CAMPBELL COUNTY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013
with
INDEPENDENT AUDITOR'S REPORT

CONTENTS

Independent Auditor's Report 1

Management's Discussion and Analysis (MD&A) (Unaudited) 4

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position 14

Statement of Activities 15

Fund Financial Statements

Balance Sheet – Governmental Funds 16

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position 17

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 18

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities 19

Statement of Net Position – Proprietary Fund 20

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund 21

Statement of Cash Flows – Proprietary Fund 22

Statement of Net Position – Fiduciary Fund 23

Notes to Basic Financial Statements 24

Supplementary Information

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund 41

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Funds 42

Statement of Receipts, Disbursements, and Due to Student Groups – Elementary and Middle School Activity Funds 43

Statement of Receipts, Disbursements, and Due to Student Groups – Campbell County High School Activity Funds 44

Schedule of Expenditures of Federal Awards 52

Notes to the Schedule of Expenditures of Federal Awards 55

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* 56

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 58

Schedule of Findings and Questioned Costs 61

Schedule of Prior Year Audit Findings 63

Independent Auditor's Transmittal Letter for Management Letter Comments 64

Management Letter Comments 65

Statement of Certification 70

MATHER & COMPANY
SOLUTION-DRIVEN CPAs and Business Advisors

Mather & Co. CPAs, LLC
Suite 200
9100 Shelbyville Rd
Louisville, KY 40222

INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for
School District Audits
Members of the Board of Education
Campbell County School District
Alexandria, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Campbell County School District (District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request, and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. 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 includes 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, and each major fund of the Campbell 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Our opinion is not modified with respect to this matter.

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 through 13, and 41 through 42, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information, and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules of receipts, disbursements, and due to student groups related to school activity funds are presented for purposes of additional analysis, and are not a required part of the basic financial statements. The accompanying 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 schedules of receipts, disbursements, and due to student groups, 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 schedules of receipts, disbursements, and due to student groups, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Mather & Co. CPAs, LLC

Mather & Co. CPAs, LLC
Louisville, Kentucky
November 12, 2013

As management of Campbell County Board of Education (Board), the governing body for the Campbell County School District (District), we offer readers of the Board's financial statements this narrative overview and analysis of the financial activities of the Board 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 financial statements and notes. All amounts used in this MD&A are approximate amounts, except where more specific.

FINANCIAL HIGHLIGHTS

Campbell County Schools continues its commitment to high student academic achievement and preparation for college, career and life. Focus points guiding the District in 2013 include high academic achievement, enhanced building facilities, enhanced and increased technology facilities and school/community relations. These objectives served as the catalyst for many initiatives and projects throughout the year as the District strived to improve in several areas. Financial support came from several sources including General Funds, federal and state grants, and revenue bonds. Overall the District experienced a successful financial year being able to support the improvement initiatives and maintain a quality level of district operations.

- The Board's governmental funds are accounted for using the modified accrual basis of accounting. In 2013, all governmental funds had total revenues and other financing sources of $72.7 million and total expenditures and other financing uses of $84.3 million. The General Fund balance increased by approximately $1.7 million with expenditures exceeding revenues by approximately $645,000 and a transfer to the construction fund of $1.1 million as part of the planned contribution to complete the new area technology center and athletic complex located on the high schools grounds (ATC). The Construction and Capital Outlay Fund balances decreased $9.7 million and approximately $215,000 respectively as the result of expenditures on the ATC.

- General Fund expenses exceeded revenues by approximately $645,000 largely due to that fund having absorbed expenses related to wages and benefits that had been paid from Special Revenue Funds using federal ARRA funds that were fully expended during 2012 and which were not available in 2013.

- Compared to the prior year, the 2012-13 expenses for salaries for both certified and classified employees reflect estimated weighted average increases of 2%. This increase included a 0.5% increase in each cell of the various salary scales, plus the estimated effect of each employee moving up one step in experience. The Board approved the reorganization of the Central Office to save approximately $90,000 a year.

- The ATC and Stadium Projects were substantially completed during the 12-13 school year at a total cost of approximately $20 million.

- In July 2012, the Board approved refinancing of the 2004 Series Bond Issue. The refinancing bonds sold in July 2012 with interest savings to be realized over the life of the debt of approximately $802,000. In December 2012 the Board approved refinancing of the 2003 Series Bond Issue. The refinancing bonds sold in January 2013 with interest savings to be realized over the life of the debt of approximately $547,000.

OVERVIEW OF FINANCIAL STATEMENTS

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

District-Wide Financial Statements

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

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

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

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

The district-wide financial statements can be found on pages 14 and 15 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 boards utilizing the MUNIS administrative software. The Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Board can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust-type funds established to aid in student education and welfare and staff support; in the Board's case the fiduciary funds represent the activity funds held by the schools. The only proprietary fund is the food service operations. All other activities of the Board are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 16 through 23 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 24 through 40 of this report.

District-Wide Financial Analysis

The perspective of the statement of net assets is of the Board as a whole. Table 1 provides a summary of the Board's net assets for 2013 compared to 2012:

Table 1
Net Assets
(In Thousands)

	For Period Ended June 30,					
	Governmental Activities		Business-Type Activities		Total	
Assets	2012	2013	2012	2013	2012	2013
Current Assets	$ 20,447	$ 9,188	$ 471	$ 202	$ 20,918	$ 9,390
Noncurrent Assets	60,454	70,435	3,571	3,470	64,025	73,905
TOTAL ASSETS	80,901	79,623	4,042	3,672	84,943	83,295
Deferred outflows of resources	-	887	-	-	-	887
Liabilities						
Current Liabilities	6,110	6,625	11	26	6,121	6,651
Noncurrent Liabilities	56,792	55,769	-	-	56,792	55,769
TOTAL LIABILITIES	62,902	62,394	11	26	62,913	62,420

Table 1
Net Assets
(In Thousands)

	For Period Ended June 30,					
	Governmental Activities		Business-Type Activities		Total	
Net Assets	2012	2013	2012	2013	2012	2013
Invested in Capital Assets, Net of Related Debt	$ 104	$ 12,058	$ 3,571	$ 3,470	$ 3,675	$ 15,528
Restricted	9,950	-	-	-	9,950	-
Unreserved Fund Balance	7,945	6,058	460	176	8,405	6,234
TOTAL NET POSITION	$ 17,999	$ 18,116	$ 4,031	$ 3,646	$ 22,030	$ 21,762

Over time, net assets may serve as a useful indicator of a government's financial position. In the case of the Board, assets exceeded liabilities by a total of approximately $21.8 million as of June 30, 2013, compared to $22 million as of June 30, 2012.

The largest portion of the Board'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 that is still outstanding and used to acquire those assets. The Board uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the Board'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.

Table 2 reflects the change in net position for fiscal years 2012 and 2013. It should be noted that on-behalf payments are included in both revenues and expenses. (See Note 10 of the accompanying Notes to the Financial Statements.)

Table 2
Change in Net Assets
(In Thousands)

	For Period Ended June 30,					
	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Revenues						
Program Revenues						
Charges for Services	$ 671	$ 717	$ 1,034	$ 973	$ 1,705	$ 1,690
Operating Grants and Contributions	11,371	10,992	1,361	1,603	12,732	12,595
Capital Grants and Contributions	1,976	2,057	-	-	1,976	2,057

Table 2
Change in Net Assets
(In Thousands)

	For Period Ended June 30,					
	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Total Program Revenues	$ 14,018	$ 13,766	$ 2,395	$ 2,576	$ 16,413	$ 16,342
General Revenues						
Property Taxes	17,650	17,605	-	-	17,650	17,605
Other Taxes	4,550	4,338	-	-	4,550	4,338
Federal and State Aid Not Restricted for Specific Purposes	12,382	12,596	-	-	12,382	12,596
Earnings on Investments and Deposits	85	50	1	1	86	51
Gain (Loss) on Disposal of Capital Assets	28	10	-	-	28	10
Miscellaneous	336	645	-	-	336	645
Total General Revenues	35,031	35,244	1	1	35,032	35,245
TOTAL REVENUES	49,049	49,010	2,396	2,577	51,445	51,587
Program Expenses						
Instruction	24,573	24,268	-	-	24,573	24,268
Student Support	3,003	2,862	-	-	3,003	2,862
Instructional Staff Support	3,188	2,953	-	-	3,188	2,953
District Administration	1,544	1,512	-	-	1,544	1,512
School Administration	2,550	2,581	-	-	2,550	2,581
Business	1,352	1,558	-	-	1,352	1,558
Plant Operations and Maintenance	4,937	5,293	-	-	4,937	5,293
Student Transportation	4,179	4,532	-	-	4,179	4,532
Community Service Operations	326	343	-	-	326	343
Food Service Operations	4	6	2,452	2,872	2,456	2,878
Bond Issue Costs	-	193	-	-		193
Interest on Long-Term Debt	1,976	2,058	-	-	1,976	2,058
TOTAL EXPENSES	47,632	48,159	2,452	2,872	50,084	51,031
Operating Transfer	(97)	90	97	(90)	-	-
TOTAL EXPENSES, NET	47,535	48,069	2,549	2,962	50,084	51,031
CHANGE IN NET POSITION	$ 1,514	$ 941	$ (153)	$ (385)	$ 1,361	$ 556

Governmental Activities

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. Table 3 indicates the total cost of services and the net cost of services for governmental activities supported by tax revenue and unrestricted state entitlements.

