funds, and debt service fund. The general fund is the largest of the governmental funds, comprising approximately 75% - 80% of its total. The following table presents a summary comparison of general fund revenues and expenditures for fiscal years ending 2013 and 2012.

	General Fund <u>6/30/13</u>	General Fund <u>6/30/12</u>
REVENUES		
From local sources		
Property taxes	\$ 1,403,908	\$ 1,305,950
Motor vehicle taxes	429,539	427,771
Utilities taxes	879,467	901,114
Other taxes	212,273	164,399
Earnings on investments	106,723	56,864
Other local revenues	92,839	325,578
Intergovernmental - State	<u>10,882,858</u>	<u>11,031,824</u>
Total Revenues	<u>\$14,007,607</u>	<u>\$14,213,500</u>
EXPENSES		
Instruction	\$ 8,130,636	\$ 7,910,765
Student	626,367	610,909
Instructional staff	424,674	440,018
District administration	608,013	706,579
School administration	988,476	989,974
Business	533,218	813,827
Plant operations and management	1,558,741	1,647,985
Student transportation	1,126,737	1,371,000
Non-instructional services	<u>18,197</u>	<u>27,932</u>
Total Expenditures	<u>\$14,015,059</u>	<u>\$14,518,989</u>
Deficit of revenues over expenditures	<u>\$ (7,452)</u>	<u>\$ (305,489)</u>

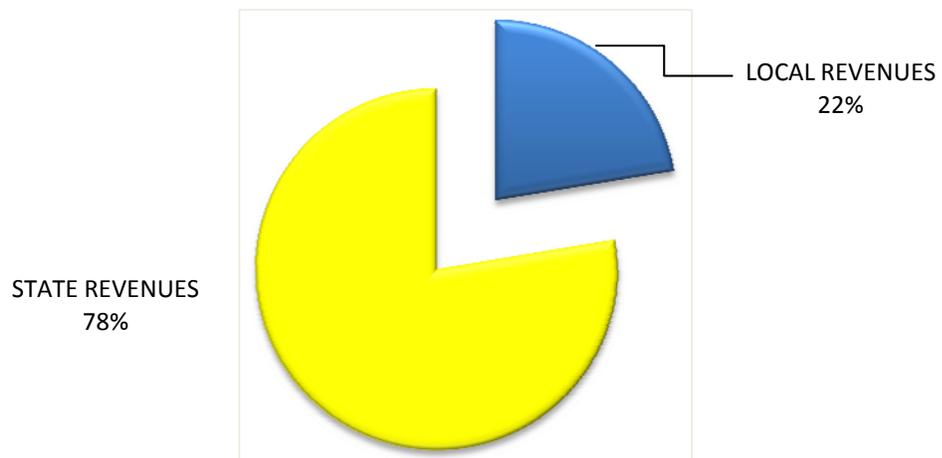
GENERAL FUND REVENUE CHARTS 1 & 2

General Fund Revenue Sources FY 13

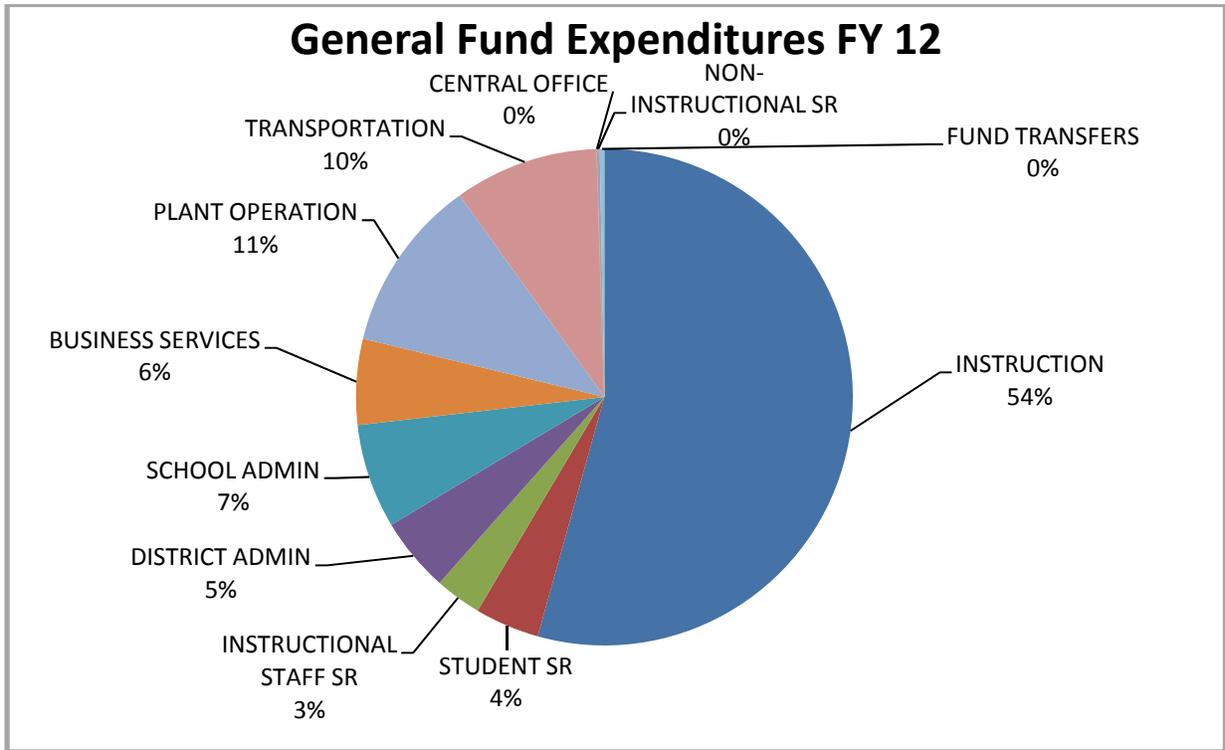
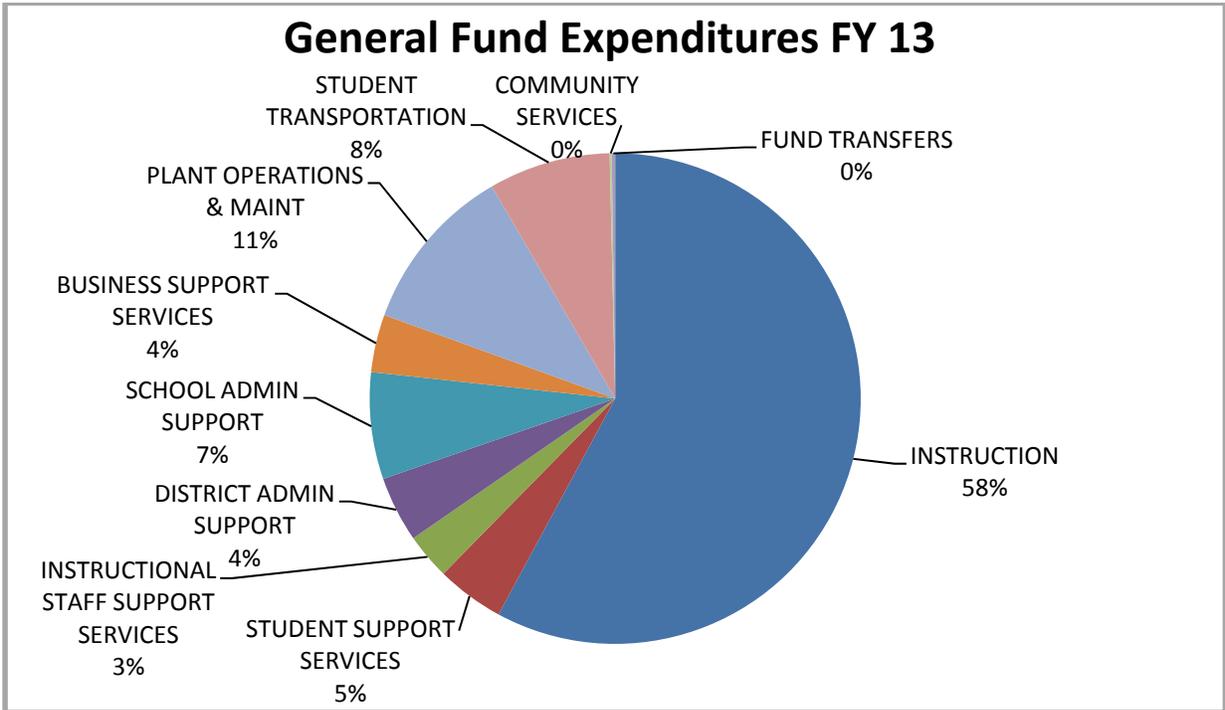


Total General Fund revenue for 2013 was \$14,009,407 which is a 1.5% decrease from 2012.

