

CASEY COUNTY SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

Year Ended June 30, 2013

CASEY COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Casey County School District
Liberty, Kentucky

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Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Casey County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the accompanying 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 the *Independent Auditor's Contract*, including *Appendix I – Audit Extension Request* and *Appendix II – 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 on the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

As discussed in Note 1 to the financial statements, the District adopted GASB No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AJCPA Pronouncements*, GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions an amendment of GASB Statement No. 53* during the fiscal year.

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 3 through 11 and 40 through 41 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 Casey County School District's basic financial statements. The combining financial statements, school schedules and schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements, school schedules 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 accounting standards generally accepted in the United States of America. In our opinion, the combining financial statements, school schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 20, 2013, on our consideration of Casey County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 Casey County School District's internal control over financial reporting and compliance.


Certified Public Accountants
Elizabethtown, Kentucky
September 20, 2013

REQUIRED SUPPLEMENTARY INFORMATION

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

This section of the financial statements for the Casey County School District (District) presents management’s discussion and analysis of the financial performance of the Casey County School District during the fiscal year that ended on June 30, 2013. As management of the District, we offer readers of the District’s financial statements this narrative overview and analysis to highlight and further explain the financial events that have taken place in the past year. We encourage readers to consider the information presented herein along with the District’s financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District’s financial status had been improving steadily for many years, using the fund balance as a measuring tool. The total General Fund Balance was \$6.9 million at June 30, 2013, compared to \$7.4 million at June 30, 2012, a decrease of \$545,000. This is a combination of both revenue decreasing and expenditures increasing.
- Total net position increased 1.01 percent over the course of the year.
- General Fund revenues totaled \$17.57 million, which primarily consisted of funding through the state’s Support Education Excellence in Kentucky (SEEK) program and revenues from property, utilities, and motor vehicle taxes. General Fund revenues were \$17.7 million in FY 2012.
- Excluding interfund transfers, General Fund expenditures totaled \$18.03 million. This compares to \$17.6 million in the prior year. Salaries and benefits increased \$.35 million. Of this, workers comp increased by \$31,000 due to significant claims in the past couple of years. The increase in salaries alone was \$189,000 and is due in large part to the expiration of the EduJobs funding at September 30, 2012. The District’s Superintendent retired at the end of June 2013 and her benefits payout was a significant unbudgeted amount. The District’s portion of KTRS and CERS contributions for employees increased \$53,000.
- SEEK revenue decreased \$208,000 from FY 2012. The SEEK Guaranteed Base was \$3,903 in FY 2012, and \$3,833 in FY 2013.
- The District, through the Casey County School District Finance Corporation, issued \$2.01 million of revenue bonds on August 1, 2012 to finance the Liberty Elementary School HVAC project.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year.

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

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

To assess the District's overall health, one needs to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

In the government-wide financial statements, the District's activities are divided into two categories:

- Governmental activities – Most of the District's basic services are included here, such as regular and special needs education, transportation, and administration. Property taxes and state formula aid finance most of these activities.
- Business-type activities – The District charges fees to help cover the costs of certain services it provides. The District's food services, and daycare and community education operations are included here.

Fund financial statements. The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State Laws and by bond covenants. The District establishes other funds to control and manage money for specific purposes (like the Construction Fund) or to show that it is properly using certain Revenues (like the Building Fund, Capital Outlay Fund, and Special Revenue Fund).

The District has two kinds of funds:

- Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on how money flows into and out of those funds and the balances left at year end that are available for spending in future periods. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information with the governmental funds statements that explains the relationships (or differences) between the governmental activities and the governmental funds, through the Statement of Net Position and the Statement of Activities.
- Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position may serve over time as a useful indicator of the District's financial position. For the District, assets exceeded liabilities by \$21.08 million as of June 30, 2013.

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

needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. Net Position is summarized in Table 1.

Table 1

	Net Position (in Millions)					
	Governmental Activities		Business-type Activities		Total School District	
	2012	2013	2012	2013	2012	2013
Assets:						
Current and Other Assets	8.86	7.43	0.48	0.53	9.34	7.96
Capital Assets	31.43	32.64	0.37	0.32	31.80	32.96
Total Assets	40.29	40.07	0.85	0.85	41.14	40.92
Liabilities:						
Current Liabilities	2.09	2.06	-	-	2.09	2.06
Noncurrent Liabilities	18.17	17.78	-	-	18.17	17.78
Total Liabilities	20.26	19.84	-	-	20.26	19.84
Net Position:						
Net Investment in						
Capital Assets	11.85	13.37	0.37	0.32	12.22	13.69
Restricted	3.17	-	0.47	0.53	3.64	0.53
Unrestricted Fund Position	5.01	6.86	-	-	5.01	6.86
Total Net Position	20.03	20.23	0.84	0.85	20.87	21.08

Changes in net position. The District's total net position increased \$.21 million. This is largely due to the reduction of outstanding bond obligations and the acquisition of capital assets. Current assets decreased \$1.38 million, non-current assets increased \$1.16 million and liabilities decreased \$.42 million. The district's total revenues decreased 2.8 percent to \$24.56 million. (See Table 2 on the next page.) Property taxes and state and formula grants accounted for most of the District's revenues.