Table 3
Governmental Activities
(In Thousands)

	For Period Ended June 30,			
	Total Cost of Services		Net Cost of Services	
	2012	2013	2012	2013
Instruction	$ 24,573	$ 24,268	$ 16,926	$ 17,202
Student Support	3,003	2,862	1,772	1,778
Instructional Support	3,188	2,953	2,104	1,797
District Administration	1,544	1,512	1,494	1,473
School Administration	2,550	2,581	2,175	2,096
Business	1,352	1,558	1,224	1,402
Plant Operations and Maintenance	4,937	5,293	4,592	4,980
Student Transportation	4,179	4,532	3,266	3,390
Community Service Operations	326	343	61	81
Food Service Operations	4	6	-	-
Bond Issue Costs	-	193	-	193
Interest on Long-Term Debt	1,976	2,058	-	-
TOTAL EXPENSES	$ 47,632	$ 48,159	$ 33,614	$ 34,392

The dependence upon tax revenues for governmental activities is apparent. Approximately 71% of instruction activities are supported through taxes and other general revenues. For all governmental activities, such revenues provide approximately 72% of the support. The community, as a whole, is the primary support for the students of the Campbell County School District.

Business-Type Activity

The only business-type activity of the Board is the food service operation. Revenue comes from sales to students and others, totaling $973 thousand in 2013. Other revenues came from federal and state contributions, totaling $1.1 million (excluding on-behalf payments), and from commodities donated by the Federal government, valued at $154 thousand. Food Service expenses and transfers out to the General Fund totaled $2.9 million. Total expenditures exceeded total revenue for the year by approximately $385 thousand and reduced the Food Service fund balance.

The Board continues to monitor the food service operation to ensure that it does not require large contributions from the General Fund. Prices for meals and other products sold are increased from time to time to ensure that revenues are sufficient for this operation to be self-supporting.

The Board's Funds

The Board's governmental funds are accounted for using the modified accrual basis of accounting. In 2013, all governmental funds had total revenues and other financing sources of $72.7 million and total expenditures and other financing uses of $84.3 million. The General Fund balance decreased by approximately $1.7 million with expenditures exceeding revenues. The Construction and Capital Outlay Fund balances decreased approximately $9.7 million and $215,000, respectively as a result of expenditures made to construct the new ATC.

General Fund Budgetary Highlights

The Board's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. In Kentucky, the public school fiscal year is July 1 through June 30. Some programs relating to federal and state grants operate on a different fiscal year but are nevertheless reflected in the overall budget. A tentative budget is adopted by the Board by the end of May for the subsequent year. A working budget is adopted by the end of September for each fiscal year following the determination of the enrollment at the beginning of the new school year, the tax assessments and rates that will be used to determine the property tax revenues, and the salaries for new employees/positions.

The most significant budgeted fund is the General Fund. By law, the budget for the General Fund must have a minimum 2% contingency based on budgeted expenses for all funds.

Highlights of the General Fund budget comparison include the following:

> The working budget mirrors the tentative budget that was presented in May. It is expected that CCS will receive an equivalent amount of revenue as it received in 11-12 despite the increase in salaries, operations, maintenance, utilities, etc. The tentative Budget was $37.3 million, the working budget is $37.9 million.

On-Behalf Payments and Budget Variances

As part of GASB 34, the Board's financial statements show payments made by the Commonwealth of Kentucky that benefited the students or the employees of the Board. For the General Fund, these include amounts paid by the state for teacher retirement, health insurance, flexible-spending health benefit contributions, life insurance, and expenses related to the education of District students at state-operated schools. For the audited financial reports, such on-half payments were added to the Board's related revenue and expense line items for the General Fund. (See Note 10 – On-Behalf Payments for Fringe Benefits, of the accompanying Financial Statements for the year ended June 30, 2013.)

It is notable that on-behalf payments represent state obligations that are not Board obligations. Therefore, they have not been included as part of the budgeting process for the General Fund. As a result, the variances between amounts budgeted for the General Fund and the actual results (see Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund on page 41 of the accompanying financial statements) may be skewed by on-behalf payments.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the Board had a total of approximately $73.9 million in capital assets, net of accumulated depreciation, including $70.4 million for governmental activities and $3.5 million for business-type activities. Table 4 reflects the balances at June 30, 2013, compared to June 30, 2012:

Table 4
Capital Assets at June 30
(Net of Depreciation, In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Land	$ 4,586	$ 4,586	$ -	$ -	$ 4,586	$ 4,586
Land Improvements	1,361	1,220	-	-	1,361	1,220
Construction in Progress	7,845	20,353	-	-	7,845	20,353
Buildings and Building Improvements	41,537	40,015	3,113	3,020	44,650	43,035
Technology Equipment	1,108	1,166	2	2	1,110	1,168
Vehicles	2,021	2,244	-	-	2,021	2,244
General Equipment	990	850	456	448	1,446	1,298
TOTALS	$ 59,448	$ 70,434	$ 3,571	$ 3,470	$ 63,019	$ 73,904

Debt

At June 30, 2013, the Board had approximately $56.9 million in outstanding bonds being paid from the debt service fund and state SPCC funds as well as approximately $863 thousand in outstanding bonds being paid from the General Fund.

In June 2013, the Board, through the Campbell County School District Finance Corporation, issued school building revenue bonds with a final payment of August 1, 2032, in the amount of $1.25 million for the purpose of providing additional funding for the construction of the Area Technology Center. The entire amount of this bond issue will be serviced by the Kentucky School Facility Construction Commission.

Construction expenses of approximately $19,556,902 related to the high school facilities project have been incurred to date and are reflected in Table 4 – Capital Assets as Construction in Progress.

Federal Funding

The District is awarded several federal grants each year for the purpose of enhancing and supplementing educational activities in many areas. The grants also provide additional resources to serve some specified student populations. The District was awarded approximately $2.1 million in educational federal grant awards in 2013, compared to $2 million in 2012. These funds are very instrumental in improving and advancing instruction quality, curriculum, technology and ultimately student assessment performance.

The District has increased efforts to apply for grants, such as the following grants:

- Counselor Grant, $45,000 3 year grant (an additional counselor grant for Cline was received this year, $46,000 for 3 years)
- 21st Century Community Learning Centers Grant, $600,000 for 3 years, received last year
- Kentucky Dept. of Ed Grant, $65,000, one of 5 districts in Kentucky to receive this grant
- Northern Kentucky Coop Regional Grant – 16 districts are collaborating on a $30 million grant for the Northern Kentucky Coop to be able to provide services to the Northern Kentucky school districts

State Funding

The District's state funding, representing approximately 39% of General Fund receipts (net of on-behalf payments), is highly dependent on the receipt and budgeting of the revenues of the Commonwealth of Kentucky. Unfortunately, the state continues to experience significant budgetary problems related to deterioration in state revenues caused by the decline in the economy. Thus state SEEK and education grant funding have become very vulnerable to reductions in this environment.

The most significant factor in determining the amount of state funds that the District receives is the Support Excellence in Kentucky Education (SEEK) base per average daily student attendance (ADA). The 2012-13 SEEK base was $3,833 per ADA, slightly lower than the $3,903 of the prior year. Total 2013 SEEK funds decreased by approximately $405,000 over 2012. SEEK tentative projections for 2013/2014 indicate a reduction of $58,800.

Superintendent

The Board of education unanimously approved a four-year contract with Mr. Glen Miller as the District's Superintendent, beginning July 1, 2014 and ending June 30, 2018.

Contacting the Board's Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Board's finances and to reflect the Board's accountability for the funds it receives. Questions or comments about this report should be directed to Mr. Glen Miller, Superintendent, or Jane King, Assistant Finance Director, by telephone at 859-635-2173 or by mail to the Central Office, 101 Orchard Lane, Alexandria, KY 41001.

CAMPBELL COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 8,539,191	$ -	$ 8,539,191
Receivables:			
Taxes	356,213	-	356,213
Intergovernmental – Federal	271,048	122,359	393,407
Intergovernmental – State	6,750	-	6,750
Due from proprietary fund	14,814	-	14,814
Inventory	-	80,129	80,129
Net capital assets	70,434,608	3,470,083	73,904,691
Total assets	79,622,624	3,672,571	83,295,195
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refundings	887,142	-	887,142
LIABILITIES			
Accounts payable	1,347,483	6,866	1,354,349
Due to governmental fund	-	14,814	14,814
Accrued liabilities	1,202,507	-	1,202,507
Unearned revenue	323,560	-	323,560
Current maturities of bond obligations	3,128,707	-	3,128,707
Current portion of accumulated sick leave	100,000	4,407	104,407
Interest payable	522,648	-	522,648
Noncurrent maturities of bond obligations	54,724,932	-	54,724,932
Noncurrent portion of accumulated sick leave	887,686	-	887,686
Accrued insurance claims liability	156,000	-	156,000
Total liabilities	62,393,523	26,087	62,419,610
NET POSITION			
Invested in capital assets, net of related debt	12,058,321	3,470,083	15,528,404
Unrestricted	6,057,922	176,401	6,234,323
Total net position	$ 18,116,243	$ 3,646,484	$ 21,762,727

See accompanying notes.

CAMPBELL COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year ended June 30, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental activities							
Instruction	$ 24,268,013	$ 229,560	$ 6,835,981	$ -	$ (17,202,472)	$ -	$ (17,202,472)
Student support services	2,862,487	-	1,084,495	-	(1,777,992)	-	(1,777,992)
Instructional staff support services	2,953,338	-	1,156,092	-	(1,797,246)	-	(1,797,246)
District administration	1,512,419	-	39,403	-	(1,473,016)	-	(1,473,016)
School administration	2,580,877	-	484,394	-	(2,096,483)	-	(2,096,483)
Business support services	1,557,826	-	155,644	-	(1,402,182)	-	(1,402,182)
Plant operations and maintenance	5,292,272	-	312,223	-	(4,980,049)	-	(4,980,049)
Student transportation	4,532,228	487,410	655,229	-	(3,389,589)	-	(3,389,589)
Community services	343,243	-	262,382	-	(80,861)	-	(80,861)
Food service	6,352	-	6,352	-	-	-	-
Interest	2,057,575	-	-	2,057,575	-	-	-
Bond issue costs	192,974	-	-	-	(192,974)	-	(192,974)
Total governmental activities	48,159,604	716,970	10,992,195	2,057,575	(34,392,864)	-	(34,392,864)
Business-type activities							
Food service	2,871,789	972,894	1,603,299	-	-	(295,596)	(295,596)
Total business-type activities	2,871,789	972,894	1,603,299	-	-	(295,596)	(295,596)
Total primary government	$ 51,031,393	$ 1,689,864	$ 12,595,494	$ 2,057,575	(34,392,864)	(295,596)	(34,688,460)
			General revenues				
			Taxes:				
			Property		17,605,718	-	17,605,718
			Motor vehicle		1,758,593	-	1,758,593
			Utilities		2,579,380	-	2,579,380
			Earnings on investments		49,720	562	50,282
			State grants		12,357,131	-	12,357,131
			Federal grants		238,936	-	238,936
			Gains on sales/disposal of capital assets		10,162	-	10,162
			Other local amounts		645,128	-	645,128
			Total general revenues		35,244,768	562	35,245,330
			Income (loss) before operating transfers		851,904	(295,034)	556,870
			Operating transfers		89,805	(89,805)	-
			Change in net position		941,709	(384,839)	556,870
			Net position as of July 1, 2012, as previously reported		17,999,263	4,031,323	22,030,586
			Change in accounting principal		(824,729)	-	(824,729)
			Net position as of July 1, 2012, as restated		17,174,534	4,031,323	21,205,857
			Net position as of June 30, 2013		$ 18,116,243	$ 3,646,484	$ 21,762,727

See accompanying notes.