General Fund Revenue Sources FY 12

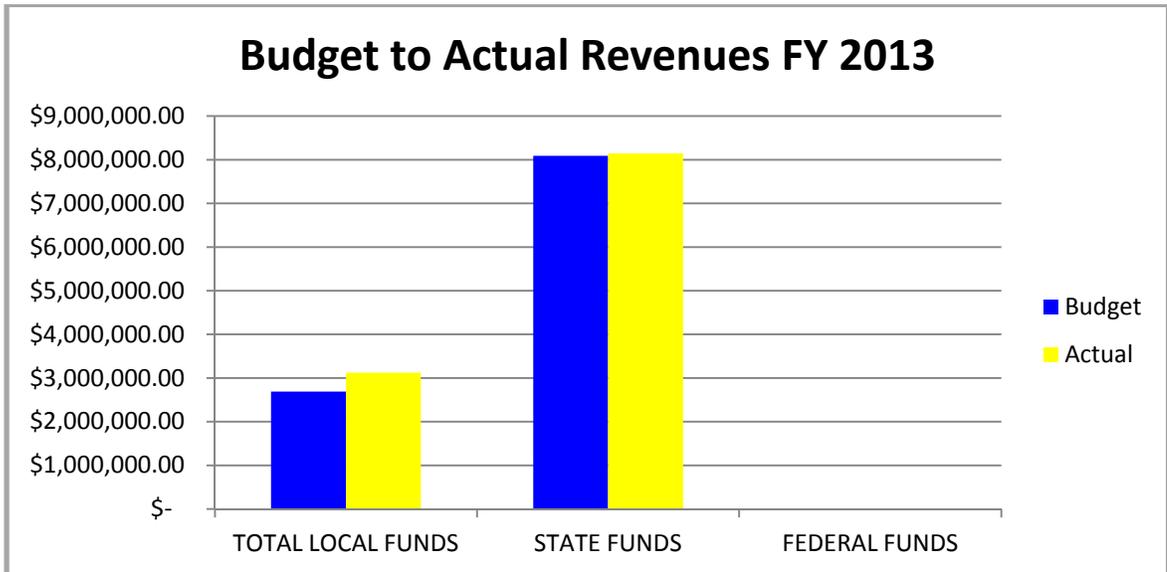


GENERAL FUND EXPENDITURE CHARTS 3 & 4

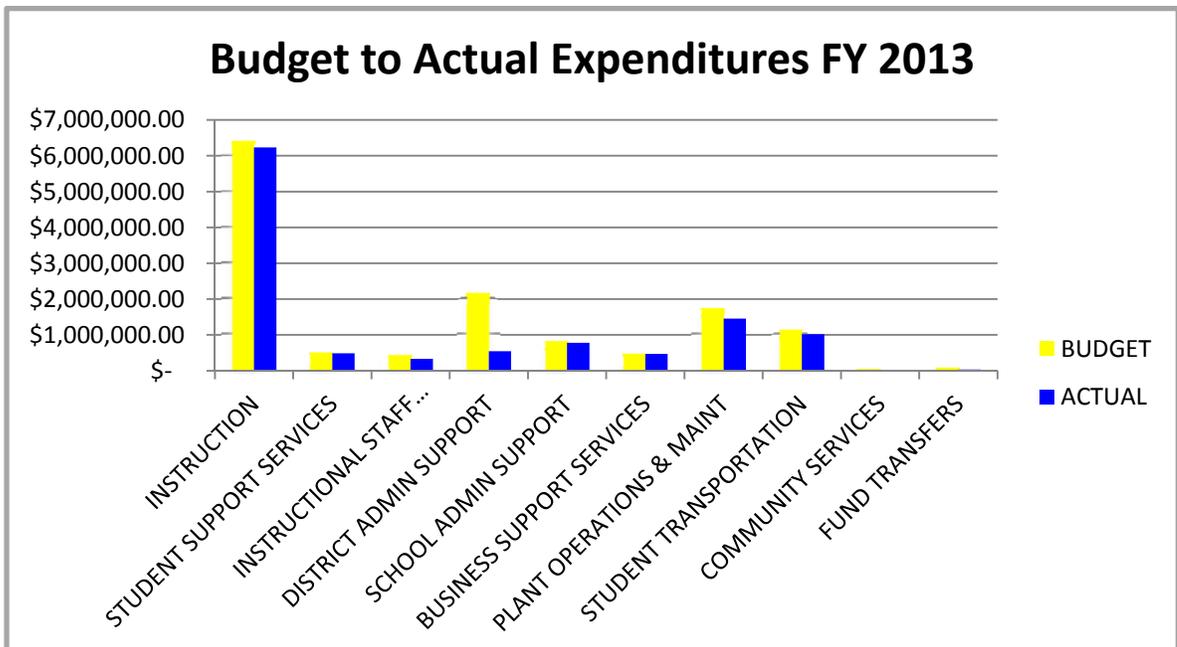


COMMENTS ON BUDGET COMPARISONS

- Actual revenues and expenditures are recorded on a budgetary basis for purposes of comparison to the budgeted revenues and expenditures. The budgetary basis excludes revenues and expenditures for payments made by the State on-behalf of the District.
- The General Fund actual revenues on a budgetary basis compared to budgeted revenues varied slightly from line item to line item with the ending actual balance being \$11,513,007 which was 7 percent more than the amount budgeted.



- General fund actual expenditures on a budgetary basis were \$11,310,453 which was \$2,306,223 less than the final budgeted expenditures. This resulted in a favorable 16.9 percent variance between the budgeted and actual general fund expenditures.



BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1 through June 30; other programs (i.e. some federal) 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. The District adopted a budget with \$1,458,760.10 in contingency, which is 10.7%. The ending cash and cash equivalents balance for the General Fund for the fiscal year was \$3,522,347.

Questions regarding this report should be directed to the Superintendent by phone, (270) 365-8000 or by mail, Post Office Box 229 Princeton, Kentucky 42445.

BASIC FINANCIAL STATEMENTS

CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 4,290,624	\$ 274,487	\$ 4,565,111
Receivables			
Accounts	130,277	1,361	131,638
Intergovernmental - Federal	12,248	-	12,248
Inventories	-	16,183	16,183
Deferred bond issuance cost, net	187,165	-	187,165
Restricted cash and cash equivalents	100,000	-	100,000
Capital assets not being depreciated			
Land	261,197	-	261,197
Construction in progress	62,819	-	62,819
Capital assets, net of accumulated depreciation			
Land improvements	258,127	-	258,127
Buildings and improvements	19,435,962	336,397	19,772,359
Technology equipment	365,783	2,834	368,617
Vehicles	973,499	-	973,499
General equipment	277,093	67,396	344,489
Property under capital lease	33,097	-	33,097
Total assets	<u>26,387,891</u>	<u>698,658</u>	<u>27,086,549</u>
Liabilities			
Accounts payable	54,730	-	54,730
Unearned revenue	229,010	-	229,010
Accrued interest	82,004	-	82,004
Long-term liabilities			
Portion due or payable within one year			
Bonds and capital lease	522,065	-	522,065
Accrued sick leave	69,809	6,372	76,181
Portion due or payable after one year			
Bonds and capital lease	9,061,032	-	9,061,032
Accrued sick leave	795,392	22,336	817,728
Total liabilities	<u>10,814,042</u>	<u>28,708</u>	<u>10,842,750</u>
Net Position			
Net investment in capital assets	12,084,480	406,627	12,491,107
Restricted for			
Accumulated sick leave	100,000	-	100,000
Grants	3,825	-	3,825
Future construction	230,600	-	230,600
Debt service	331,245	-	331,245
Unrestricted	2,823,699	263,323	3,087,022
Total net position	<u>\$ 15,573,849</u>	<u>\$ 669,950</u>	<u>\$ 16,243,799</u>

The accompanying notes are an integral part of these financial statements.

CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Functions / Programs	Program Revenues			Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities						
Instruction	\$ 10,273,014	\$ -	\$ 1,852,422	\$ (8,420,592)	\$ -	\$ (8,420,592)
Support services						
Student	690,708	-	-	(690,708)	-	(690,708)
Instructional staff	434,023	-	-	(434,023)	-	(434,023)
District administration	603,576	-	-	(603,576)	-	(603,576)
School administration	977,956	-	-	(977,956)	-	(977,956)
Business	569,659	-	-	(569,659)	-	(569,659)
Plant operations and management	1,988,827	-	-	(1,988,827)	-	(1,988,827)
Student transportation	1,355,863	-	-	(1,355,863)	-	(1,355,863)
Non-instructional services	176,579	-	-	(176,579)	-	(176,579)
Interest on long-term debt	348,571	-	-	(348,571)	-	(348,571)
Amortization - unallocated	40,779	-	-	(40,779)	-	(40,779)
Total governmental activities	<u>17,459,555</u>	<u>-</u>	<u>1,852,422</u>	<u>(15,607,133)</u>	<u>-</u>	<u>(15,607,133)</u>
Business-type activities						
Food service	1,117,955	275,301	869,954	-	27,300	27,300
Other enterprise	45,591	41,927	5,528	-	1,864	1,864
Total business-type activities	<u>1,163,546</u>	<u>317,228</u>	<u>875,482</u>	<u>-</u>	<u>29,164</u>	<u>29,164</u>
Total primary government	<u>\$ 18,623,101</u>	<u>\$ 317,228</u>	<u>\$ 2,727,904</u>	<u>(15,607,133)</u>	<u>29,164</u>	<u>(15,577,969)</u>
General revenues:						
Taxes						
Property				1,687,964	-	1,687,964
Motor vehicle				429,539	-	429,539
Utilities				879,467	-	879,467
Other				212,273	-	212,273
Investment earnings				108,210	586	108,796
Other local revenue				35,985	-	35,985
State aid - formula grants				11,539,766	-	11,539,766
Loss on disposal of fixed assets				(2,579)	-	(2,579)
Transfers				(3,614)	-	(3,614)
Total general revenues and transfers				<u>14,887,011</u>	<u>586</u>	<u>14,887,597</u>
Change in net position				(720,122)	29,750	(690,372)
Net position, beginning of year				<u>16,293,971</u>	<u>640,200</u>	<u>16,934,171</u>
Net position, end of year				<u>\$ 15,573,849</u>	<u>\$ 669,950</u>	<u>\$ 16,243,799</u>

The accompanying notes are an integral part of these financial statements.

**CALDWELL COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 3,422,347	\$ 224,429	\$ 643,848	\$ 4,290,624
Receivables				
Accounts	130,277	-	-	130,277
Intergovernmental - Federal	-	12,248	-	12,248
Restricted cash and cash equivalents	100,000	-	-	100,000
Total assets	<u>\$ 3,652,624</u>	<u>\$ 236,677</u>	<u>\$ 643,848</u>	<u>\$ 4,533,149</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 47,063	\$ 7,667	\$ -	\$ 54,730
Unearned revenue	-	229,010	-	229,010
Total liabilities	<u>47,063</u>	<u>236,677</u>	<u>-</u>	<u>283,740</u>
Fund Balances				
Restricted	103,825	-	643,848	747,673
Committed	532,888	-	-	532,888
Assigned	166,366	-	-	166,366
Unassigned	2,802,482	-	-	2,802,482
Total fund balances	<u>3,605,561</u>	<u>-</u>	<u>643,848</u>	<u>4,249,409</u>
Total liabilities and fund balances	<u>\$ 3,652,624</u>	<u>\$ 236,677</u>	<u>\$ 643,848</u>	<u>\$ 4,533,149</u>

The accompanying notes are an integral part of these financial statements.

**CALDWELL COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2013**

Total fund balances - governmental funds		\$ 4,249,409
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$36,740,444, and the accumulated depreciation is \$15,072,867.</p>		21,667,577
<p>Certain long-term assets related to prior bond issues and a refunding bond discount related to a refunding bond issue are not reported in the governmental funds because they are not available to pay current period expenditures. These assets are, however, included in the statement of net position.</p>		187,165
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>		
Bonds payable	(9,550,000)	
Capital lease	(33,097)	
Accrued interest on bonds	(82,004)	
Accrued sick leave payable	(865,201)	
		(10,530,302)
Total net position - governmental activities		<u>\$ 15,573,849</u>

The accompanying notes are an integral part of these financial statements.

CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
From local sources				
Taxes				
Property	\$ 1,403,908	\$ -	\$ 284,056	\$ 1,687,964
Motor vehicle	429,539	-	-	429,539
Utilities	879,467	-	-	879,467
Other	212,273	-	-	212,273
Earnings on investments	106,723	390	1,097	108,210
Other local revenues	92,839	-	-	92,839
Intergovernmental - State	10,882,858	623,582	656,908	12,163,348
Intergovernmental - Indirect Federal	-	1,171,986	-	1,171,986
Total revenues	<u>14,007,607</u>	<u>1,795,958</u>	<u>942,061</u>	<u>16,745,626</u>
Expenditures				
Current				
Instruction	8,130,636	1,581,579	-	9,712,215
Support Services				
Student	626,367	63,556	-	689,923
Instructional staff	424,674	7,845	-	432,519
District administration	608,013	-	-	608,013
School administration	988,476	-	-	988,476
Business	533,218	-	-	533,218
Plant operation and management	1,558,741	14,253	-	1,572,994
Student transportation	1,126,737	-	-	1,126,737
Non-instructional services	18,197	157,275	-	175,472
Debt service				
Principal	-	-	490,000	490,000
Interest	-	-	358,785	358,785
Total expenditures	<u>14,015,059</u>	<u>1,824,508</u>	<u>848,785</u>	<u>16,688,352</u>
Excess (deficit) of revenues over expenditures	<u>(7,452)</u>	<u>(28,550)</u>	<u>93,276</u>	<u>57,274</u>
Other Financing Sources (Uses)				
Sale of assets	1,800	-	-	1,800
Transfers in	240,370	28,550	737,036	1,005,956
Transfers out	(32,164)	-	(977,406)	(1,009,570)
Total other financing sources (uses)	<u>210,006</u>	<u>28,550</u>	<u>(240,370)</u>	<u>(1,814)</u>
Net change in fund balances	202,554	-	(147,094)	55,460
Fund balances, beginning of year	<u>3,403,007</u>	<u>-</u>	<u>790,942</u>	<u>4,193,949</u>
Fund balances, end of year	<u>\$ 3,605,561</u>	<u>\$ -</u>	<u>\$ 643,848</u>	<u>\$ 4,249,409</u>

The accompanying notes are an integral part of these financial statements.

CALDWELL COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Total net change in fund balances - governmental funds **\$ 55,460**

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

Capital outlays are reported in governmental funds 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 depreciation expense (\$1,341,633) exceeds capital outlays (\$68,930) in the period. (1,272,703)

In the statement of activities, only the gain or loss on the sale of assets is reported. This is the amount by which the costs of retired assets exceed their accumulated depreciation. (4,379)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 14,056

Repayment of long-term liabilities such as bond principal (\$490,000) and capital leases (\$22,065) are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position. 512,065

Some expenses, such as amortization expense, 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. (40,779)

In the statement of activities, certain operating expenses - accumulated sick leave - are recognized when they are incurred during the year. In the governmental funds, however, expenditures for these items are limited to only those that use current financial resources. 16,158

Change in net position of governmental activities **\$ (720,122)**

CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	<u>Total Enterprise Funds</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 248,172	\$ 26,315	\$ 274,487
Receivables			
Accounts	-	1,361	1,361
Inventories	<u>16,183</u>	<u>-</u>	<u>16,183</u>
Total current assets	<u>264,355</u>	<u>27,676</u>	<u>292,031</u>
Noncurrent assets			
Buildings and improvements	468,202	-	468,202
Technology equipment	41,290	-	41,290
Vehicles	9,000	-	9,000
General equipment	429,088	-	429,088
Accumulated depreciation	<u>(540,953)</u>	<u>-</u>	<u>(540,953)</u>
Total noncurrent assets	<u>406,627</u>	<u>-</u>	<u>406,627</u>
 Total assets	 <u>670,982</u>	 <u>27,676</u>	 <u>698,658</u>
Liabilities			
Current liabilities			
Accrued sick leave	<u>6,372</u>	<u>-</u>	<u>6,372</u>
Total current liabilities	<u>6,372</u>	<u>-</u>	<u>6,372</u>
Noncurrent liabilities			
Accrued sick leave	<u>22,336</u>	<u>-</u>	<u>22,336</u>
Total noncurrent liabilities	<u>22,336</u>	<u>-</u>	<u>22,336</u>
 Total liabilities	 <u>28,708</u>	 <u>-</u>	 <u>28,708</u>
Net Position			
Net investment in capital assets	406,627	-	406,627
Unrestricted	<u>235,647</u>	<u>27,676</u>	<u>263,323</u>
Total net position	<u>\$ 642,274</u>	<u>\$ 27,676</u>	<u>\$ 669,950</u>

The accompanying notes are an integral part of these financial statements.