Table 2

**Statement of Activities
(in Millions)**

	Governmental Activities		Business-Type Activities		Total School District	
	2012	2013	2012	2013	2012	2013
Revenues:						
Program Revenues:						
Charges for Services	0.05	-	0.33	0.37	0.38	0.37
Operating Grants and Contributions	7.68	7.56	1.10	1.33	8.78	8.89
Capital Grants and Contributions	1.99	1.35			1.99	1.35
General Revenue:						
Property Taxes	2.08	2.17			2.08	2.17
Motor Vehicle Taxes	0.42	0.43			0.42	0.43
Utility Taxes	0.69	0.75			0.69	0.75
Unmined Minerals	-	0.00			-	0.00
State and formula grants	10.78	10.66			10.78	10.66
Unrestricted Investment Earnings	0.12	0.12	0.01	0.01	0.13	0.13
Sale of equipment	0.01	-			0.01	-
Extraordinary Item	-	(0.22)	-	-	-	(0.22)
Miscellaneous	-	0.03			-	0.03
Total Revenues	23.82	22.85	1.44	1.71	25.26	24.56
Program Expenses:						
Instruction	13.79	14.06			13.79	14.06
Support Services:						
Student	1.00	1.08			1.00	1.08
Instructional Staff	0.54	0.61			0.54	0.61
District Administration	0.49	0.55			0.49	0.55
School Administration	0.95	1.03			0.95	1.03
Business	0.69	0.66			0.69	0.66
Plant Operation and Maintenance	1.50	1.95			1.50	1.95
Student Transportation	1.56	1.78			1.56	1.78
Food Service Operations	-	-	1.33	1.57	1.33	1.57
Community Services Operations	0.25	0.25	-	0.01	0.25	0.26
Enterprise Operations	-	-	0.11	0.12	0.11	0.12
Interest	0.69	0.68			0.69	0.68
Amortization	0.10	-			0.10	-
Depreciation	1.48	-	0.05	-	1.53	-
Total Expenses	23.04	22.65	1.49	1.70	24.53	24.35
Change in Net Position	0.78	0.20	(0.05)	0.01	0.73	0.21
Net Position, Beginning	19.25	20.03	0.89	0.84	20.14	20.87
Net Position, Ending	20.03	20.23	0.84	0.85	20.87	21.08

The total cost of all programs and resources decreased .7 percent from \$24.53 million to \$24.35 million. The District's expenses are predominantly related to educating and caring for students (57.7%). The purely administrative activities of the District accounted for 16% of total costs. Instructional costs increased \$.27 million (1.96%).

Total revenue surpassed expenses, increasing net position \$.21 million over the prior year.

Governmental Activities

Revenues for the District's governmental activities decreased \$.97 million, whereas total expenses decreased .39 million.

Business-type activities

Revenues for the District's business-type activities increased \$.27 million, whereas total expenses increased \$.21 million. The net position increased by \$.01 million or 1.19%.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The strong financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$7.3 million, which is a decrease of \$.35 million from the prior year.

The District has been budgeting and spending conservatively for several years now based on recommendations of the Kentucky Department of Education's District Support staff. The economy still has not fully recovered from the downturn that started in 2008. Every year, KDE staff warns all Districts to be fiscally conservative for fear that state grants will be cut further. The District's SEEK funding is at the same levels as FY 2008, with the Legislators pushing more and more of the funding of schools onto the local level.

Table 3 on the next page shows revenues and expenses for selected funds.

Table 3
(in Millions)

	General Fund	Special Revenue Fund	FSPK and Building Funds	Construction and Debt Svc Funds
Revenues:				
Local Revenue	3.18	0.03	0.30	-
State Revenue	14.34	0.81	0.67	1.35
Federal Revenue	0.04	2.32	-	-
Other	-	0.08	-	2.90
Total Revenues	17.56	3.24	0.97	4.25
Expenditures:				
Instruction	10.34	2.82	-	-
Student Support	1.05	0.02	-	-
Instructional Staff	0.55	0.07	-	-
District Admin	0.60	-	-	-
School Support	1.02	-	-	-
Business Support	0.66	-	-	-
Plant Operation & Maintenance	1.94	-	-	-
Student Transportation	1.85	-	-	-
Community Svc.	0.02	0.22	-	-
Debt Service	-	-	-	2.23
Fund Transfer/Other	0.08	-	0.88	-
Site Improvement	-	-	-	2.02
Total Expenditures	18.11	3.13	0.88	4.25
Revenue Over (Under) Expenses	(0.55)	0.11	0.09	-

General Fund Revenue/Expenditures (Fund 1)

The majority of revenue was derived from State Sources (81.7%) with local property, motor vehicle and utility taxes making up 18.1% of total revenue.

The instruction function comprises 57.09% of the expenditures. The instruction function includes the Schools' expenditures for staff and supplies. The student support services function is comprised of spending for attendance services, guidance counseling, health services, psychological testing, and speech, hearing and vision services. The instructional staff support function includes spending for staff support personnel and librarians. The district administration support function includes spending for workers comp, sick leave pay for retirees, property insurance, tax collection fees, and superintendent's office expenses. The school support function includes spending for principals and secretaries. The Plant Operation and Maintenance function accounts for 10.71% of the expenditures, while the Student Transportation services function accounts for 10.2%. Community services expenditures includes activities concerned with providing services to students, staff, or the community which are not considered instructional.