CAMPBELL COUNTY SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Special Revenue Funds	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	School Construction Fund	Debt Service Fund	Total Governmental Funds
ASSETS							
Cash and cash equivalents	$ 7,370,586	$ 126,143	$ -	$ -	$ 1,042,462	$ -	$ 8,539,191
Receivables:							
Taxes	356,213	-	-	-	-	-	356,213
Intergovernmental – Federal	-	271,048	-	-	-	-	271,048
Intergovernmental – State	-	6,750	-	-	-	-	6,750
Due from school food service fund	14,814	-	-	-	-	-	14,814
Total assets	$ 7,741,613	$ 403,941	$ -	$ -	$ 1,042,462	$ -	$ 9,188,016
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	$ 224,640	$ 80,381	$ -	$ -	$ 1,042,462	$ -	$ 1,347,483
Accrued liabilities	1,202,507	-	-	-	-	-	1,202,507
Unearned revenue	-	323,560	-	-	-	-	323,560
Current portion of accumulated sick leave	100,000	-	-	-	-	-	100,000
Total liabilities	1,527,147	403,941	-	-	1,042,462	-	2,973,550
Fund balances							
Committed for:							
Sick leave benefits	441,286	-	-	-	-	-	441,286
Future construction	85,879	-	-	-	-	-	85,879
Assigned for:							
Site-based carryforward	147,932	-	-	-	-	-	147,932
Future obligations	250,981	-	-	-	-	-	250,981
Future debt obligations	1,492,994	-	-	-	-	-	1,492,994
Unassigned	3,795,394	-	-	-	-	-	3,795,394
Total fund balances	6,214,466	-	-	-	-	-	6,214,466
Total liabilities and fund balances	$ 7,741,613	$ 403,941	$ -	$ -	$ 1,042,462	$ -	$ 9,188,016

See accompanying notes.

CAMPBELL COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2013

Total fund balances – governmental funds	$ 6,214,466
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $106,048,789, and the accumulated depreciation is $35,614,181.	70,434,608
Deferred loss on bond refundings are not current financial resources and therefore are reported as deferred outflows of resources in governmental funds.	887,142
Bonds payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(57,853,639)
Noncurrent portion of accumulated sick leave is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(887,686)
Interest payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(522,648)
Accrued insurance claims liability is not reported in the government fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(156,000)
Total net position – governmental activities	$ 18,116,243

See accompanying notes.

CAMPBELL COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year ended June 30, 2013

	General Fund	Special Revenue Funds	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	School Construction Fund	Debt Service Fund	Total Governmental Funds
Revenues							
From local sources:							
Taxes:							
Property	$ 14,119,748	$ -	$ -	$ 3,485,970	$ -	$ -	$ 17,605,718
Motor vehicle	1,758,593	-	-	-	-	-	1,758,593
Utilities	2,579,380	-	-	-	-	-	2,579,380
Earnings on investments	37,525	-	-	-	12,195	-	49,720
Tuition and fees	229,560	-	-	-	-	-	229,560
Transportation fees	487,410	-	-	-	-	-	487,410
Other local	440,243	89,373	-	-	200,000	-	729,616
Intergovernmental – State	19,834,793	1,865,608	447,203	-	-	979,517	23,127,121
Intergovernmental – Federal	238,936	2,195,292	-	-	-	-	2,434,228
Total revenues	39,726,188	4,150,273	447,203	3,485,970	212,195	979,517	49,001,346
Expenditures							
Current:							
Instruction	22,015,546	2,320,075	-	-	-	-	24,335,621
Student support services	2,285,046	575,286	-	-	-	-	2,860,332
Instructional staff support services	1,235,214	873,305	-	-	-	-	2,108,519
District administration	1,306,602	-	-	-	-	-	1,306,602
School administration	2,496,161	71,477	-	-	-	-	2,567,638
Business support services	1,458,727	23,987	-	-	-	-	1,482,714
Plant operations and maintenance	4,514,615	21,305	-	-	752,312	-	5,288,232
Student transportation	4,683,010	79,149	-	-	-	-	4,762,159
Community services	92,466	250,777	-	-	-	-	343,243
Food service	-	6,352	-	-	-	-	6,352
Architectural/engineering	-	-	-	-	160,335	-	160,335
Facilities acquisition and construction	-	-	277,319	10,823	11,294,536	-	11,582,678
Debt service	283,992	-	-	-	-	4,851,207	5,135,199
Total expenditures	40,371,379	4,221,713	277,319	10,823	12,207,183	4,851,207	61,939,624
(Deficit) excess of revenues (under) over expenditures	(645,191)	(71,440)	169,884	3,475,147	(11,994,988)	(3,871,690)	(12,938,278)
Other financing sources (uses)							
Proceeds from sales of capital assets	15,546	-	-	-	-	-	15,546
Proceeds from issuance of bonds	-	-	-	-	1,209,912	-	1,209,912
Proceeds of refunding bonds	-	-	-	-	-	17,317,114	17,317,114
Payments to refunded bonds escrow agent	-	-	-	-	-	(17,317,114)	(17,317,114)
Operating transfers in	89,805	71,440	-	-	1,061,428	3,871,690	5,094,363
Operating transfers out	(1,132,868)	-	(385,720)	(3,485,970)	-	-	(5,004,558)
Total other financing sources (uses)	(1,027,517)	71,440	(385,720)	(3,485,970)	2,271,340	3,871,690	1,315,263
Net change in fund balance	(1,672,708)	-	(215,836)	(10,823)	(9,723,648)	-	(11,623,015)
Fund balance as of July 1, 2012	7,887,174	-	215,836	10,823	9,723,648	-	17,837,481
Fund balance as of June 30, 2013	$ 6,214,466	$ -	$ -	$ -	$ -	$ -	$ 6,214,466

See accompanying notes.

CAMPBELL COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2013

Net change in total fund balances – governmental funds	$ (11,623,015)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but are presented as assets in the statement of net position and depreciated over their estimated useful lives. Related depreciation expense is reported in the statement of activities. The difference is the amount by which capital outlays ($13,643,385) exceeds depreciation expense ($2,652,285) and net disposals ($5,384) for the year.	10,985,716
Bond proceeds are other financing sources in the governmental fund financial statements, but are not included in the statement of activities.	(18,720,000)
Deferred loss on bond refundings are not reported in the governmental fund financial statements, but are capitalized and amortized over the life of the related bonds in the statement of activities.	706,589
Bond payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions of liabilities and interest expense in the statement of net position and statement of activities, respectively.	19,688,149
Insurance claims expense related to accrued insurance claims liability is recognized in the statement of activities but not in the governmental fund financial statements because it will not be paid with existing financial resources.	(156,000)
Accumulated sick leave is recognized by the amount earned in the statement of activities, but the governmental fund financial statements only recognize the obligations anticipated to be retired from existing financial resources.	60,270
Change in net position – governmental activities	$ 941,709

See accompanying notes.

CAMPBELL COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION – PROPRIETARY FUND
June 30, 2013

	School Food Service Fund
ASSETS	
Current assets	
Cash	$ -
Accounts receivable	122,359
Inventory	80,129
Total current assets	202,488
Noncurrent assets	
Capital assets	5,818,965
Less accumulated depreciation	2,348,882
Total noncurrent assets	3,470,083
Total assets	3,672,571
LIABILITIES	
Current liabilities	
Accounts payable	6,866
Due to general fund	14,814
Sick leave payable	4,407
Total current liabilities	26,087
NET POSITION	
Invested in capital assets	3,470,083
Unrestricted	176,401
Total net position	$ 3,646,484

See accompanying notes.

CAMPBELL COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUND
Year ended June 30, 2013

	School Food Service Fund
Operating revenues	
Lunchroom sales	$ 972,894
Total operating revenues	972,894
Operating expenses	
Salaries and wages	748,270
Employee benefits	546,196
Contract services	43,077
Materials and supplies	1,357,635
Depreciation	171,073
Other	5,538
Total operating expenses	2,871,789
Operating loss	(1,898,895)
Nonoperating revenues	
Federal grants	1,119,442
Donated commodities	154,403
State grants	24,471
State on-behalf payments	304,983
Interest income	562
Total nonoperating revenues	1,603,861
Loss before operating transfers	(295,034)
Operating transfers out	(89,805)
Change in net position	(384,839)
Net position as of July 1, 2012	4,031,323
Net position as of June 30, 2013	$ 3,646,484

See accompanying notes.