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

	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	<u>Total Enterprise Funds</u>
Operating Revenues			
Lunchroom sales	\$ 275,301	\$ -	\$ 275,301
Student fees	<u>-</u>	<u>41,927</u>	<u>41,927</u>
Total operating revenues	<u>275,301</u>	<u>41,927</u>	<u>317,228</u>
Operating Expenses			
Salaries, wages and benefits	498,972	43,818	542,790
Contract services	37,454	1,374	38,828
Materials and supplies	571,583	399	571,982
Depreciation	9,061	-	9,061
Other	<u>885</u>	<u>-</u>	<u>885</u>
Total operating expenses	<u>1,117,955</u>	<u>45,591</u>	<u>1,163,546</u>
Operating loss	<u>(842,654)</u>	<u>(3,664)</u>	<u>(846,318)</u>
Non-Operating Revenues (Expenses)			
Interest income	586	-	586
State matching	11,317	-	11,317
Grants - child nutrition program	717,116	-	717,116
Donated commodities	64,648	-	64,648
State funding - on-behalf payments	<u>76,873</u>	<u>5,528</u>	<u>82,401</u>
Total non-operating revenues (expenses)	<u>870,540</u>	<u>5,528</u>	<u>876,068</u>
Change in net position	27,886	1,864	29,750
Total net position, beginning of year	<u>614,388</u>	<u>25,812</u>	<u>640,200</u>
Total net position, end of year	<u>\$ 642,274</u>	<u>\$ 27,676</u>	<u>\$ 669,950</u>

The accompanying notes are an integral part of these financial statements.

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

	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	<u>Total Enterprise Funds</u>
Cash Flows from Operating Activities			
Cash received from:			
Lunchroom sales	\$ 275,301	\$ -	\$ 275,301
Student fees	-	41,831	41,831
Cash paid for:			
Salaries, wages and benefits	(416,796)	(38,290)	(455,086)
Contract services	(37,454)	(1,374)	(38,828)
Materials and supplies	(511,253)	(399)	(511,652)
Other	(885)	-	(885)
Net cash provided (used) by operating activities	<u>(691,087)</u>	<u>1,768</u>	<u>(689,319)</u>
Cash Flows from Noncapital Financing Activities			
Federal grants received	717,116	-	717,116
State grants received	11,317	-	11,317
Net cash provided by noncapital financing activities	<u>728,433</u>	<u>-</u>	<u>728,433</u>
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	<u>(8,590)</u>	<u>-</u>	<u>(8,590)</u>
Cash Flows from Investing Activities			
Interest income	<u>586</u>	<u>-</u>	<u>586</u>
Net increase in cash and cash equivalents	29,342	1,768	31,110
Cash and cash equivalents, beginning of year	<u>218,830</u>	<u>24,547</u>	<u>243,377</u>
Cash and cash equivalents, end of year	<u>\$ 248,172</u>	<u>\$ 26,315</u>	<u>\$ 274,487</u>
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities			
Operating loss	\$ (842,654)	\$ (3,664)	\$ (846,318)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities			
Depreciation	9,061	-	9,061
Commodities used	64,648	-	64,648
Salaries, wages and benefits (on-behalf payments)	76,873	5,528	82,401
Changes in assets and liabilities			
Accounts receivable	-	(96)	(96)
Inventories	(3,984)	-	(3,984)
Accounts payable	(334)	-	(334)
Accrued sick leave	5,303	-	5,303
Net cash provided (used) by operating activities	<u>\$ (691,087)</u>	<u>\$ 1,768</u>	<u>\$ (689,319)</u>
Noncash Noncapital Financing Activities			
Donated food commodities received from the U.S. Department of Agriculture	<u>\$ 64,648</u>	<u>\$ -</u>	<u>\$ 64,648</u>
State funding - on-behalf payments	<u>\$ 76,873</u>	<u>\$ 5,528</u>	<u>\$ 82,401</u>
Accrued sick leave	<u>\$ (5,303)</u>	<u>\$ -</u>	<u>\$ (5,303)</u>

The accompanying notes are an integral part of these financial statements.

**CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013**

	Agency Funds
Assets	
Cash and cash equivalents	\$ 350,538
Total assets	350,538
Liabilities	
Due to student groups	300,301
Due to grantor agencies	50,237
Total liabilities	\$ 350,538

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

B. 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.

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

CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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 function of the governmental and business-type activities. Direct expenses are those that are specifically associated with a particular function. Program revenues include charges paid for goods or services offered by the program and grants and contributions that are restricted to meeting the financial 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 function is self-financing or is subsidized by the general revenues of the District. The District does not allocate indirect expenses.

Fund Financial Statements – Fund financial statements are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three primary categories: governmental, business-type (proprietary), and fiduciary. An emphasis is placed on major funds within the governmental and business-type categories, and a fund is considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of that individual fund are at least 5 percent of the corresponding total for all governmental and business-type funds combined.

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 net total position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- a. The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- b. The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than agency funds or major capital projects) that are legally restricted to disbursements for specified purposes. They include federal financial programs where unused balances are

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2013

returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

- c. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by proprietary funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky 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.
 - 3. The Construction Funds account for proceeds from sales of bonds and other revenues to be used for authorized construction.
- d. The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Funds)

- a. The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program and School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). This is a major fund of the District.
- b. The School Age Child Care and Test of Adult Basic Education Funds are used to account for specific educational needs and purposes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

III. Fiduciary Fund Type (includes agency and trust funds)

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

CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Accounting for School Activity Funds. The Board has the responsibility for custody and safekeeping of the other agency funds.

C. Basis of Accounting

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

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Property taxes levied to finance fiscal year 2013 are recorded when there is an enforceable legal claim and when the revenue is measurable and available. 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 year when use is first permitted, and, matching requirements, in which the District must provide local resources to be used for a specified purpose. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received, payments made by the State on-behalf of the District and changes in the accrued sick leave liability during the year are reported in the statement of cash flows of the proprietary fund as a noncash, noncapital financing activity.

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.

D. Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. Property taxes are levied on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes become delinquent after December 31.

CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

The property tax rates for the year ended June 30, 2013, to finance the General Fund operations were \$.361 per \$100 valuation for real property, \$.361 per \$100 valuation for business tangible personal property, and \$.538 per \$100 valuation for motor vehicles.

E. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed as a current operating expenditure.

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

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

F. Interfund Activity

Interfund transactions are reflected as loans or transfers. Loans are reported as receivables and payables as appropriate, and are referred to as either "due to/from other funds". These loans are subject to elimination upon consolidation. Any residual balances outstanding between governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All other interfund transactions are treated as transfers. Transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

G. Budgetary Process

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

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

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

An approved budget can be amended by the Board and all budget appropriations lapse at year-end.

H. Encumbrance Accounting

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

I. Cash and Cash Equivalents

The Board considers demand deposits, money market accounts, and time deposits that are nonnegotiable, to be cash and cash equivalents, for governmental, proprietary and fiduciary funds. This definition is also used for the proprietary fund's statement of cash flows.

The District may invest funds in a bank depository selected by the Board, bonds of the United States, or instruments issued by political subdivisions of Kentucky, however, such investments must be approved by the Kentucky Department of Education.

J. Inventories

Inventories are stated at cost using the first-in, first-out method for both the governmental fund types and proprietary funds.

Inventories are expensed when used in the government-wide financial statements and recorded as expenditures in the governmental fund types when purchased.

Nonmonetary assistance is reported in the proprietary fund at the market value of the commodities received/used.

K. Restricted Assets

Certain assets of the General Fund are classified as restricted assets because their use is restricted by KRS 157.420(3).

CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

L. Accrued and Long-Term Liabilities

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

In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

M. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable fund balance

This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance

This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

Committed fund balance

This classification includes amounts that can only be used for the specific purposes determined by a formal action of the District’s highest level of decision-making authority, the Board of Education of the Caldwell County School District. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally (for example: resolution).