Special Revenue Fund Revenue/Expenditures

The majority of revenue was derived from federal sources (71.6%). The majority of expenditures (90.1%) is spent in the instructional function.

FSPK and Construction Funds Revenue/Expenditures

Fund 310 is the capital outlay fund and Fund 320 is the building fund (FSPK). State funding makes up the Capital Outlay fund and the building fund is made up of state and local revenue. During the FY 2013 school year, Fund 400, the Debt Service Fund, was set up to make bond payments through. Therefore, the Funds 310 and 320 were used to collect the state and local revenues, and transfers were then made to Fund 400 as debt service payments came due. Funds 310 and 320 had a balance at June 30, 2013 that has to be escrowed for future construction projects.

CAPITAL ASSETS

At the end of fiscal 2013, the District had \$32.84 million invested in capital assets, including land, buildings, buses, computers and other equipment. This amount represents a net increase (including additions and deductions) of \$1.04 million, or 3.27%, from last year.

Table 4
Capital Assets at Year-End
(Net of Depreciation, in Millions)

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2012	2013	2012	2013	2012	2013
Land	1.87	4.00	-	-	1.87	4.00
Buildings & Improvements	27.60	26.82	-	-	27.60	26.82
Technology Equipment	0.33	0.34	-	-	0.33	0.34
Vehicles	1.29	1.06	-	-	1.29	1.06
General Equipment	0.34	0.30	0.37	0.32	0.71	0.62
Construction in Progress	-	-	-	-	-	-
Totals	31.43	32.52	0.37	0.32	31.80	32.84

DEBT

During fiscal year 2013, \$2,010,000 in Revenue Bonds were issued for the purpose of the Liberty Elementary School HVAC Renovation.

Table 5
Outstanding Debt at Year-End
(in Millions)

	Government Activities	
	2012	2013
General Obligation Bonds	19.58	19.15
Total Obligations	<u>19.58</u>	<u>19.15</u>

Comments on Budget Comparisons

Over the course of the fiscal year, the District revised the annual operating budget as needed and to meet the statutory deadlines from the Kentucky Department of Education.

- Actual General Fund revenues exceeded the budget by \$4.19 million. This sizeable variance is due to the inclusion of \$3.7 million of on-behalf payments made by the state for insurances, teachers' retirement, etc. for the benefit of the district and its employees. Excluding on-behalf payments, General Fund budget compared to actual revenue varied somewhat in most line items with the ending actual balance being \$511,481 more than budget. The line item that varied most significantly was SEEK revenues. The District budgeted SEEK at only 96% in order to be conservative.
- Actual General Fund expenditures exceeded the budget by \$.18 million. This includes the state's expenditures for on-behalf payments, as mentioned above. Excluding on-behalf payments and net of the contingency, expenditures were \$1,983,802 less than the budget. This is primarily due to management's conservative style of budgeting and also budgeting for major maintenance issues at the High School, Middle School, and Liberty Elementary School that did not have to be undertaken in FY 2013.

FUTURE BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30. Some federal programs operate on a different fiscal calendar, but are reflected in the district overall budget. By law, the budget must have a minimum 2% contingency. The district adopted a final working budget with \$1.25 million in contingency (5.34%). State funding is not keeping pace with mandated state requirements and will continue to be an issue.

Issues which will impact future budgets include:

- State budgetary shortfalls which could result in the inability to fully fund SEEK.
- Sequestration of Federal Funds.
- Insufficient funding of the state transportation formula.
- Increasing retirement costs to be borne by district could be significant.

- The District has not experienced any real growth in student population for several years, although costs of providing services continues to increase. Also, several factories in the area have shut down over the past few years. Thus, management will continue to be challenged with balancing our staffing needs with declining enrollment and prudently providing the resources to meet the students' needs in a time of increasing prices for goods and services.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact Deena Randolph, Manager of District-Wide Services, at (606) 787-6941 or by mail at Casey County Board of Education, 1922 N. US 127, Liberty, Kentucky 42539.

BASIC FINANCIAL STATEMENTS

CASEY COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

Assets	Governmental Activities	Business- Type Activities	Total
<u>Current Assets</u>			
Cash and cash equivalents	\$ 6,992,986	\$ 407,437	\$ 7,400,423
Inventory		26,354	26,354
Receivables:			
Taxes-current	84,731		84,731
Taxes-delinquent	2,048		2,048
Other receivables	89,557		89,557
Intergovernmental-Indirect Federal	237,912	94,492	332,404
Prepays	5,087		5,087
Other assets	19,497		19,497
Total Current Assets	7,431,818	528,283	7,960,101
<u>Noncurrent Assets</u>			
Deferred charges	122,875		122,875
Capital assets, net of accumulated depreciation	32,518,827	323,233	32,842,060
Total Noncurrent Assets	32,641,702	323,233	32,964,935
Total Assets	40,073,520	851,516	40,925,036
Liabilities			
<u>Current Liabilities</u>			
Accounts payable	64,174	792	64,966
Accrued liabilities	4,950		4,950
Unearned revenue	51,370		51,370
Bond obligations	1,750,000		1,750,000
Compensated absences	8,861		8,861
Interest payable	185,487		185,487
Total Current Liabilities	2,064,842	792	2,065,634
<u>Noncurrent Liabilities</u>			
Bond obligations	17,403,782		17,403,782
Compensated absences	160,783		160,783
KSBIT	215,394		215,394
Total Noncurrent Liabilities	17,779,959	-	17,779,959
Total Liabilities	19,844,801	792	19,845,593
<u>Net Position</u>			
Net investment in capital assets	13,365,045	323,233	13,688,278
Restricted	-		-
Unrestricted	6,863,674	527,491	7,391,165
Total Net Position	\$ 20,228,719	\$ 850,724	\$ 21,079,443

The notes to the financial statements are an integral part of this statement.