CAMPBELL COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS – PROPRIETARY FUND
Year ended June 30, 2013

	School Food Service Fund
Cash flows from operating activities	
Cash received from:	
Lunchroom sales	$ 972,894
Cash paid to/for:	
Employees and contract services	(1,337,543)
Materials and supplies	(1,256,344)
Other	(5,538)
Net cash used in operating activities	(1,626,531)
Cash flows from noncapital financing activities	
Government grants	1,326,537
Net cash provided by noncapital financing activities	1,326,537
Cash flows from capital and related financing activities	
Operating transfers to governmental funds	(89,805)
Cash loaned from governmental fund	14,814
Capital asset purchases	(69,968)
Net cash used in capital and related financing activities	(144,959)
Cash flows from investing activities	
Interest income	562
Net cash provided by investing activities	562
Net decrease in cash	(444,391)
Cash as of July 1, 2012	444,391
Cash as of June 30, 2013	$ -
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (1,898,895)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	171,073
Donated commodities	154,403
Changes in assets and liabilities:	
Inventory	(53,487)
Accounts payable	375
Net cash used in operating activities	$ (1,626,531)
Schedule of noncash transactions	
Donated commodities	$ 154,403

See accompanying notes.

CAMPBELL COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION – FIDUCIARY FUND
June 30, 2013

	Student Activity Funds
ASSETS	
Cash and cash equivalents	$ 624,227
Total assets	624,227
LIABILITIES	
Due to student groups	624,227
Total liabilities	624,227
Total net position	$ -

See accompanying notes.

1. Basis of presentation and summary of significant accounting policies

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

The District, for financial purposes, includes all of the funds relevant to the District's operation. The basic 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 Athletic Boosters, Parent-Teacher Associations, etc.

The District's basic financial statements 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 basic financial statements of the following organization are included in the accompanying basic financial statements:

> ***Campbell County School District Finance Corporation*** – The Campbell County, Kentucky, Board of Education established the Campbell County School District Finance Corporation (Corporation) (a nonprofit, nonstock, public, and charitable corporation organized under the School Bond Act, 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 Campbell County Board of Education also comprise the Corporation's Board of Directors.

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 District's financial activities, except for fiduciary funds. The statements distinguish between those District activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The District's activities are generally financed through state funding, property and utility taxes, and federal, state, and local grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. Revenues from grants are recognized in the fiscal year in which eligibility requirements are met.

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected within 60 days of year end are recognized as revenue.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when they come due for payment. General capital asset acquisitions are reported as expenditures in governmental funds, and proceeds of general long-term debt are reported as other financing sources.

Under the terms of the District's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the District applies cost-reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

Proprietary funds utilize the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with the fund's principal operations. The fund's principal operating revenues are

food service charges. Operating expenses include food production costs, materials and supplies, administrative costs, and depreciation on capital assets.

Fiduciary funds utilize the economic resources measurement focus and the accrual basis of accounting.

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of the total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds. Additionally, the District has determined certain other funds should be reported as major funds.

The District has the following funds:

a. Governmental fund types

The General Fund is the District's general operating fund and accounts for and reports all District revenues and expenditures not accounted for or reported in other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The Special Revenue Funds are used to account for and report the proceeds of specific revenue sources restricted to expenditures for specified purposes other than debt or capital projects. This is a major fund of the District.

Capital Project Funds are used to account for and report financial resources restricted for capital outlays, including the acquisition or construction of capital facilities or other capital assets, and to provide financial resources for debt service requirements. Capital Projects Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that are held in trust.

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the State as capital outlay funds and is generally restricted for use in financing projects identified in the District's facility plan (including payment of bonded lease obligations). This is a major fund of the District.

2. The Facility Support Program (FSPK) Fund accounts for and reports funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District.

3. The School Construction Fund accounts for and reports proceeds from sales of bonds and other revenue to be used for authorized construction. This is a major fund of the District.

4. The Debt Service Fund accounts for and reports expenditures for debt payments. This is a major fund of the District.

b. Proprietary fund type

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

c. Fiduciary fund type

Student Activity Funds account for and report activities of student groups and other types of activities requiring clearing accounts. These funds comply with *Accounting Procedures for Kentucky School Activity Funds*.

Budgetary process – The District's budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America.

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other local, state, and federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board.

The District does not budget for on-behalf payments, which are reported with the General Fund and the School Food Service Fund in the fund financial statements and the budgetary comparison supplementary information.

The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each year.

Additionally, the District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for the instructional supplies, materials, travel, and equipment.

Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a 2% reserve.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget. The working budget was amended during the year.

Cash and cash equivalents – The District considers demand deposits, money market funds, certificates of deposit, and U.S. treasury securities with an original maturity of 90 days or less, to be cash equivalents.

Inventory – Inventory is recorded at the lower of cost, determined by the specific identification method, or market.

Prepaid expenses – Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items on the accompanying statement of net position using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed. No prepaid expenses were recorded as of June 30, 2013.

Bond issue costs – Prior to July 1, 2012, costs associated with the issuance of bond obligations were capitalized and amortized over the related bond term on the statements of net position and activities. Effective July 1, 2012, the District adopted the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Accordingly, the District expenses bond issue costs as incurred.

Deferred loss on bond refundings – Deferred loss on bond refundings represents losses equal to the principal amount borrowed to refund the principal amount outstanding on previous bond issues. These amounts are recognized as deferred outflows of resources on the accompanying statement of net position. The amounts are amortized over the life of the new bond or the life of the refunded bond (whichever is shorter), and included in interest expense on the accompanying statement of activities.

Interfund balances – On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as due from or to other funds. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as interfund balances.

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

All capital assets are capitalized at cost (or estimated historical cost based on independent appraisals) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of $1,000 with the exception of computers and related equipment for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress 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:

Description	Estimated Lives
Land improvements	20-50 years
Buildings and improvements	20-50 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	7-15 years
Food service equipment	12 years

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements if they will be liquidated with current resources. In general, payments made within 60 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.

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

Accumulated sick leave – Sick leave benefits are calculated using the vesting method, and accrued based on the District's estimates using historical trend information. The current portion of the liability is estimated based on the anticipated payouts in the succeeding fiscal year.

Fund balances – The District classifies its governmental fund balances as follows:

Nonspendable – This category includes funds that are not available to be spent because they are not in spendable format, or because they are legally required to remain intact. The District does not have any nonspendable funds as of June 30, 2013.

Restricted – This category includes resources that are restricted by state law to be used for certain purposes.

Committed – This category includes funds that have been designated for future use by the Board. Only the Board may commit funds and modify or rescind the commitment.

Assigned – This category represents funds that have been designated for existing purchase obligations. Assignments can be made by authorized members of management.

Unassigned – This category represents the remainder of the governmental fund balances that do not belong in any other fund balance classifications.

When the District incurs an expenditure for which committed, assigned, or unassigned funds are available, the District generally spends committed funds first, assigned funds second, and unassigned funds last.

When the District incurs an expenditure for which restricted and unrestricted (assigned and unassigned, respectively) funds are available within a given fund, the District generally spends restricted funds first and unrestricted funds last.

Net position – Net position represents the difference between assets and deferred outflows of resources, and liabilities. Amounts invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on the asset's use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When the District incurs an expenditure for which restricted and unrestricted funds are available, the District considers restricted funds to have been spent first.

Interfund activity – Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds, and after nonoperating revenues/expenses in proprietary funds. These transactions are eliminated in the governmental and business-type activities columns of the statement of activities.

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 fiscal year.

Estimates – The preparation of basic financial statements requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent events – The District's management has evaluated subsequent events through November 12, 2013, the date which the financial statements were available for issue. No subsequent events were of such a nature as to require disclosure.

New accounting pronouncements – In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and in March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities.* GASB Statement No. 63 amends previous pronouncements and incorporates deferred outflows of resources and deferred inflows of resources, as defined in Concepts Statement No. 4, *Elements of Financial Statements*, into the required components of the statement of financial position's (formerly statement of net assets) residual measure and renames that measure net position, rather than net assets. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify certain items previously classified as assets and liabilities as deferred outflows and deferred inflows of resources. Effective July 1, 2012, the District adopted GASB Statements No. 63 and 65. The adoption of GASB Statement No. 65 resulted in a $824,729 reduction of the District's net position as of July 1, 2012 and is presented as a change in accounting principal on the accompanying statement of activities.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. GASB Statement No. 68 replaces previous requirements related to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The objective of GASB Statement No. 68 is to improve accounting and financial reporting for pensions provided to the employees of state and local governments, and information about financial support for pensions that is provided by other entities. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB Statement No. 68 also provides related note disclosure and supplementary information requirements. GASB Statement No. 68 is effective for years beginning after December 15, 2014. The District has not determined the potential impact, if any, this pronouncement will have on its future financial statements.

2. Deposits with financial institutions

As of June 30, 2013, the carrying amount of the District's deposits with financial institutions was $9,163,418, and its bank balances totaled $9,682,296. Of the total bank balances, $904,235 was covered by federal depository insurance, with the remainder covered by a collateral agreement with securities.

Cash and cash equivalents are commingled in various bank accounts, short-term certificates of deposit, and U.S. Government Instrumentalities. Due to the nature of the accounts and limitations imposed by bond issue requirements, construction projects, and financial assistance programs, cash and cash equivalents amount within the following funds is considered to be restricted:

School Construction Fund
Student Activity Funds

District funds are considered to be public funds and therefore their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds.

3. Taxes

The District's ad valorem property tax is levied each September 30 on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes are due on January 2 and become delinquent after January 31 following the September 30 levy date.

The property tax rates assessed for the year ended June 30, 2013 were $.566 per $100 valuation for real property, $.566 per $100 valuation for business personal property, and $.522 per $100 valuation for motor vehicles.