Assigned fund balance

This classification includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The Board and its designees (of which there are none) have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned fund balance

This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the

CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

N. Net Position

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

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

O. Estimates

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

P. Deferred Outflows and Inflows of Resources

During the year ended June 30, 2013, the District adopted the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The objective of the statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources, which are distinct from assets and liabilities and also renamed as net position, rather than net assets, the residual of all other elements presented in a statement of financial positions. The provisions of this statement are effective for financial statement periods beginning after December 15, 2011.

As of June 30, 2013, the District did not have any financial statement elements that meet the definition of deferred outflows of resources or deferred inflows of resources under GASB statement No. 63.

CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2013

Q. Impact of Recently Issued Accounting Pronouncements

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in non-governmental pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 had no impact on the District's financial statements.

NOTE 2 - DETAILED NOTES ON ACCOUNTS

A. Deposits

The District maintained deposits of public funds with depository institutions insured by FDIC as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institutions should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. As stipulated by KRS 41.240(4), all deposits are collateralized with eligible securities or other obligations having an aggregate current face value or current quoted market value at least equal to the deposits. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4).

At fiscal year-end, the carrying amount of the District's deposits was \$5,015,649 and the bank balance was \$5,935,682. Of the District's bank balance, \$5,095,117 was collateralized as discussed above because it was uninsured, while \$794,485 was covered by Federal Deposit Insurance and \$46,080 was uninsured and uncollateralized.

For purposes of the Statement of Cash Flows, the District considers all investments with a maturity of three months or less when purchased to be cash equivalents.

Reconciliation to Government-wide Statement of Net Position:	
Unrestricted cash, including time deposits	\$ 4,565,111
Restricted cash, including time deposits	100,000
Fiduciary fund cash (not included in government-wide statement)	<u>350,538</u>
	<u>\$ 5,015,649</u>

These amounts are reported in the financial statements, as follows:

Governmental activities	
Cash and cash equivalents	\$ 4,290,624
Restricted cash and cash equivalents	100,000
Business-type activities	274,487
Fiduciary funds	<u>350,538</u>
	<u>\$ 5,015,649</u>

CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

The District has a cash restriction of \$100,000 for the purpose of paying compensation for unused sick leave at the time of employee retirement in accordance with KRS 157.420(3).

B. Capital Assets

Changes in the capital assets during the year are summarized below:

<u>Governmental Activities</u>	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Non-depreciable				
Land	\$ 261,197	\$ -	\$ -	\$ 261,197
Construction in progress	<u>7,885,365</u>	<u>62,819</u>	<u>7,885,365</u>	<u>62,819</u>
Totals	<u>8,146,562</u>	<u>62,819</u>	<u>7,885,365</u>	<u>324,016</u>
Depreciable				
Land improvements	841,567	-	-	841,567
Buildings and improvements	22,489,502	7,885,365	-	30,374,867
Technology equipment	1,350,100	-	149,947	1,200,153
Vehicles	3,134,367	-	156,436	2,977,931
General equipment	917,627	6,111	12,153	911,585
Property under capital lease	<u>110,325</u>	<u>-</u>	<u>-</u>	<u>110,325</u>
Totals	<u>28,843,488</u>	<u>7,891,476</u>	<u>318,536</u>	<u>36,416,428</u>
Less: Accumulated depreciation and amortization				
Land improvements	543,967	39,473	-	583,440
Buildings and improvements	10,072,587	866,318	-	10,938,905
Technology equipment	818,085	162,272	145,987	834,370
Vehicles	1,954,650	206,218	156,436	2,004,432
General equipment	578,874	67,352	11,734	634,492
Property under capital lease	<u>55,163</u>	<u>22,065</u>	<u>-</u>	<u>77,228</u>
Totals	<u>14,023,326</u>	<u>1,363,698</u>	<u>314,157</u>	<u>15,072,867</u>
Net Book Value	<u>14,820,162</u>	<u>6,527,778</u>	<u>4,379</u>	<u>21,343,561</u>
Governmental activities capital assets - net	<u>\$ 22,966,724</u>	<u>\$ 6,590,597</u>	<u>\$ 7,889,744</u>	<u>\$ 21,667,577</u>
<u>Business-Type Activities</u>				
Depreciable				
Buildings and improvements	\$ 468,202	\$ -	\$ -	\$ 468,202
Technology equipment	41,290	-	-	41,290
Vehicles	9,000	-	-	9,000
General equipment	<u>420,498</u>	<u>8,590</u>	<u>-</u>	<u>429,088</u>
Totals	<u>938,990</u>	<u>8,590</u>	<u>-</u>	<u>947,580</u>

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

<u>Business-Type Activities</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
Less: Accumulated depreciation				
Buildings and improvements	\$ 131,805	\$ -	\$ -	\$ 131,805
Technology equipment	37,113	1,343	-	38,456
Vehicles	9,000	-	-	9,000
General equipment	<u>353,974</u>	<u>7,718</u>	-	<u>361,692</u>
Totals	<u>531,892</u>	<u>9,061</u>	-	<u>540,953</u>
Business-type activities capital assets – net	<u>\$ 407,098</u>	<u>\$ (471)</u>	<u>\$ -</u>	<u>\$ 406,627</u>

Amortization expense of \$40,779, related to a capital lease, bond issue costs and bond discounts, was not allocated to governmental activities. It appears on the statement of activities as “unallocated”.

Depreciation expense has been recorded as a direct expense in the applicable governmental activity functions, as follows:

Instruction	\$ 592,074
Support services:	
Student	299
District administration	180
School administration	68
Business	40,543
Plant operations and management	481,766
Student transportation	<u>226,703</u>
	<u>\$ 1,341,633</u>

The Board approved a project to replace carpet and tile at the Caldwell County High School and Primary School at an estimated cost of \$87,000. At June 30, 2013, \$62,819 had been expended and is reported as construction in progress in the government-wide financial statements.

C. Long-Term Liabilities

The District’s debt is the responsibility of the governmental activities.

The original amount of each bond issue, the bond issue dates, interest rates, and maturity dates are summarized below:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>
2002	\$ 2,320,000	1.25%-3.88%	2015
2005	1,390,000	3.00%-4.00%	2020
2011	7,500,000	1.85%-4.38%	2031

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient

**CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

to satisfy debt service requirements on bonds issued by the Caldwell County Fiscal Court and the Caldwell County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1986, the District entered into "participation agreements" with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs.

Changes in the bond issues during the year are summarized below:

<u>Issue</u>	<u>Balance at July 1, 2012</u>	<u>New Issues</u>	<u>Retirements</u>	<u>Balance at June 30, 2013</u>
2002	\$ 1,335,000	\$ -	\$ 435,000	\$ 900,000
2005	1,240,000	-	20,000	1,220,000
2011	<u>7,465,000</u>	-	<u>35,000</u>	<u>7,430,000</u>
	<u>\$ 10,040,000</u>	<u>\$ -</u>	<u>\$ 490,000</u>	<u>\$ 9,550,000</u>

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

<u>Year</u>	<u>Caldwell County School District</u>		<u>Kentucky School Facilities Construction Commission</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2014	\$ 416,522	\$ 311,671	\$ 83,478	\$ 29,498	\$ 841,169
2015	438,786	295,534	76,214	27,088	837,622
2016	392,343	286,685	37,657	25,549	742,234
2017	406,461	274,965	38,539	24,668	744,633
2018	420,488	262,266	39,512	23,694	745,960
2019-2023	2,199,648	1,097,188	240,352	94,900	3,632,088
2024-2028	2,573,396	696,990	216,604	58,330	3,545,320
2029-2031	<u>1,818,255</u>	<u>158,358</u>	<u>151,745</u>	<u>13,210</u>	<u>2,141,568</u>
	<u>\$ 8,665,899</u>	<u>\$ 3,383,657</u>	<u>\$ 884,101</u>	<u>\$ 296,937</u>	<u>\$ 13,230,594</u>

Leases meeting certain criteria are treated as financings and, according to generally accepted accounting principles, are recorded as capitalized leases. The District leases various copy machines pursuant to these types of leases and, as such, the cost is included with property and equipment. The related capital lease obligation reflects the present value of future lease payments less an interest amount implicit in the lease.