CASEY COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
Instruction	\$ 14,064,575	\$ 450	\$ 6,148,855	\$ -	\$ (7,915,270)	\$ -	\$ (7,915,270)
Support services:							
Student	1,077,217		261,660		(815,557)		(815,557)
Instruction staff	613,232		209,428		(403,804)		(403,804)
District administrative	551,871		63,291		(488,580)		(488,580)
School administrative	1,028,917		234,763		(794,154)		(794,154)
Business	660,550		83,540		(577,010)		(577,010)
Plant operation and maintenance	1,955,268		142,485		(1,812,783)		(1,812,783)
Student transportation	1,779,885		195,486		(1,584,399)		(1,584,399)
Community service activities	248,044		222,288		(25,756)		(25,756)
Other	-				-		-
Interest on long-term debt	675,694			1,352,660	676,966		676,966
Total Governmental Activities	22,655,253	450	7,561,796	1,352,660	(13,740,347)	-	(13,740,347)
Business-Type Activities:							
Food service	1,566,761	273,534	1,294,366			1,139	1,139
Daycare	119,144	85,389	33,795			40	40
Community education	11,905	10,870	1,227			192	192
Total Business-Type Activities	1,697,810	369,793	1,329,388	-	-	1,371	1,371
Total Primary Government	\$ 24,353,063	\$ 370,243	\$ 8,891,184	\$ 1,352,660	(13,740,347)	1,371	(13,738,976)
General Revenues:							
Taxes:							
					2,165,483		2,165,483
					427,732		427,732
					745,767		745,767
					553		553
					124,900	6,253	131,153
					10,657,757		10,657,757
					29,041		29,041
					(215,394)		(215,394)
					13,935,839	6,253	13,942,092
					195,492	7,624	203,116
					20,033,227	843,100	20,876,327
					\$ 20,228,719	\$ 850,724	\$ 21,079,443

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

CASEY COUNTY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2013

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 6,792,863	\$ -	\$ 306,111	\$ 7,098,974
Receivables:				
Taxes - current	84,731			84,731
Taxes - delinquent	2,048			2,048
Other receivables	63,606	25,951		89,557
Intergovernmental - Indirect Federal		237,912		237,912
Prepays	5,087			5,087
Other assets	19,497			19,497
Total Assets	\$ 6,967,832	\$ 263,863	\$ 306,111	\$ 7,537,806
Liabilities and Fund Balances:				
Liabilities				
Accounts payable	\$ 64,174	\$ -	\$ -	\$ 64,174
Accrued liabilities	4,950			4,950
Compensated absences	8,861			8,861
Cash overdraft		105,988		105,988
Unearned revenue		51,370		51,370
Total Liabilities	77,985	157,358	-	235,343
Fund Balances				
Nonspendable	5,087			5,087
Restricted		106,505	306,111	412,616
Committed	3,036,284			3,036,284
Assigned	203,003			203,003
Unassigned	3,645,473			3,645,473
Total Fund Balances	6,889,847	106,505	306,111	7,302,463
Total Liabilities and Fund Balances	\$ 6,967,832	\$ 263,863	\$ 306,111	\$ 7,537,806

The notes to the financial statements are an integral part of this statement.

CASEY COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION**

June 30, 2013

Total fund balance per fund financial statements	\$ 7,302,463
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.	32,518,827
Debt issuance charges are reported as expenditures in the governmental funds when first incurred; however, they are included as deferred charges in the statement of net position	122,875
Certain liabilities are not reported in this fund financial statement because because they are not due and payable, but they are presented in the statement of net assets:	
Bonds payable (net of discounts/premiums and deferred amounts on refundings)	(19,153,782)
Interest payable	(185,487)
Compensated absences	(160,783)
KSBIT	<u>(215,394)</u>
Net position for governmental activities	<u>\$ 20,228,719</u>

The notes to the financial statements are an integral part of this statement.