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

4. Capital assets

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

Governmental Activities	Balance July 1, 2012	Additions	Dispositions	Balance June 30, 2013
Land	$ 4,585,897	$ -	$ -	$ 4,585,897
Land improvements	3,330,256	-	-	3,330,256
Construction in progress	7,845,119	12,508,177	-	20,353,296
Buildings and improvements	65,066,485	-	-	65,066,485
Technology equipment	4,107,633	440,386	382,313	4,165,706
Vehicles	5,288,325	633,872	181,814	5,740,383
General equipment	2,776,926	60,950	31,110	2,806,766
Total cost	93,000,641	13,643,385	595,237	106,048,789
Less accumulated depreciation:				
Land improvements	1,969,082	141,461	-	2,110,543
Buildings and improvements	23,529,266	1,522,009	-	25,051,275
Technology equipment	2,999,280	382,139	381,879	2,999,540
Vehicles	3,267,841	409,970	181,813	3,495,998
General equipment	1,786,280	196,706	26,161	1,956,825
Total accumulated depreciation	33,551,749	2,652,285	589,853	35,614,181
Governmental activities net capital assets	$ 59,448,892	$ 10,991,100	$ 5,384	$ 70,434,608
Business-type Activities				
Buildings and improvements	$ 4,340,837	$ -	$ -	$ 4,340,837
Technology equipment	18,520	697	769	18,448
Food service equipment	1,390,409	69,271	-	1,459,680
Total cost	5,749,766	69,968	769	5,818,965
Less accumulated depreciation:				
Buildings and improvements	1,227,562	93,023	-	1,320,585
Technology equipment	16,091	1,031	769	16,353
Food service equipment	934,925	77,019	-	1,011,944
Total accumulated depreciation	2,178,578	171,073	769	2,348,882
Business-type activities net capital assets	$ 3,571,188	$ (101,105)	$ -	$ 3,470,083

Governmental activities depreciation expense is allocated to specific functions or programs on the statement of activities as follows:

Instruction	$ 370,998
Student support services	2,155
Instructional staff support services	844,819
District administration	205,817
School administration	13,239
Business support services	75,112
Plant operations and maintenance	736,204
Student transportation	403,941
Total depreciation expense	$ 2,652,285

5. Bonded debt and lease obligations

The amounts shown in the accompanying basic financial statements as bond obligations represent the District's future obligations to make lease payments relating to the bonds issued by the Campbell County School District Finance Corporation.

The original amount of each issue, the issue date, and interest rate are summarized below:

Issue	Proceeds	Interest Rates
2004 KISTA	$ 371,202	1.00 – 3.50%
2005 KISTA	393,835	3.00 – 3.63%
2006 KISTA	418,818	3.30 – 4.00%
2007 KISTA	425,343	3.50 – 3.88%
2008 KISTA	476,689	3.00 – 3.75%
2009 KISTA	355,025	2.00 – 3.90%
2003	13,855,000	2.00 – 4.375%
2004	13,425,000	2.50 – 4.25%
2004B	7,050,000	3.00 – 3.75%
2006	18,015,000	4.00 – 5.00%
2010	237,430	1.00 – 3.25%
2011	595,000	0.70 – 2.70%
2012	17,200,000	2.00 – 4.38%
2013	1,250,000	2.00 – 3.60%
2013 A	11,975,000	2.00 – 2.625%
2013 B	5,495,000	0.90%

The District, through the General Fund, the Facility Support Program (FSPK) Fund, and the SEEK Capital Outlay Fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Campbell 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.

For the 2003, 2004, 2006, 2010, 2011, 2012, and 2013 bond issues, the District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The participation agreements generally provide for the Commission to assist the District in meeting bond obligations and are renewable, at the Commission's option, bi-annually. Should the Kentucky General Assembly choose to not fund the Commission in the future, the District would be responsible for meeting the full requirements of the bond issues. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

During 2013, the District issued revenue refunding bonds totaling $11,975,000 to partially defease the 2004 issue totaling $11,235,000. Additionally, during 2013, the District issued revenue refunding bonds totaling $5,495,000 to defease the 2003 issue totaling $5,420,000. These transactions will result in future cash flow savings of approximately $802,000 and $547,000, respectively, and an economic gain (difference between present value of the new debt service payments and the old debt service payments) of approximately $706,000 and $530,000, respectively. As of June 30, 2013, all of the 2003 issue bonds have been retired.

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

Fiscal Year Ending	Campbell County School District Principal	Campbell County School District Interest	Kentucky School Facility Construction Commission Principal	Kentucky School Facility Construction Commission Interest	Total
2014	$ 2,429,449	$ 1,604,404	$ 699,258	$ 345,597	$ 5,078,708
2015	2,439,980	1,553,130	678,767	328,469	5,000,346
2016	2,450,716	1,496,650	688,972	312,663	4,949,001
2017	2,447,167	1,442,505	679,031	296,261	4,864,964
2018	2,450,147	1,391,786	654,864	280,073	4,776,870
2019	2,453,646	1,340,097	651,642	263,004	4,708,389
2020	2,579,016	1,268,231	570,984	245,595	4,663,826
2021	2,671,489	1,179,518	588,511	228,640	4,668,158
2022	2,763,683	1,085,848	611,317	210,453	4,671,301
2023	2,864,501	986,269	625,499	190,854	4,667,123
2024	2,967,565	880,988	647,435	169,552	4,665,540
2025	3,179,460	739,604	470,540	146,224	4,535,828
2026	3,322,528	596,448	487,472	127,278	4,533,726
2027	3,478,020	439,784	486,980	107,858	4,512,642
2028	1,539,643	325,488	445,357	89,436	2,399,924
2029	1,609,074	261,508	465,926	71,437	2,407,945
2030	1,678,932	192,643	486,068	52,071	2,409,714

Fiscal Year Ending	Campbell County School District Principal	Campbell County School District Interest	Kentucky School Facility Construction Commission Principal	Kentucky School Facility Construction Commission Interest	Total
2031	$ 1,752,437	$ 118,632	$ 512,563	$ 31,160	$ 2,414,792
2032	1,835,360	40,149	424,640	11,319	2,311,468
2033	-	-	65,000	1,170	66,170
	$ 46,912,813	$ 16,943,682	$ 10,940,826	$ 3,509,114	$ 78,306,435

A summary of the changes in the outstanding bonds during the fiscal year ended June 30, 2013 is as follows:

Issue	Balance July 1, 2012	Additions	Payments	Balance June 30, 2013
KISTA Bonds:				
2004	$ 68,276	$ -	$ 33,589	$ 34,687
2005	116,681	-	42,552	74,129
2006	169,261	-	44,050	125,211
2007	220,906	-	43,872	177,034
2008	287,222	-	46,689	240,533
2009	245,807	-	33,787	212,020
School Building Revenue Bonds:				
2003	6,560,000	-	6,560,000	-
2004	11,780,000	-	11,495,000	285,000
2004 B	3,545,000	-	705,000	2,840,000
2006	17,740,000	-	60,000	17,680,000
2010	171,000	-	20,975	150,025
2011	525,000	-	75,000	450,000
2012	17,200,000		280,000	16,920,000
2013	-	1,250,000	-	1,250,000
2013 A	-	11,975,000	55,000	11,920,000
2013 B	-	5,495,000	-	5,495,000
Totals	$ 58,629,153	$ 18,720,000	$ 19,495,514	$ 57,853,639

6. Accumulated unpaid sick leave benefits

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

The entire compensated absence liability is reported on the government-wide financial statements and the proprietary fund financial statements. For governmental fund financial statements, the current portion of unpaid accumulated sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the accumulated sick leave payable account in the General Fund. The noncurrent portion of the liability is not reported in governmental fund financial statements.

A summary of the changes in the accumulated unpaid sick leave benefits (governmental and business-type activities) during the fiscal year ended June 30, 2013 is as follows:

Balance as of July 1, 2012	$ 1,052,363
Additions	172,406
Less payments	232,676
Balance as of June 30, 2013	992,093
Less current portion	104,407
Noncurrent portion	$ 887,686

7. Accrued insurance claims liability

The District has previously purchased workers compensation and general liability insurance through the Kentucky School Boards Insurance Trust (KSBIT). KSBIT filed for bankruptcy. Accordingly, the participant districts are subject to KSBIT's unpaid outstanding claims. The KSBIT Board provided the District with an estimate of the District's potential share of the loss (approximately $166,000 highest estimate), and an estimate of the District's most likely loss (approximately $131,000). The District has accrued $156,000 on the accompanying statement of net position but could be exposed to additional liability if the KSBIT Board estimate is understated.

8. Commitments and contingencies

The District receives funding from federal and state government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of funds advanced, or refuse to reimburse the District for its disbursements. The collectability of any related receivables as of June 30, 2013 may be impaired. 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.

9. Retirement plans

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

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

Contribution rates are established by KRS. Members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members who participated in a state retirement system before July 1, 2008, and 14.105% of salaries for members who start their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions.

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

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

In order to fund the post-employment healthcare benefit, active member contributions are matched by the State at 0.75% of members' gross salaries. Member contributions are 1.75% of salary. Also, the premiums collected from retirees, as described in the plan description, and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the District pays 1% of members' salaries for the 2012-2013 fiscal year.

The District's total payroll was $28,047,214, $27,869,806, and $26,885,599 for the years ended June 30, 2013, 2012, and 2011, respectively. The payroll for employees covered under KTRS was $20,285,737, $20,158,429, and $19,408,939 for the years ended June 30, 2013, 2012, and 2011, respectively. The Commonwealth contributed $2,585,708, $2,486,068, and $2,374,714 to KTRS for the years ended June 30, 2013, 2012, and 2011, respectively, for the benefit of the participating employees. The District's contributions to KTRS were $322,019, $287,218, and $237,031 for the years ended June 30, 2013, 2012, and 2011, respectively, which represents those employees covered by federal programs.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost-sharing, multiple-employer, public employers retirement system administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. CERS provides retirement, death, disability, and health

benefits to members and their beneficiaries. Under KRS provisions, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report can be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan members are required to contribute 5% of their annual covered compensation if hired before September 1, 2008, or 6% if hired after September 1, 2008, and the District is required to contribute at an actuarially determined rate. The current rate is 19.55% of the employee's total covered compensation. The contribution requirements of plan members and the District are established and may be amended by the Kentucky Retirement System's Board of Trustees. The District's contributions to CERS for the years ended June 30, 2013, 2012, and 2011 were $1,384,992, $1,354,171, and $1,158,160, respectively, and are equal to the required contribution for the related year.