Future minimum payments under the long-term capital lease obligation, together with the present value of the net minimum lease payments as of June 30, 2013 are, as follows:

CALDWELL COUNTY SCHOOL DISTRICT
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	Year Ending June 30	Capital Lease Payable
	2014	\$ 25,907
	2015	<u>12,953</u>
Total minimum lease payments		38,860
Less: Amount representing interest		<u>(5,763)</u>
Present Value of Net Minimum Lease Payments		<u>\$ 33,097</u>

Changes in the long-term liability accounts during the year are summarized below:

	Balance at July 1, 2012	Increases	Decreases	Balance at June 30, 2013	Due in One Year
Bonds	\$ 10,040,000	\$ -	\$ 490,000	\$ 9,550,000	\$ 500,000
Lease obligations	55,162	-	22,065	33,097	22,065
Accrued sick leave:					
Governmental activities	881,359	39,937	56,095	865,201	69,809
Business-type activities	<u>23,404</u>	<u>5,304</u>	<u>-</u>	<u>28,708</u>	<u>6,372</u>
	<u>\$ 10,999,925</u>	<u>\$ 45,241</u>	<u>\$ 568,160</u>	<u>\$ 10,477,006</u>	<u>\$ 598,246</u>

As explained in Note 1, payments on the District's bonds are made by the Debt Service Fund. The compensated absences and lease obligations will be liquidated by the General Fund. In the past, these liabilities have been paid each year by the General Fund.

D. Compensated Absences and Accumulated Sick Leave

Certified and classified employees of the District are entitled to payment of 30% of the value of accumulated sick and personal days upon retirement. Kentucky Revised Statutes allow the District to restrict up to 50% of the accumulated benefits for all employees eligible to retire as of September 15, 2012. The total amount of accumulated benefits for all employees eligible to retire at this date is \$283,697. A \$100,000 balance is restricted in the General Fund at the balance sheet date. The District recognizes the expense of these benefits when payment is made by the governmental fund to a retiring employee.

Accrued sick leave benefits are estimated by the vesting method. This entire future obligation is reported in the government-wide financial statements.

E. Fund Balances

Amounts for specific purposes by fund and fund balance classifications for the year ended June 30, 2013, are as follows:

	General	Special Revenue	Capital Outlay	Building	Construction	Debt Service
Restricted for:						
Grants	\$ 3,825	\$ -	\$ -	\$ -	\$ -	\$ -
Sick leave	100,000	-	-	-	-	-
Future construction	-	-	-	-	230,600	-

CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Outlay</u>	<u>Building</u>	<u>Construction</u>	<u>Debt Service</u>
Debt service	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u>413,248</u>
	<u>103,825</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u>230,600</u>	<u>413,248</u>
Committed for:						
SBDM	71,130	-	-	-	-	-
Sick leave	150,000	-	-	-	-	-
Future construction	300,000	-	-	-	-	-
Buses	<u>11,758</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
	<u>532,888</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Assigned for:						
KSBIT liability	112,117	-	-	-	-	-
Carpet/tile	44,000	-	-	-	-	-
SBDM section seven	<u>10,249</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
	<u>166,366</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Unassigned	<u>2,802,482</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Total fund balance	\$ <u>3,605,561</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u>230,600</u>	\$ <u>413,248</u>

F. Interfund Transactions

Transfers

The following operating transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special Revenue	Technology Match	\$ 28,550
General	Agency	MUNIS Consortium	3,614
Capital Outlay	Debt Service	Debt Service	90,186
Building	Debt Service	Debt Service	646,850
Capital Outlay	General	Capital Funds Request	187,366
Building	General	Capital Funds Request	53,004

G. Deficit Operating/Fund Balances

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues/transfers-in over expenditures/transfers-out:

Capital Outlay Fund	\$ 99,111
Building Fund	53,004

H. On-Behalf Payments

The Kentucky State Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2013:

CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Contributions to Kentucky Teachers' Retirement System	\$ 929,424
Health insurance, life insurance, flexible Spending accounts (includes administrative fee)	1,835,382
Technology	54,365
Debt Service	<u>115,673</u>
	<u>\$ 2,934,844</u>

The District does not include on-behalf payments in their budgets. The total of these payments, has been included in revenues and the applicable expenditure functions in these financial statements, as follows:

Governmental activities	
General fund	\$ 2,736,770
Debt service fund	115,673
Business-type activities:	
Food service fund	76,873
Other enterprise fund	<u>5,528</u>
	<u>\$ 2,934,844</u>

NOTE 3 - OTHER INFORMATION

A. Retirement Plans

Pension plan

The District contributes to the Kentucky Teachers' Retirement System (KTRS) and the County Employees' Retirement System (CERS). These are cost-sharing, multiple employer defined benefit plans. KTRS administers retirement and disability annuities, and death and survivor benefits to certified employees and beneficiaries of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE). CERS administers similar programs for its employees and beneficiaries of county governmental entities, which includes classified employees of the District.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS website at <http://ktrs.ky.gov/>. CERS issues a publicly available financial report that can be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Perimeter Park West, Frankfort, KY 40601.

Contribution rates for both plans are determined by the legislature. KTRS members are required to contribute 10.855% of their salaries to KTRS and the Commonwealth of Kentucky is required to contribute 14.105% of salaries. The federal program for any salaries paid by that program is required to pay the matching contribution. The District is required to contribute 1.00% of all KTRS member salaries to KTRS. CERS members hired before September 1, 2008, are required to contribute 5% of their salaries to CERS. CERS members hired on or after September 1, 2008, are required to

CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

contribute 6% of their salaries to CERS. The District is required to contribute 19.55% of all CERS salaries.

The District's total payroll for the year was \$10,327,325. The payroll for employees covered under KTRS was \$7,539,548 and for CERS was \$2,673,109.

The contribution requirement for CERS for the year ended June 30, 2013 was \$660,584 which consisted of \$522,389 from the District and \$138,195 from the employees. The Commonwealth contributed \$929,424 to KTRS for the benefit of participating employees. The District contributions to KTRS were \$139,724, which represents \$69,237 for those employees covered by federal programs and \$70,487 for all KTRS employees.

The three-year trend information for the District's contribution requirement to KTRS and CERS is as follows:

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
6/30/13	\$662,113	100%
6/30/12	686,880	100%
6/30/11	552,781	100%

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following table presents certain information regarding the plans' status as a whole, derived from actuarial valuations (all dollar amounts are \$1,000's) performed as of June 30, 2012, (the actuarial reports for the year ended June 30, 2013 are not yet available):

	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Underfunded Actuarial Liability as Percentage of Covered Payroll</u>
KTRS	\$ 14,691,371	\$ 26,973,854	\$ 12,282,483	54.5%	\$ 3,479,567	353.0%
CERS	7,294,615	12,149,560	4,854,945	60.0%	2,700,775	179.8%

As the Board is only one of several employers participating in the plan, it is not practical to determine the Board's portion of the unfunded past service cost or the vested benefits of the Board's portion of the plan assets. The District also offers employees the option to participate in a defined contribution plan under Internal Revenue Code Sections 403(b) and 457. The District does not contribute to these plans.

Medical insurance plan

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

CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

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.

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, one and five tenths percent (1.5%) of the gross annual payroll of all active members is contributed. One-half (1/2) of this amount is derived from member contributions and one-half (1/2) from state appropriation. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

B. Contingencies and Commitments

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 grantors may request a refund of cash advances, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

The District has been notified by the Kentucky School Board Insurance Trust of a potential liability for workers compensation losses incurred by the Trust. The Trust estimates the District's liability to be between \$82,364 and \$104,232. As of June 30, 2013 the District had not received an indication of a final assessment or a process for payment of the potential liability.

C. Insurance and Related Activities

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

D. Litigation

The Board's legal counsel has advised that the District is not subject to any litigation or unasserted claims as of June 30, 2013.

CALDWELL COUNTY SCHOOL DISTRICT
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E. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases general and auto liability, physical damage insurance, errors and omissions, and general liability coverage from Curneal & Hignite Insurance, Inc.. The District purchases worker's compensation insurance through Kentucky Employers' Mutual Insurance. The District pays an annual premium to each fund for coverage.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. There were no significant reductions in insurance coverage from the prior year, and there have been no settlements that exceed the District's insurance coverage during the past three years.