CASEY COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2013

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Taxes:				
Property	\$ 1,865,535	\$ -	\$ 299,948	\$ 2,165,483
Motor vehicle	427,732			427,732
Utilities	745,767			745,767
Other taxes	553			553
Earnings on investments	113,540	2,229	9,131	124,900
Other local revenues	30,491	31,881		62,372
Intergovernmental - State	14,339,376	808,112	2,027,593	17,175,081
Intergovernmental - Indirect Federal	43,025	2,272,783		2,315,808
Intergovernmental - Direct Federal		48,446		48,446
Total Revenues	17,566,019	3,163,451	2,336,672	23,066,142
Expenditures:				
Instruction	10,337,951	2,817,516		13,155,467
Support services:				
Student	1,052,275	24,942		1,077,217
Instruction staff	546,930	66,302		613,232
District administrative	599,735			599,735
School administrative	1,019,879			1,019,879
Business	660,550			660,550
Plant operation and maintenance	1,938,303			1,938,303
Student transportation	1,848,091	898		1,848,989
Facilities acquisition and construction			1,961,879	1,961,879
Community service activities	25,756	222,288		248,044
Other				-
Bond issue costs			27,800	27,800
Debt service:				
Principal			1,615,000	1,615,000
Interest			617,461	617,461
Total Expenditures	18,029,470	3,131,946	4,222,140	25,383,556
Excess (Deficit) of Revenues over Expenditures	(463,451)	31,505	(1,885,468)	(2,317,414)
Other Financing Sources (Uses):				
Revenue bond proceeds			2,010,000	2,010,000
Bond discount			(35,295)	(35,295)
Proceeds from disposal of capital assets	1			1
Transfers in		75,000	886,458	961,458
Transfers out	(81,657)		(879,801)	(961,458)
Total Other Financing Sources (Uses)	(81,656)	75,000	1,981,362	1,974,706
Net Change in Fund Balances	(545,107)	106,505	95,894	(342,708)
Fund Balance, July 1, 2012	7,434,954	-	210,217	7,645,171
Fund Balance, June 30, 2013	\$ 6,889,847	\$ 106,505	\$ 306,111	\$ 7,302,463

The notes to the financial statements are an integral part of this statement.

CASEY COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Net change in total fund balances per fund financial statements	\$ (342,708)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	1,108,015
The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position.	(1,946,905)
Bond payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	1,615,000
In the statement of activities, only the gain (loss) on sale of fixed assets is reported, whereas in the governmental funds, the proceeds for the sale increased financial resources.	(16,451)
Estimated claims that are not mature are not reported in this fund financial statement, but those that are probable and reasonably estimable This item is recorded as extraordinary item in the statement of activities as it is unusual in nature and infrequent in occurrence.	(215,394)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>(6,065)</u>
Change in net position of governmental activities	<u>\$ 195,492</u>

The notes to the financial statements are an integral part of this statement.

CASEY COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2013

	Food Service Fund	Other Enterprise Funds	Total Enterprise Funds
Assets			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 406,322	\$ 1,115	\$ 407,437
Inventory	26,354		26,354
Intergovernmental receivable - Indirect Federal	94,492		94,492
Total Current Assets	527,168	1,115	528,283
<u>Noncurrent Assets</u>			
Capital assets, net of accumulated depreciation	323,233		323,233
Total Noncurrent Assets	323,233	-	323,233
Total Assets	850,401	1,115	851,516
Liabilities			
<u>Current Liabilities</u>			
Accounts payable	792		792
Total Current Liabilities	792	-	792
<u>Net Position</u>			
Net investment in capital assets	323,233		323,233
Unrestricted	526,376	1,115	527,491
Total Net Position	\$ 849,609	\$ 1,115	\$ 850,724

The notes to the financial statements are an integral part of this statement.

CASEY COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended June 30, 2013

	Food Service Fund	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues			
Lunchroom sales	\$ 273,383	\$ -	\$ 273,383
Tuition and fees	151	96,259	96,410
Total Operating Revenues	273,534	96,259	369,793
Operating Expenses			
Salaries and wages	759,075	120,128	879,203
Materials and supplies	713,276	10,767	724,043
Depreciation	50,938		50,938
Other operating expenses	43,472	154	43,626
Total Operating Expenses	1,566,761	131,049	1,697,810
Operating (loss)	(1,293,227)	(34,790)	(1,328,017)
Non-Operating Revenues (Expenses)			
Federal grants	1,069,053		1,069,053
Donated commodities	83,760		83,760
State grants	14,121	15,392	29,513
State on-behalf payments	127,432	19,630	147,062
Interest income	6,253		6,253
Total Non-Operating Revenues (Expenses)	1,300,619	35,022	1,335,641
Changes in net position	7,392	232	7,624
Net Position, July 1, 2012	842,217	883	843,100
Net Position, June 30, 2013	\$ 849,609	\$ 1,115	\$ 850,724

The notes to the financial statements are an integral part of this statement.