The District also offers employees the option to participate in voluntary tax-deferred compensation retirement plans as provided by the Campbell County Schools 403(b) Plan and by the Kentucky Public Employees' Deferred Compensation Program which administers 401(k) and 457 plans sponsored by the Commonwealth of Kentucky. All regular full-time and part-time employees are eligible to participate and may contribute the maximum allowable under Sections 403(b), 401(k), and 457 of the Internal Revenue Code. Members contributed $243,562 during the year ended June 30, 2013. The District does not contribute to these plans.

10. On-behalf payments for fringe benefits

The District receives on-behalf payments for fringe benefits from the Commonwealth of Kentucky. The following amounts are included as revenues and expenses/expenditures on the statement of activities, and the statement of revenues, expenditures, and changes in fund balances:

Retirement contributions to the Teachers' Retirement System of Kentucky	$ 2,585,708
Health and life insurance	4,561,197
Total	$ 7,146,905

11. Insurance, risk management, 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.; and risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, natural disasters, workers compensation, unemployment, etc. Each of these risk areas is covered through the purchase of commercial insurance.

The District has purchased certain policies which are retrospectively rated which includes workers' compensation insurance. Premiums are accrued based on the ultimate cost of the experience to date of a group of entities.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. However, the District has potential exposure for the claims in excess of commercial insurance coverage as explained in Note 7.

12. Deficit operating/fund balances

There are no District funds that currently have a deficit fund balance. However, the General Fund, the SEEK Capital Outlay Fund, the Facility Support Program (FSPK) Fund, the School Construction Fund, and the School Food Service Fund had operations that resulted in a current year operating loss resulting in a corresponding reduction of fund balance.

13. COBRA

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

14. Transfer of funds

The following transfers were made during the year ended June 30, 2013:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	Matching	$ 71,440
Operating	General	Construction	Construction	1,061,428
Operating	School Food Service	General	Indirect costs	89,805
Operating	SEEK Capital Outlay	Debt Service	Debt Service	385,720
Operating	Building Fund	Debt Service	Debt Service	3,485,970

15. Interfund receivables and payables

Interfund balances as of June 30, 2013 consist of the following:

Due to Fund	Due from Fund	Purpose	Amount
General	School Food Service	Cash Flow	$ 14,814

SUPPLEMENTARY INFORMATION

CAMPBELL COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
Year ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
From local sources:				
Taxes:				
Property	$ 14,158,000	$ 14,158,000	$ 14,119,748	$ (38,252)
Motor vehicle	1,650,000	1,650,000	1,758,593	108,593
Utilities	2,750,000	2,750,000	2,579,380	(170,620)
Earnings on investments	40,000	40,000	37,525	(2,475)
Tuition and fees	218,000	218,000	229,560	11,560
Transportation fees	482,151	482,151	487,410	5,259
Other local	323,228	323,228	440,243	117,015
Intergovernmental – State	12,551,214	12,661,214	19,834,793	7,173,579
Intergovernmental – Federal	130,000	130,000	238,936	108,936
Total revenues	32,302,593	32,412,593	39,726,188	7,313,595
Expenditures				
Current:				
Instruction	18,610,256	18,759,935	22,015,546	(3,255,611)
Student support services	1,706,432	1,736,751	2,285,046	(548,295)
Instructional staff support services	1,242,442	1,244,990	1,235,214	9,776
District administration	1,397,643	1,415,525	1,306,602	108,923
School administration	2,073,287	2,074,565	2,496,161	(421,596)
Business support services	1,176,189	1,182,154	1,458,727	(276,573)
Plant operations and maintenance	5,618,817	5,680,547	4,514,615	1,165,932
Student transportation	4,217,238	4,499,278	4,683,010	(183,732)
Community services	67,378	69,143	92,466	(23,323)
Food service	2,926	2,926	-	2,926
Debt service	283,992	283,992	283,992	-
Contingency	958,325	948,472	-	948,472
Total expenditures	37,354,925	37,898,278	40,371,379	(2,473,101)
Excess of expenditures over revenues	(5,052,332)	(5,485,685)	(645,191)	4,840,494
Other financing sources (uses)				
Proceeds from sales of capital assets	15,000	15,000	15,546	546
Operating transfers in	114,000	114,000	89,805	(24,195)
Operating transfers out	(120,000)	(120,000)	(1,132,868)	(1,012,868)
Total other financing sources (uses)	9,000	9,000	(1,027,517)	(1,036,517)
Net change in fund balance	(5,043,332)	(5,476,685)	(1,672,708)	3,803,977
Fund balance as of July 1, 2012	7,887,174	7,887,174	7,887,174	-
Fund balance as of June 30, 2013	$ 2,843,842	$ 2,410,489	$ 6,214,466	$ 3,803,977

CAMPBELL COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – SPECIAL REVENUE FUNDS
Year ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
From local sources:				
Earnings on investments	$ 500	$ 500	$ -	$ (500)
Other local	2,500	2,500	89,373	86,873
Intergovernmental – State	1,753,942	1,753,088	1,865,608	112,520
Intergovernmental – Federal	1,728,828	2,705,940	2,195,292	(510,648)
Total revenues	3,485,770	4,462,028	4,150,273	(311,755)
Expenditures				
Current:				
Instruction	1,868,062	2,679,093	2,320,075	359,018
Student support services	791,135	789,155	575,286	213,869
Instructional staff support services	610,484	575,320	873,305	(297,985)
School administration	35,097	85,541	71,477	14,064
Business support services	-	-	23,987	(23,987)
Plant operations and maintenance	18,655	18,655	21,305	(2,650)
Student transportation	47,305	183,396	79,149	104,247
Community services	228,032	247,699	250,777	(3,078)
Food service operations	-	-	6,352	(6,352)
Total expenditures	3,598,770	4,578,859	4,221,713	357,146
Excess of expenditures over revenues	(113,000)	(116,831)	(71,440)	45,391
Other financing sources (uses)				
Operating transfers in	120,000	120,000	71,440	(48,560)
Operating transfers out	(7,000)	(3,169)	-	3,169
Total other financing sources (uses)	113,000	116,831	71,440	(45,391)
Net change in fund balance	-	-	-	-
Fund balance as of July 1, 2012	-	-	-	-
Fund balance as of June 30, 2013	$ -	$ -	$ -	$ -

CAMPBELL COUNTY SCHOOL DISTRICT

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS – ELEMENTARY AND MIDDLE SCHOOL ACTIVITY FUNDS
Year ended June 30, 2013

School	Cash and Cash Equivalents July 1, 2012	Receipts	Disbursements	Cash and Cash Equivalents June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Due to Student Groups June 30, 2013
John W. Reiley Elementary	$ 26,771	$ 94,096	$ 101,670	$ 19,197	$ -	$ -	$ 19,197
Grant's Lick Elementary	22,930	85,549	76,743	31,736	-	-	31,736
Donald E. Cline Elementary	2,760	82,640	79,449	5,951	-	-	5,951
Crossroads Elementary	8,315	106,046	102,529	11,832	-	-	11,832
Campbell Ridge Elementary	44,861	154,682	129,874	69,669	-	-	69,669
Campbell County Middle	42,749	304,333	304,855	42,227	-	-	42,227
Totals	$ 148,386	$ 827,346	$ 795,120	$ 180,612	$ -	$ -	$ 180,612

CAMPBELL COUNTY SCHOOL DISTRICT

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS – CAMPBELL COUNTY HIGH SCHOOL ACTIVITY FUNDS
Year ended June 30, 2013

Activity Fund	Cash and Cash Equivalents July 1, 2012	Receipts	Disbursements	Cash and Cash Equivalents June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Due to Student Groups June 30, 2013
Academic Team/Expenses	$ 870	$ 7,041	$ 6,470	$ 1,441	$ -	$ -	$ 1,441
ACT Prep	430	2,085	598	1,917	-	-	1,917
Advanced Placement	6,218	60,014	56,958	9,274	-	-	9,274
Animal Rights Club	-	11,363	11,362	1	-	-	1
Agriculture	-	32	-	32	-	-	- 32
Art	18	22,292	22,212	98	-	-	98
Art Club	810	85	152	743	-	-	743
Astronomy	135	119	-	254	-	-	254
Athletic Advertising	-	763	763	-	-	-	-
Athletic Hall of Fame	27	12,468	4,952	7,543	-	-	7,543
Athletic Project Fund	6,896	2,114	7,842	1,168	-	-	1,168
Athletics District total	5,130	13,333	15,574	2,889	-	-	2,889
Athletics Merchandise	368	17,049	17,406	11	-	-	11
Athletics Regional total	10,859	28,540	39,306	93	-	-	93
Band	186	5,194	5,380	-	-	-	-
Bank Equipment Fund	-	250	-	250	-	-	250
Band Parents	23,906	156,917	155,144	25,679	-	-	25,679
Bank	20	80	100	-	-	-	-

(continued)

CAMPBELL COUNTY SCHOOL DISTRICT

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS – CAMPBELL COUNTY HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2013

Activity Fund	Cash and Cash Equivalents July 1, 2012	Receipts	Disbursements	Cash and Cash Equivalents June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Due to Student Groups June 30, 2013
Baseball fundraising	$ 11,180	$ 30,614	$ 31,826	$ 9,968	$ -	$ -	$ 9,968
Becky Griffith Memorial	3,420	-	-	3,420	-	-	3,420
Beta Club	1,423	720	1,182	961	-	-	961
Book and Media Club	1,120	375	524	971	-	-	971
Book Fund	4,260	3,080	6,433	907	-	-	907
Bowling	103	1,674	1,770	7	-	-	7
Boys basketball fundraising	5,282	25,206	27,773	2,715	-	-	2,715
Boys golf fundraising	2,889	3,020	3,254	2,655	-	-	2,655
Boys soccer fundraising	401	16,710	13,400	3,711	-	-	3,711
Business	2,925	8,846	8,105	3,666	-	-	3,666
Camel Café	87	2,505	2,264	328	-	-	328
Camel Store	258	7,741	7,135	864	-	-	864
Campbell School	3,175	1,000	3,000	1,175	-	-	1,175
Carnegie Hall	61	-	(9)	70	-	-	70
Carnes Memorial	22,828	6,322	7,737	21,413	-	-	21,413
CBI/Autism	-	929	830	99	-	-	99
CCHS Athletics	15,386	148,987	157,583	6,790	-	-	6,790
CCHS Employees Sch	255	210	-	465	-	-	465