F. COBRA

All terminated employees have been notified of available continuing insurance coverage as mandated under COBRA.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF BUDGETARY COMPARISON - GENERAL FUND
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
From local sources				
Taxes				
Property	\$ 1,205,000	\$ 1,275,000	\$ 1,403,908	\$ 128,908
Motor vehicle	375,000	400,000	429,539	29,539
Utilities	850,000	880,000	879,467	(533)
Other	75,000	75,000	212,273	137,273
Earnings on investments	25,600	25,600	106,723	81,123
Other local revenues	34,001	34,001	92,839	58,838
Intergovernmental - State	<u>8,087,519</u>	<u>8,089,651</u>	<u>8,146,088</u>	<u>56,437</u>
Total revenues	<u>10,652,120</u>	<u>10,779,252</u>	<u>11,270,837</u>	<u>491,585</u>
Expenditures				
Current				
Instruction	6,184,008	6,400,291	6,231,249	169,042
Support Services				
Student	493,400	486,350	488,455	(2,105)
Instructional staff	419,042	400,600	331,505	69,095
District administration	1,163,587	2,134,182	544,164	1,590,018
School administration	796,150	796,750	778,036	18,714
Business	461,700	429,800	414,938	14,862
Plant operation and management	1,706,750	1,736,998	1,453,494	283,504
Student transportation	1,134,600	1,128,100	1,018,251	109,849
Non-instructional services	<u>32,000</u>	<u>32,000</u>	<u>18,197</u>	<u>13,803</u>
Total expenditures	<u>12,391,237</u>	<u>13,545,071</u>	<u>11,278,289</u>	<u>2,266,782</u>
Excess (deficit) of revenues over expenditures	<u>(1,739,117)</u>	<u>(2,765,819)</u>	<u>(7,452)</u>	<u>2,758,367</u>
Other Financing Sources (Uses)				
Sale of assets	-	-	1,800	1,800
Transfers in	-	-	240,370	240,370
Transfers out	<u>(51,977)</u>	<u>(71,605)</u>	<u>(32,164)</u>	<u>39,441</u>
Total other financing sources (uses)	<u>(51,977)</u>	<u>(71,605)</u>	<u>210,006</u>	<u>281,611</u>
Net change in fund balances	(1,791,094)	(2,837,424)	202,554	3,039,978
Fund balances, beginning of year	<u>1,791,094</u>	<u>2,837,424</u>	<u>3,403,007</u>	<u>565,583</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,605,561</u>	<u>\$ 3,605,561</u>

**Explanation of Differences Between Budgetary Inflows and Outflows
and GAAP Revenues and Expenditures**

Inflows/revenues:	
Actual amounts (budgetary basis)	\$ 11,270,837
Differences - budget to GAAP:	
On-behalf payments recorded under GAAP basis not included in budget amounts	<u>2,736,770</u>
Total revenues as reported on statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 14,007,607</u>
Outflows/expenditures:	
Actual amounts (budgetary basis)	\$ 11,278,289
Differences - budget to GAAP:	
On-behalf payments recorded under GAAP basis not included in budget amounts	<u>2,736,770</u>
Total expenditures as reported on statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 14,015,059</u>

See independent auditor's report

CALDWELL COUNTY SCHOOL DISTRICT
STATEMENT OF BUDGETARY COMPARISON - SPECIAL REVENUE FUND
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
From local sources				
Earnings on investments	\$ -	\$ -	\$ 390	\$ 390
Intergovernmental - State	634,331	631,860	623,582	(8,278)
Intergovernmental - Indirect Federal	<u>1,128,658</u>	<u>1,218,559</u>	<u>1,171,986</u>	<u>(46,573)</u>
Total revenues	<u>1,762,989</u>	<u>1,850,419</u>	<u>1,795,958</u>	<u>(54,461)</u>
Expenditures				
Current				
Instruction	1,462,387	1,632,922	1,581,579	51,343
Support Services				
Student	46,783	82,954	63,556	19,398
Instructional staff	127,141	7,865	7,845	20
Plant operation and management	14,253	14,253	14,253	-
Non-instructional services	<u>157,275</u>	<u>157,275</u>	<u>157,275</u>	<u>-</u>
Total expenditures	<u>1,807,839</u>	<u>1,895,269</u>	<u>1,824,508</u>	<u>70,761</u>
Excess (deficit) of revenues over expenditures	<u>(44,850)</u>	<u>(44,850)</u>	<u>(28,550)</u>	<u>16,300</u>
Other Financing Sources (Uses)				
Transfers in	<u>44,850</u>	<u>44,850</u>	<u>28,550</u>	<u>(16,300)</u>
Total other financing sources (uses)	<u>44,850</u>	<u>44,850</u>	<u>28,550</u>	<u>(16,300)</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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OTHER SUPPLEMENTARY INFORMATION SECTION

**CALDWELL COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013**

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ 230,600	\$ 413,248	\$ 643,848
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 230,600</u>	<u>\$ 413,248</u>	<u>\$ 643,848</u>
Liabilities and Fund Balances					
Fund Balances					
Restricted	\$ -	\$ -	\$ 230,600	\$ 413,248	\$ 643,848
Total fund balances	<u>-</u>	<u>-</u>	<u>230,600</u>	<u>413,248</u>	<u>643,848</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 230,600</u>	<u>\$ 413,248</u>	<u>\$ 643,848</u>

See independent auditor's report

CALDWELL 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 Outlay Fund</u>	<u>Building Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues					
From local sources					
Taxes					
Property	\$ -	\$ 284,056	\$ -	\$ -	\$ 284,056
Earnings on investments	-	-	1,097	-	1,097
Intergovernmental - State	178,441	362,794	-	115,673	656,908
Total revenues	<u>178,441</u>	<u>646,850</u>	<u>1,097</u>	<u>115,673</u>	<u>942,061</u>
Expenditures					
Debt service					
Principal	-	-	-	490,000	490,000
Interest	-	-	-	358,785	358,785
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>848,785</u>	<u>848,785</u>
Excess (deficit) of revenues over expenditures	<u>178,441</u>	<u>646,850</u>	<u>1,097</u>	<u>(733,112)</u>	<u>93,276</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	737,036	737,036
Transfers out	<u>(277,552)</u>	<u>(699,854)</u>	<u>-</u>	<u>-</u>	<u>(977,406)</u>
Total other financing sources (uses)	<u>(277,552)</u>	<u>(699,854)</u>	<u>-</u>	<u>737,036</u>	<u>(240,370)</u>
Net change in fund balances	(99,111)	(53,004)	1,097	3,924	(147,094)
Fund balances, beginning of year	<u>99,111</u>	<u>53,004</u>	<u>229,503</u>	<u>409,324</u>	<u>790,942</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 230,600</u>	<u>\$ 413,248</u>	<u>\$ 643,848</u>

See independent auditor's report

CALDWELL COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES AND EXPENDITURES
AGENCY FUNDS
For the Year Ended June 30, 2013

Fund	July 1, 2012	Revenues	Expenditures	June 30, 2013
Activity Funds				
Caldwell County High School				
General	\$ 5,147	\$ 28,041	\$ 26,139	\$ 7,049
Guidance	-	944	574	370
Relay for life	-	2,870	2,705	165
Scholarship fund CD	70	30	100	-
Textbook	2,393	409	338	2,464
Testing funds	-	4,340	4,340	-
Coke	1,231	1,130	112	2,249
Ice cream	2,710	1,304	1,224	2,790
Faculty vending	17	4,648	3,148	1,517
Freshman academy	174	-	-	174
Academic club	1,657	2,164	2,834	987
Math club	41	-	-	41
FBLA	637	6,116	6,261	492
FCCLA	145	2,599	2,689	55
Region II FCCLA	472	-	472	-
FCA	532	365	45	852
FFA	11,637	38,896	37,422	13,111
FFA fish pond	599	-	-	599
Key club	370	-	-	370
National honor society	2,009	1,303	2,486	826
Pep club	230	-	-	230
Champions	54	-	-	54
Spanish	79	1,224	1,067	236
Student council	2,252	2,145	3,109	1,288
Volleyball club	-	150	65	85
Dodgeball club	-	224	145	79
NSSP	404	-	404	-
Agricultural	3,585	6,441	7,278	2,748
Art	1,155	1,640	2,017	778
Band	108	2,601	2,628	81
Business	317	770	770	317
Chorus	180	1,500	891	789
Creative foods	23	180	83	120
Greenhouse	4,824	4,338	3,328	5,834
Home economics	10	10	-	20
Lifeskills	32	10	-	42
Piano	-	80	-	80
Guitar	85	86	-	171
Science	814	1,315	817	1,312
Tiger graphics	1,427	1,223	2,058	592
Tiger TV	514	-	-	514
Marketing	-	657	-	657
Athletic	-	148,166	136,172	11,994
CCFFAA	5,667	40,200	41,362	4,505
Baseball	718	8,828	4,234	5,312
Softball	4,594	5,698	4,291	6,001
Concessions	-	9,652	9,652	-
Girls basketball	9,764	8,447	17,211	1,000
Boys basketball	1,472	10,783	11,314	941