CASEY COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2013

	Food Service Fund	Other Enterprise Funds	Total Enterprise Funds
Cash Flows from Operating Activities			
Cash received from:			
Lunchroom sales	\$ 273,534	\$ -	\$ 273,534
Tuition and fees		96,259	96,259
Cash paid to/for:			
Employees	(631,643)	(100,498)	(732,141)
Supplies	(645,160)	(10,767)	(655,927)
Other activities	(43,472)	(154)	(43,626)
Net Cash Used by Operating Activities	(1,046,741)	(15,160)	(1,061,901)
Cash flows from Non-Capital Financing Activities			
Federal grants	986,562		986,562
State grants	14,121	15,392	29,513
Net Cash Provided by Non-Capital Financing Activities	1,000,683	15,392	1,016,075
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	-	-	-
Cash Flows from Investing Activities			
Receipt of interest income	6,253		6,253
Net Cash Provided (Used) by Investing Activities	6,253	-	6,253
Net change in cash and cash equivalents	(39,805)	232	(39,573)
Balances, beginning of year	446,127	883	447,010
Balances, end of year	<u>\$ 406,322</u>	<u>\$ 1,115</u>	<u>\$ 407,437</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (1,293,227)	\$ (34,790)	\$ (1,328,017)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	50,938		50,938
Donated commodities	83,760		83,760
State on-behalf payments	127,432	19,630	147,062
Change in assets and liabilities:			
Accounts receivable	-		-
Inventory	(9,603)		(9,603)
Accounts payable	(6,041)		(6,041)
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,046,741)</u>	<u>\$ (15,160)</u>	<u>\$ (1,061,901)</u>
Schedule of Non-cash Transactions			
Donated commodities received from federal government	<u>\$ 83,760</u>	<u>\$ -</u>	<u>\$ 83,760</u>
State on-behalf payments	<u>\$ 127,432</u>	<u>\$ 19,630</u>	<u>\$ 147,062</u>

The notes to the financial statements are an integral part of this statement.

CASEY COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2013

	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
Assets		
Cash and cash equivalents	\$ 6,312	\$ 145,877
Receivables		
Total Assets	<u>\$ 6,312</u>	<u>\$ 145,877</u>
Liabilities		
Accounts payable	\$ -	\$ 13,208
Due to student groups		132,669
Total Liabilities	<u>\$ -</u>	<u>\$ 145,877</u>
Net Position Held in Trust	<u>\$ 6,313</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

CASEY COUNTY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

Year Ended June 30, 2013

	Private Purpose Trust Funds
Additions	
Net interest and investment gains	\$ 88
Deductions	
Expenses paid	<u>(500)</u>
Change in net position	(412)
Net Position, beginning of year	<u>6,724</u>
Net Position, end of year	<u><u>\$ 6,312</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

CASEY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Casey County School District (the "District") have been prepared to conform with Accounting Principles Generally Accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

The Casey 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 Casey County School District. 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.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units", the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. Applying this definition, District management has determined that the component unit reportable within the accompanying financial statements is the Casey County School District Finance Corporation, (the "Corporation"). The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Boosters, Parent-Teacher Associations, etc.

Blended Component Unit - Casey County School District Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Casey County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors. Therefore, the financial activities of the Corporation have been blended (reported as if it were part of the District) with those of the District. The Corporation does not publish individual component unit financial statements.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds.

CASEY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

Fund Financial Statements

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

The Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The Proprietary Funds are accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Funds reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

Governmental Funds

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Fund and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income.

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

CASEY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs; and for the payment of interest on notes payable, as required by Kentucky Law.

Proprietary Funds

Proprietary Funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses include salaries, benefits, supplies and other items. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has three Proprietary Funds.

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch and Breakfast Programs, 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 and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund.
- (B) The Daycare program is used to account for funds received from tuition fees charges for after school care of students.
- (C) The Community Education Fund is used to account for educational opportunities to the general public.

CASEY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District.

- A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.
- B. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments. Revenues consist of donations and interest income. Expenditures represent scholarships.

BASIS OF ACCOUNTING

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

Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty (60) days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Property tax revenue is recognized when taxes are received, except at year end when revenue is recognized for taxes received by the District within sixty (60) days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, claims and judgments and certain prepaids which are recognized when due/paid.

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In all cases, monies received before the revenue recognition criteria have been met are reported as unearned revenue.

CASEY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

Revenue Recognition

State Revenue Sources - Revenues from State sources for current operations are primarily from the Support Education Excellence in Kentucky ("SEEK"), administered by the Kentucky Department of Education ("KDE"). The District files reports on average daily attendance ("ADA") student membership with the KDE. The KDE accumulates information from these reports and calculates the allocation of SEEK funds to the District. After review and verification of ADA reports and supporting documentation, the KDE may adjust subsequent fiscal period allocations of SEEK funding. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made, as amounts are not significant.

Property Taxes - On an accrual basis, property tax revenue anticipated to be collected is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received.

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

C. BUDGETARY POLICIES

Budgetary Process

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

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

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

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. All budget appropriations lapse at year-end.

D. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

CASEY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash equivalents are considered to be demand deposits, money market funds, and other investments with an original maturity of 90 days or less.

F. INVENTORIES

Inventories are valued at cost, which approximates market. The food service fund uses the specific identification method and the general fund uses the first-in, first-out method. Inventory. The District's inventories include various items consisting of school supplies, paper, books, maintenance items, transportation items, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method.

G. PREPAID ITEMS

Expenditures for insurance and similar services extending over more than one accounting period are not allocated between or among accounting periods in the governmental funds and are instead accounted for as expenditures in the period of acquisition (Purchase method).

H. CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds. All capital assets greater than \$5,000 are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets' life are not. All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	5-15 years
Food service equipment	5-12 years

CASEY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. LONG-TERM DEBT

In the fund-level financial statements, governmental funds report the face amount of debt issued, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums/discounts and issuance cost are amortized over the life of the bonds while deferred loss on advance refundings are amortized over the shorter of the remaining life of the refunded bonds or the life of the new bonds both in a systematic and rational method, which approximates the effective-interest method.