(continued)

CAMPBELL COUNTY SCHOOL DISTRICT

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS – CAMPBELL COUNTY HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2013

Activity Fund	Cash and Cash Equivalents July 1, 2012	Receipts	Disbursements	Cash and Cash Equivalents June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Due to Student Groups June 30, 2013
Cheerleader fundraising	$ 17,668	$ 24,868	$ 39,974	$ 2,562	$ -	$ -	$ 2,562
Chemistry Club	-	12	-	12	-	-	12
Chess Club	100	115	138	77	-	-	77
Chorus	366	13,438	12,716	1,088	-	-	1,088
Close-Up	1,717	-	-	1,717	-	-	1,717
Creative Writing Club	378	53	35	396	-	-	396
Credit recovery	938	7,286	1,989	6,235	-	-	6,235
Cross country fundraising	-	4,763	4,756	7	-	-	7
Cultural Heritage	91	3,170	3,261	-	-	-	-
Dance Team	-	2,480	2,480	-	-	-	-
Dance/Homecoming	4,760	9,244	11,748	2,256	-	-	2,256
DECA	-	888	863	25	-	-	25
Do Something Club	26	209	235	-	-	-	-
Donna Manker CD 5/3	5,503	-	-	5,503	-	-	5,503
Drama Club	34,277	28,528	60,139	2,666	-	-	2,666
Drama fees	443	393	403	433	-	-	433
Drama Pontiac Winner	1,697	3,107	1,794	3,010	-	-	3,010

(continued)

CAMPBELL COUNTY SCHOOL DISTRICT

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS – CAMPBELL COUNTY HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2013

Activity Fund	Cash and Cash Equivalents July 1, 2012	Receipts	Disbursements	Cash and Cash Equivalents June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Due to Student Groups June 30, 2013
Drug-Free Club	$ 3,990	$ 8,020	$ 8,519	$ 3,491	$ -	$ -	$ 3,491
FACS	36	4,934	4,969	1	-	-	1
FBLA	828	21,209	20,846	1,191	-	-	1,191
FCCLA	329	11,178	9,943	1,564	-	-	1,564
FFA	3,487	27,361	30,413	435	-	-	435
FFA Alumni	240	56	-	296	-	-	296
Film Club	489	4	328	165	-	-	165
Football fundraising	11,170	52,405	47,754	15,821	-	-	15,821
Ford Reward	295	-	-	295	-	-	295
French	169	375	399	145	-	-	145
Freshman Academy	222	2,916	2,228	910	-	-	910
Future Ed Association	-	20	15	5	-	-	5
Fun Bunch	17	1,480	1,484	13	-	-	13
Generation Believe	417	634	917	134	-	-	134
Girls basketball fundraising	3,867	32,116	34,260	1,723	-	-	1,723
Girls golf fundraising	374	-	139	235	-	-	235
Girls soccer fundraising	40	7,698	7,549	189	-	-	189
Greenhouse	5,186	-	421	4,765	-	-	4,765
Griffith Memorial	993	-	500	493	-	-	493

(continued)

CAMPBELL COUNTY SCHOOL DISTRICT

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS – CAMPBELL COUNTY HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2013

Activity Fund	Cash and Cash Equivalents July 1, 2012	Receipts	Disbursements	Cash and Cash Equivalents June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Due to Student Groups June 30, 2013
Guidance Dept	$ 642	$ 6,191	$ 6,784	$ 49	$ -	$ -	$ 49
Guitar Club	147	-	-	147	-	-	147
Hay Read	-	33	33	-	-	-	-
Health and PE	521	1,685	1,707	499	-	-	499
Herbst Memorial	985	15	1,000	-	-	-	-
Homecoming	2,089	805	884	2,010	-	-	2,010
Human Rights Club	288	300	585	3	-	-	3
Iles Memorial	38	-	-	38	-	-	38
Industrial Tech fees	1,953	9,035	9,160	1,828	-	-	1,828
Jeff Harris Memorial	92	2,500	1,000	1,592	-	-	1,592
Kirchoff Memorial	2,205	-	-	2,205	-	-	2,205
Language arts	1,033	6,073	6,143	963	-	-	963
Lee Lamb Scholarship	19	-	-	19	-	-	19
Library	270	2,991	2,707	554	-	-	554
Licking Valley Antique	-	1,000	500	500	-	-	500
Manker Fund	3	-	3	-	-	-	-
Math	2,448	6,248	6,346	2,350	-	-	2,350
Math Club	43	33	45	31	-	-	31
Math Summer School	3,100	1,500	100	4,500	-	-	4,500

(continued)

CAMPBELL COUNTY SCHOOL DISTRICT

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS – CAMPBELL COUNTY HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2013

Activity Fund	Cash and Cash Equivalents July 1, 2012	Receipts	Disbursements	Cash and Cash Equivalents June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Due to Student Groups June 30, 2013
Media	$ 413	$ 539	$ 887	$ 65	$ -	$ -	$ 65
Michelle Alford Scholarship	-	200	200	-	-	-	-
Newspaper	150	-	150	-	-	-	-
NHS	3,884	1,240	2,265	2,859	-	-	2,859
Office	51,333	26,494	31,417	46,410	-	-	46,410
Outdoor/Fitness Club	700	-	700	-	-	-	-
Pep Club	416	1,570	1,505	481	-	-	481
Photo Club	764	1,824	1,568	1,020	-	-	1,020
Principal's account	4,409	6,447	10,404	452	-	-	452
Profit/Water Machine	1,639	2,756	762	3,633	-	-	3,633
Project Graduation	2,073	14,426	13,691	2,808	-	-	2,808
Prom	3,844	22,989	26,833	-	-	-	-
Renaissance Student	1,436	41	320	1,157	-	-	1,157
Response to Intervene	729	801	727	803	-	-	803
Ruby Gay Campbell	20,085	-	-	20,085	-	-	20,085
Sara Lee Academic	1,000	-	-	1,000	-	-	1,000
School fees etc	-	209,559	187,280	22,279	-	-	22,279
Science	2,596	13,827	14,784	1,639	-	-	1,639

(continued)

CAMPBELL COUNTY SCHOOL DISTRICT

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS – CAMPBELL COUNTY HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2013

Activity Fund	Cash and Cash Equivalents July 1, 2012	Receipts	Disbursements	Cash and Cash Equivalents June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Due to Student Groups June 30, 2013
Service learning	$ 500	$ -	$ -	$ 500	$ -	$ -	$ 500
Ski Club	-	4,230	4,114	116	-	-	116
Snowball Dance	6,594	17,620	22,605	1,609	-	-	1,609
Social Studies	1,069	4,118	1,620	3,567	-	-	3,567
Softball fundraising	4,751	12,285	8,299	8,737	-	-	8,737
Spanish Dance Club	554	398	586	366	-	-	366
Spanish Honor Society	217	1,293	1,249	261	-	-	261
Special Education	462	2,286	785	1,963	-	-	1,963
Speech Team	103	-	103	-	-	-	-
STLP	76	-	-	76	-	-	76
Staff Community	352	249	243	358	-	-	358
Student Council	6,131	1,452	723	6,860	-	-	6,860
Student Incentives	-	21,109	13,500	7,609	-	-	7,609
Swim fundraising	2,450	2,251	2,038	2,663	-	-	2,663
Tennis fundraising	941	9,837	10,105	673	-	-	673
Textbooks	92,931	19,259	39,304	72,886	-	-	72,886
Track fundraising	1,083	12,137	11,837	1,383	-	-	1,383
TSA/Robotics	888	10,114	11,002	-	-	-	-
Vocational Facs	1,478	5,814	6,985	307	-	-	307

(continued)

CAMPBELL COUNTY SCHOOL DISTRICT

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS – CAMPBELL COUNTY HIGH SCHOOL ACTIVITY FUNDS – CONTINUED
Year ended June 30, 2013

Activity Fund	Cash and Cash Equivalents July 1, 2012	Receipts	Disbursements	Cash and Cash Equivalents June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Due to Student Groups June 30, 2013
Volleyball fundraising	$ 2,609	$ 12,431	$ 13,375	$ 1,665	$ -	$ -	$ 1,665
VPA Vis & Perf Arts	135	2,172	2,287	20	-	-	20
Ward Memorial	1,316	-	-	1,316	-	-	1,316
White Memorial	1,628	-	-	1,638	-	-	1,628
World language	861	3,198	3,684	375	-	-	375
Wrestling fundraising	7,145	32,275	32,559	6,861	-	-	6,861
Yearbook	18,917	8,755	11,514	16,158	-	-	16,158
Yearbook CD 5/3	12,658	-	-	12,658	-	-	12,658
Youth Alive	363	93	35	421	-	-	421
Youth Services Center	1,189	771	796	1,164	-	-	1,164
Totals	509,787	1,391,907	1,458,079	443,615	-	-	443,615
Interfund transfers	-	193,144	193,144	-	-	-	-
Totals	$ 509,787	$ 1,198,763	$ 1,264,935	$ 443,615	$ -	$ -	$ 443,615