See independent auditor's report

CALDWELL COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES AND EXPENDITURES
AGENCY FUNDS
For the Year Ended June 30, 2013

Fund	July 1, 2012	Revenues	Expenditures	June 30, 2013
Girl's soccer	\$ 4,391	\$ 18,922	\$ 15,468	\$ 7,845
Boy's soccer	7,973	10,715	9,974	8,714
Track team	3,131	7,466	9,393	1,204
Girl's cross country	-	2,164	1,631	533
Boy's cross country	-	2,165	1,677	488
Friends of tennis	4,100	9,340	9,995	3,445
Volleyball	288	23,890	23,128	1,050
Wrestling	4	2,693	2,697	-
Class of 2012	319	-	319	-
Class of 2013	5,531	3,079	8,025	585
Class of 2014	-	10,949	6,746	4,203
Class of 2015	-	790	-	790
Class of 2016	-	44	-	44
Annual	22,182	26,877	33,399	15,660
School to work	425	-	117	308
Library	593	337	134	796
Spring musical	779	299	-	1,078
Cheerleaders blue	4,274	14,104	14,973	3,405
English department savings	436	49	-	485
English department CD	9,000	-	-	9,000
CCHS scholarship fund	4,995	5	-	5,000
Bio-diesel	1,800	-	467	1,333
	<u>138,370</u>	<u>485,415</u>	<u>477,928</u>	<u>145,857</u>
Less: inter-fund transfers	-	12,882	12,882	-
Total Caldwell County High School	<u>138,370</u>	<u>472,533</u>	<u>465,046</u>	<u>145,857</u>
Caldwell County Middle School	81,775	88,775	78,210	92,340
Caldwell County Elementary School	17,793	37,955	25,333	30,415
Caldwell County Primary School	<u>30,152</u>	<u>74,629</u>	<u>73,092</u>	<u>31,689</u>
Total activity funds	<u>268,090</u>	<u>673,892</u>	<u>641,681</u>	<u>300,301</u>
West Kentucky Munis Consortium	43,635	79,859	78,706	44,788
Transfer from governmental fund	-	3,614	-	3,614
Total West Kentucky Munis Consortium	<u>43,635</u>	<u>83,473</u>	<u>78,706</u>	<u>48,402</u>
Hilltop Donations	<u>1,007</u>	<u>828</u>	<u>-</u>	<u>1,835</u>
Total agency funds	<u>\$ 312,732</u>	<u>\$ 758,193</u>	<u>\$ 720,387</u>	<u>\$ 350,538</u>

See independent auditor's report

CALDWELL COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

<u>Federal Grantor/ Pass-Through Grantor/CFDA Program Title</u>	<u>Federal CFDA Number</u>	<u>MUNIS Account Number</u>	<u>Program or Award Amount</u>	<u>Expenditures</u>
U.S. Department of Education				
Passed Through State Department of Education:				
Title I Cluster:				
Title I Grants to Local Educational Agencies	84.010	220-4500-3101D	\$ 53,000	\$ 1,851
Title I Grants to Local Educational Agencies	84.010	220-4500-3101T	2,650	2,650
Title I Grants to Local Educational Agencies	84.010	220-4500-3102	464,493	201,872
Title I Grants to Local Educational Agencies	84.010	220-4500-3102D	52,485	17,060
Title I Grants to Local Educational Agencies	84.010	220-4500-3102M	5,248	1,059
Title I Grants to Local Educational Agencies	84.010	220-4500-3102T	2,624	2,394
Title I Grants to Local Educational Agencies	84.010	220-4500-3103	514,504	281,792
Title I Grants to Local Educational Agencies	84.010	220-4500-3103M	5,197	2,672
Total Title I Cluster			<u>1,100,201</u>	<u>511,350</u>
Migrant Education_State Grant Program	84.011	220-4500-3112	51,300	3,158
Migrant Education_State Grant Program	84.011	220-4500-3113	82,854	60,398
			<u>134,154</u>	<u>63,556</u>
Special Education Cluster:				
Special Education_Grants to States	84.027	220-4500-3372	398,538	86,807
Special Education_Grants to States	84.027	220-4500-3373	399,092	310,466
		Sub-total	<u>797,630</u>	<u>397,273</u>
Special Education_Preschool Grants	84.173	220-4500-3433	26,485	23,301
Total Special Education Cluster			<u>824,115</u>	<u>420,574</u>
Career and Technical Education_Basic Grants to States	84.048	220-4500-3483	15,821	15,821
Rural Education	84.358	220-4500-3502	43,314	3,987
Rural Education	84.358	220-4500-3503	38,035	33,249
			<u>81,349</u>	<u>37,236</u>
Improving Teacher Quality State Grants	84.367	220-4500-4012	120,787	1,684
Improving Teacher Quality State Grants	84.367	220-4500-4013	120,603	84,042
		Sub-total	<u>241,390</u>	<u>85,726</u>
Race to the Top	84.395	220-4500-4521	21,165	5,976
Education Jobs Fund	84.410	220-4500-4411	480,701	30,921
Passed Through State Workforce Development Cabinet:				
Adult Education - Basic Grants to States	84.002	220-4500-3732	33,299	828
Total U.S. Department of Education			<u>2,932,195</u>	<u>1,171,988</u>
U.S. Department of Agriculture				
Passed Through State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	510-4500	170,887	170,887
National School Lunch Program	10.555	510-4500	546,230	546,230
National School Lunch Program - Donated Commodities	10.555	510-4950	64,648	64,648
Total Nutrition Cluster			<u>781,765</u>	<u>781,765</u>
Total U.S. Department of Agriculture			<u>781,765</u>	<u>781,765</u>
U.S. Department of Health & Human Services				
Passed Through Audobon Family Services:				
Head Start	93.600	110-1540	79,519	79,519
Total U.S. Department of Health & Human Services			<u>79,519</u>	<u>79,519</u>
Total federal awards			<u>\$ 3,793,479</u>	<u>\$ 2,033,272</u>

See independent auditor's report
The accompanying notes are integral part of this schedule

CALDWELL COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

Federal Grantor/ Pass-Through Grantor/CFDA Program Title	Federal CFDA Number	MUNIS Account Number	Program or Award Amount	Expenditures
Reconciliation of Expenditures of Federal Awards to Special Revenue Total Expenditures				
Total expenditures of federal awards				\$ 2,033,272
Total expenditures of state and local awards				652,520
Expenditure of federal awards in the food service fund				(781,765)
Expenditure of federal awards in the general fund				<u>(79,519)</u>
Total expenditures as reported in the special revenue fund on statement revenues, expenditures and changes in fund balances - governmental funds				\$ <u>1,824,508</u>

CALDWELL COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Caldwell 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. Because the Schedule presents only a selected portion of the operations of Caldwell County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Caldwell County School District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3 - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

INTERNAL CONTROL AND COMPLIANCE SECTION

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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 Caldwell County Board of Education
Princeton, 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 Caldwell County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Caldwell County School District's basic financial statements and have issued our report thereon dated October 9, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Alexander Thompson Arnold PLLC

Murray, Kentucky
October 9, 2013

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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

Kentucky State Committee for School District Audits
Members of the Caldwell County Board of Education
Princeton, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Caldwell County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Caldwell County School District's major federal programs for the year ended June 30, 2013. Caldwell County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

Alexander Thompson Arnold PLLC

Murray, Kentucky
October 9, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CALDWELL COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2013

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> yes	<u> x </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> x </u> none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> yes	<u> x </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> x </u> none reported

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

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

Identification of major programs: Title I (CFDA #84.010)

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

Auditee qualified as low-risk auditee? x yes no

FINANCIAL STATEMENT FINDINGS

None reported

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

MANAGEMENT LETTER POINTS

Members of:

American Society of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants



Certified Public Accountants
Offices in Tennessee & Kentucky

301 Maple St.
Murray, KY 42071

Phone 270.753.2424
Fax 270.753.3878
www.atacpa.net

Carrell Boyd, Superintendent
Caldwell County Board of Education
Princeton, Kentucky

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

During our audit we did not become aware of any matters, other than inconsequential matters, that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter reflects that result. This letter does not affect our report dated October 9, 2013, on the financial statements of Caldwell County School District.

Sincerely,

Alexander Thompson Arnold PLLC

Murray, Kentucky
October 9, 2013

**CALDWELL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS**

June 30, 2013

MANAGEMENT LETTER POINTS

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

CALDWELL COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2013

FINANCIAL STATEMENT FINDINGS

None reported

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

MANAGEMENT LETTER POINTS

None