J. COMPENSATED ABSENCES

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

K. ACCOUNTING ESTIMATES

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

L. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

Recently Issued And Adopted Accounting Principles

In May 2009, the GASB issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 requires the use of new fund balance classifications and clarifies existing governmental fund type definitions. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. The District adopted GASB Statement 54 in fiscal year 2011. Required disclosure is reported in Note 9.

In June 2010, the GASB issued Statement 59, *Financial Instruments Omnibus*. GASB 59 updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The requirements of this Statement will improve financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards. This Statement is effective for financial statements for periods beginning after June 15, 2010. The District adopted GASB Statement 59 in fiscal year 2012. The adoption of GASB 59 did not have any impact on the District's financial statements.

CASEY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In November 2010, the GASB issued Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASB 60 provides financial reporting guidance for service concession arrangements (SCAs). SCAs are defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This statement is effective for periods beginning after December 15, 2011 and the District adopted GASB 60 in fiscal year 2013. The District does not have any SCAs and therefore the adoption of GASB 60 does not have any impact on the District's financial statements.

In November 2010, the GASB issued Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement is effective for periods beginning after June 15, 2012 and the District adopted GASB 61 in fiscal year 2013.

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AJCPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011 and the District adopted GASB 62 in fiscal year 2013. The adoption of GASB 62 does not have any impact on the District's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, and the District adopted GASB 63 in fiscal year 2013.

In June 2011, the GASB issued Statement 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions an amendment of GASB Statement No. 53*. GASB 64 provides clarification on whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement is effective for periods beginning after June 15, 2011 and the District adopted GASB 64 in fiscal year 2013. The adoption of GASB 64 does not have any impact on the District's current financial statements.

CASEY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recently Issued Accounting Pronouncements

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In March 2012, the GASB issued Statement 66, *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62*. GASB 66 was issued to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the 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. This statement is effective for periods beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In January 2013, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations*. GASB 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement is effective for periods beginning after December 15, 2013. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

CASEY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In March 2013, the GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement is effective for periods beginning after June 15, 2013. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

NOTE 2 – PROPERTY TAXES

Property Tax Revenues – Property taxes are normally levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund. The usual collection date is the period from November 1 through December 31. Property tax bills paid prior to December 1 receive a two percent discount. Property taxes received after December 31, are considered to be delinquent and the County Attorney can file a lien against the property.

The property tax rates assessed for the year ended June 30, 2013, to finance operations were \$.414 per \$100 valuation for real property, \$.414 per \$100 valuation for business personal property and \$.563 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.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. At June 30, 2013, \$8,154,932 of the District's bank balance of \$8,417,196 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

NOTE 4 – INTERFUND ACTIVITIES

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	Technology Match	\$ 75,000
General	Construction	Construction	6,657
Capital Outlay	Debt Service	Debt	171,478
FSPK	Debt Service	Debt	708,323
			\$ 961,458

CASEY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE 5 – CAPITAL ASSETS

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

Governmental Activities	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Non-Depreciable Assets:				
Land	\$ 914,397	\$ -	\$ -	\$ 914,397
Construction in progress	67,354	2,194,201		2,261,555
Depreciable Assets:				
Land improvements	1,573,614			1,573,614
Buildings and improvements	36,297,270			36,297,270
Technology equipment	1,423,381	183,696	(263,154)	1,343,923
Vehicles	3,444,366			3,444,366
General equipment	886,760	35,224	(25,812)	896,172
Totals at historical cost	44,607,142	2,413,121	(288,966)	46,731,297
Accumulated depreciation:				
Land improvements	681,018	68,478		749,496
Buildings and improvements	8,698,604	776,475		9,475,079
Technology equipment	1,095,175	165,793	(259,287)	1,001,681
Vehicles	2,152,639	233,976		2,386,615
General equipment	552,443	60,384	(13,228)	599,599
Total accumulated depreciation	13,179,879	1,305,106	(272,515)	14,212,470
Governmental Activities Capital Assets - Net	<u>\$ 31,427,263</u>	<u>\$ 1,108,015</u>	<u>\$ (16,451)</u>	<u>\$ 32,518,827</u>
Depreciation was charged to governmental functions as follows:				
Instruction	\$ 5,874,225			
Student support	733			
Instructional staff	75			
District administration	38,731			
School administration	4,894			
Business support	38,526			
Plant	117,629			
Transportation	868,942			
	<u>\$ 6,943,755</u>			
<u>Business-Type Activities</u>				
Depreciable Assets:				
General equipment	\$ 780,522	\$ -	\$ (7,588)	\$ 772,934
Totals at historical cost	780,522	-	(7,588)	772,934
Accumulated depreciation:				
General equipment	406,351	50,938	(7,588)	449,701
Total accumulated depreciation	406,351	50,938	(7,588)	449,701
Business-type Activities Capital Assets - Net	<u>\$ 374,171</u>	<u>\$ (50,938)</u>	<u>\$ -</u>	<u>\$ 323,233</u>

CASEY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE 6 – RISK MANAGEMENT

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

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

NOTE 7 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2013, is as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Governmental Activities:					
Bonds Payable:					
Revenue bonds	\$ 19,575,000	\$ 2,010,000	\$ 1,615,000	\$ 19,970,000	\$ 1,750,000
Less Premium (Discount)	(127,069)	(35,295)	10,646	(151,718)	-
Less Deferred Amount on Refundings	(736,262)		71,762	(664,500)	-
Total Bonds Payable	18,711,669	1,974,705	1,697,408	19,153,782	1,750,000
Other Liabilities:					
Compensated absences	220,083	85,029	135,468	169,644	8,861
Claims	-	215,394	-	215,394	-
Total Other Liabilities	220,083	300,423	135,468	385,038	8,861
Total Governmental Activities Long-Term Liabilities	\$ 18,931,752	\$ 2,275,128	\$ 1,832,876	\$ 19,538,820	\$ 1,758,861

The debt service fund is primarily responsible for paying the bond obligations through funding from the capital outlay and FSPK funds. The general fund is primarily responsible for paying compensated absences.