CAMPBELL COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
Cash expenditures			
U.S. Department of Education			
Kentucky Department of Education:			
Title I	84.010	3100002-12	$ 472,507
		3100002-11	176,451
		3100002-10	7,546
		3100102-11	120,976
Subtotal			777,480
State Agency Program for Neglected and Delinquent Children	84.013	3133	22,163
		3132	6,690
		3132T	316
		3133T	698
Subtotal			29,867
Special Education	84.027	3810002-12	676,287
		3810002-11	345,077
Subtotal			1,021,364
Vocational Education Basic	84.048	4621232-12	37,568
		4621132-11	3,766
Subtotal			41,334
Special Education Preschool	84.173	3800002-12	20,860
		3800002-11	33
Subtotal			20,893
Twenty-First Century Community Learning Centers	84.287	5503	14,730
Education Technology State Grants	84.318	3210002-10	283

(continued)

CAMPBELL COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED
Year ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
Improving Teacher Quality	84.367	3230002-12	$ 103,176
		3230002-11	30,994
		3230002-10	31,151
Subtotal			165,321
School Improvement Grants	84.377	3100301-11	31,732
		3100301-10	1,576
Subtotal			33,308
Race to the Top	84.416	3960002-11	9,994
Education Jobs Fund*	84.410	EJOB00-10	5,278
Fund for the Improvement of Education – NKCES Secondary Counseling Program	84.215E	S215E120422	14,231
Total U.S. Department of Education			2,134,083
U.S. Department of Energy			
Conservation Research and Development*	81.086	9310002-09	64,091
Total U.S. Department of Energy			64,091
U.S. Department of Agriculture			
Kentucky Department of Education:			
National School Lunch Program	10.555	7750002-13	718,004
		7750002-12	156,794
Subtotal			874,798
School Breakfast Program	10.553	7760005-13	200,875
		7760005-12	40,398
Subtotal			241,273

(continued)

CAMPBELL COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED
Year ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
Summer Food Service Program for Children	10.559	7690024-12	$ 316
		7740023-12	3,055
Subtotal			3,371
Total U.S. Department of Agriculture			1,119,442
Total cash expenditures			3,317,616
Noncash expenditures			
U.S. Department of Agriculture			
Kentucky Department of Agriculture:			
Food Donation	10.555	Not provided	154,403
Total federal expenditures			$ 3,472,019

* American Recovery and Reinvestment Act (ARRA) Funds

See accompanying notes.

1. Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Campbell County School District and is presented on the modified accrual basis of accounting. 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*.

2. Food donation

Nonmonetary assistance for food donation is reported in the schedule at the fair value of the commodities disbursed. These donations are received from the U.S. Department of Agriculture via the Kentucky Department of Agriculture (KDA). The KDA has not provided a pass-through grant number.

3. Program clusters

The following programs are considered clusters and are considered in the aggregate for consideration of major program determination:

Cluster Name	CFDA	Total Grant
Special Education	84.027/84.173	$ 1,042,257
Child Nutrition	10.555/10.553/10.559	1,273,845

MATHER & COMPANY
SOLUTION-DRIVEN CPAs and Business Advisors

Mather & Co. CPAs, LLC
Suite 200
9100 Shelbyville Rd
Louisville, KY 40222

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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Campbell County School District
Alexandria, Kentucky

We have audited, in accordance with the 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 the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request,* and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report,* the financial statements of the governmental activities, the business-type activities, and each major fund of the Campbell County School District (District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 12, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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.* In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Appendix II to the Independent Auditor's Contract – State Audit Requirements*.

We noted certain other matters that we reported to the District's management in a separate letter dated November 12, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mather & Co. CPAs, LLC

Mather & Co. CPAs, LLC
Louisville, Kentucky
November 12, 2013

MATHER & COMPANY
SOLUTION-DRIVEN CPAs and Business Advisors

Mather & Co. CPAs, LLC
Suite 200
9100 Shelbyville Rd
Louisville, KY 40222

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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Campbell County School District
Alexandria, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations;* and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request, and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report.* Those standards and OMB Circular

A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the 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

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

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

Our consideration of the 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.

Mather & Co. CPAs, LLC

Mather & Co. CPAs, LLC
Louisville, Kentucky
November 12, 2013

CAMPBELL COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2013

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued		Unqualified		
Internal control over financial reporting:				
Material weakness identified	____	Yes	✔	No
Significant deficiencies identified that are not considered to be material weaknesses	____	Yes	✔	None reported
Noncompliance material to financial statement notes	____	Yes	✔	No

Federal Awards

Internal control over major programs:				
Material weaknesses identified	____	Yes	✔	No
Significant deficiencies identified that are not considered to be material weaknesses	____	Yes	✔	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 Circular A-133	____	Yes	✔	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.555/10.553/10.559	Child Nutrition

Dollar threshold used to distinguish between Type A and Type B program	$ 300,000			
Auditee qualified as low risk	✔	Yes	____	No

(continued)

Section II – Financial Statement Findings

No matters to report.

Section III – Federal Award Findings

No matters to report.

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year ended June 30, 2013

There were no prior year audit findings.

MATHER & COMPANY
SOLUTION-DRIVEN CPAs and Business Advisors

Mather & Co. CPAs, LLC
Suite 200
9100 Shelbyville Rd
Louisville, KY 40222

Members of the Board of Education
Campbell County School District
Alexandria, Kentucky

In planning and performing our audit of the basic financial statements of the Campbell County School District (District) as of and for the year ended June 30, 2013, 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 the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request, and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report,* we considered the District's internal control over financial reporting and compliance as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting or compliance. Accordingly, we do not express an opinion on the District's internal control over reporting and compliance.

However, during our audit we became aware of instances of noncompliance that we do not consider to be material weaknesses or significant deficiencies, but are opportunities for strengthening internal control. In addition, we followed up on another matter we noted in our previous audit. The memorandum that accompanies this letter summarizes our comments and suggestion regarding those matters. This letter does not affect our report dated November 12, 2013 on the District's basic financial statements.

Respectfully,

Mather & Co. CPAs, LLC

Mather & Co. CPAs, LLC
Louisville, Kentucky
November 12, 2013

CAMPBELL COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS
JUNE 30, 2013

CONTENTS

General Comments 67

Elementary, Middle, and High School Activity Funds 68

Other Issues Relating to Internal Controls and
General Accounting Procedures 69

GENERAL COMMENTS

The Finance Department had information in very good condition and all personnel were helpful in retrieving any additional information we needed while conducting our audit. Segregation and accounting for the various fund groups appears to be consistent with guidelines established by the Kentucky Department of Education and other funding agencies.

The State Board for Elementary and Secondary Education has a uniform program of accounting for school activity funds in Kentucky schools. The uniform program is documented in a handbook entitled *Accounting Procedures for Kentucky School Activity Funds* (the Redbook). Each school's activity funds were tested for compliance with the Redbook. Any findings have been documented as current year comments.

ELEMENTARY, MIDDLE, AND HIGH SCHOOL ACTIVITY FUNDS

CROSSROADS ELEMENTARY SCHOOL

Follow-up on Prior Year Findings

Prior year comment: We noted several instances where checks were missing dual signatures. We recommend two signatures on all checks.

Current year follow-up: There were no such instances noted in the current year.

Current Year Findings

CAMPBELL RIDGE ELEMENTARY

Statement of deficiency: An instance was noted where a check was missing dual signatures (the only signature was that of the school treasurer's).

Criteria for the deficiency: Segregation of duties are required under Redbook.

Cause for the deficiency: Principal did not sign check.

Effect of the deficiency: This deficiency is a violation of Redbook segregation of duties.

Recommendation for correction: We recommend the principal sign all checks in order to have proper segregation of duties.

Board response: Redbook requirements will be reviewed with the Principals and Secretaries/Bookkeepers to assure compliance with segregation of duties, specifically check signing.

JOHN REILEY ELEMENTARY

Statement of deficiency: An instance was noted where a check was missing dual signatures (the only signature was that of the school treasurer's).

Criteria for the deficiency: Segregation of duties are required under Redbook.

Cause for the deficiency: Principal did not sign check.

Effect of the deficiency: This deficiency is a violation of Redbook segregation of duties.

Recommendation for correction: We recommend the principal sign all checks in order to have proper segregation of duties.

Board response: Redbook requirements will be reviewed with the Principals and Secretaries/Bookkeepers to assure compliance with segregation of duties, specifically check signing.

OTHER ISSUES RELATING TO INTERNAL CONTROL AND GENERAL ACCOUNTING PROCEDURES

Follow-up on Prior Year Finding

There were no prior year findings.

Current Year Finding

Statement of deficiency: During A-133 compliance testing of the Child Nutrition Cluster it was noted the District failed the required paid lunch equity requirement.

Criteria for the deficiency: Per OMB Circular A-133 Compliance Supplement for the Child Nutrition Cluster, the paid lunch equity requirement states that a school food authority (SFA) participating in the National School Lunch Program (NSLP) is required to ensure that sufficient funds are provided to its school food service accounts from lunches served to students not eligible for free or reduced price meals. A SFA currently charging less for a paid lunch than the difference between the Federal reimbursement rate for such a lunch and that for a free lunch is required to comply. The difference is known as "equity." There are two ways to meet this requirement: (a) by raising the prices charged for paid lunches; or (b) through contributions from other non-Federal sources.

Cause of the deficiency: This appears to be an oversight by the school food service department.

Effect of the deficiency: Sufficient funds were not provided to the District's school food service accounts from lunches served to students not eligible for free or reduced meals.

Recommendation for correction: We recommend the District transfer these funds from the General Fund to the School Food Service Fund to account for this calculated deficiency.

Board response: We will transfer these funds from the General Fund to the School Food Service Fund to account for the deficiency relating to school year 2012-13. Going forward, the District will ensure sufficient funds are provided to the District's food service account to meet the paid lunch equity requirement as a participant of the National School Lunch Program.

STATEMENT OF CERTIFICATION

State Committee for School District Audits
Frankfort, Kentucky

The Campbell County Board School District certifies that all audit adjustments have been entered into MUNIS. The Annual Financial Report and Balance Sheet, which are in agreement with the audit report, will be transferred to KDE in conjunction with the audit report.

SUBMITTED, November 12, 2013

_____ Superintendent

_____ Assistant Finance Officer