CASEY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

Bond Liabilities

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

<u>Issue</u>	<u>Original Proceeds</u>	<u>Rates</u>	<u>Issue Date</u>	<u>Original Proceeds</u>	<u>Rates</u>
2002R	3,430,000	2.00% - 3.80%	2009R	935,000	1.00% - 3.10%
2003	695,000	1.30% - 4.60%	2010R	1,110,000	0.50% - 2.55%
2004	9,290,000	2.50% - 3.70%	2012	2,010,000	1.00% - 3.00%
2004R	1,525,000	2.00% - 3.25%	2012R	7,265,000	1.00% - 2.25%
2004R2	1,540,000	2.00% - 3.80%			
2006	9,730,000	4.15% - 4.20%			

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the CASEY 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.

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

On August 1, 2012, the District issued \$2,010,000 in 2012 Series Revenue Bonds with an average interest rate of 2.6 percent. The net proceeds of \$1,950,718 (after \$27,800 in cost of issuance, \$35,295 of discount and \$3,813 of interest) were deposited \$1,946,905 in the Construction Fund and \$3,813 in the Debt Service Fund.

CASEY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE 7 – LONG-TERM LIABILITIES - CONTINUED

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

Year	Principal	Interest	Participation	District's Portion
2014	\$ 1,750,000	\$ 585,772	\$ 1,463,937	\$ 871,835
2015	1,785,000	526,964	1,436,140	875,824
2016	1,675,000	479,139	1,389,277	764,862
2017	1,715,000	433,009	1,379,560	768,449
2018	1,440,000	387,800	1,346,596	481,204
2019-2023	7,185,000	1,330,847	6,118,262	2,397,585
2024-2028	3,840,000	342,793	3,473,019	709,774
2029-2033	580,000	42,775	622,775	-
	<u>\$ 19,970,000</u>	<u>\$ 4,129,099</u>	<u>\$ 17,229,566</u>	<u>\$ 6,869,533</u>

NOTE 8 – PENSION PLANS

Plan Descriptions

The Casey County School District participates in the Teachers' Retirement System of the State of Kentucky, a component unit of the Commonwealth of Kentucky (KTRS) and the County Employees' Retirement System, a component unit of the Commonwealth of Kentucky (CERS), cost-sharing multiple-employer defined benefit plans. KTRS and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. KTRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The KTRS and CERS issue a publicly available financial report that includes financial statements and required supplementary information. KTRS' report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 or by calling (502) 573-3266. CERS' report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601-6124 or by calling (502) 564-5656.

CASEY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE 8 – PENSION PLANS - CONTINUED

Funding Policy

KTRS plan members are required to contribute 10.855% of their covered salary. CERS plan members are required to contribute 5.0% (6.0% for new hires effective July 1, 2008) of their covered salary. The District is required to contribute to the CERS and the Commonwealth of Kentucky is required to contribute to the KTRS. The contribution rate is actuarially determined. The current rate for KTRS is 14.105% of annual covered payroll. The rate for CERS fiscal year 2013 is 19.55% of annual covered payroll. The contribution requirements of the plan members, the District and Commonwealth of Kentucky are established and may be amended by the Plans' Board of Trustees. The District's contributions to CERS for the years ended June 30, 2013, 2012 and 2011 were \$607,961, \$591,104 and \$475,454, respectively, equal to the required contributions for each year.

For the year ended June 30, 2013, the Commonwealth contributed \$1,101,411 to KTRS for the benefit of the District's participating employees. The District's contributions to the KTRS for the year ended June 30, 2013 were \$266,201.

The amount recognized for revenues and expenditures for on-behalf payments relating to fringe benefits such as pension and health care costs, and other operating costs, for the year ended June 30, 2013 was \$3,681,616 for governmental funds and \$147,062 for proprietary funds (\$127,432 for the Food Service Fund, \$18,403 for the Daycare Fund and \$1,227 for the Community Education Fund).

Medical Insurance Plan

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

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

Funding Policy

In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Member contributions are 1.75% of salary. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.0% of members' salary for the 2013 fiscal year.

CASEY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE 8 – PENSION PLANS – CONTINUED

Deferred Compensation

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities on these financial statements.

NOTE 9 – FUND BALANCES

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2013, there was \$5,087 of prepaid items recorded as nonspendable fund balances

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2013, the District had \$106,505 restricted for grants in the special revenue fund, \$77,751 restricted for capital projects in the Capital Outlay Fund, \$91,109 restricted for capital projects in the FSPK Fund, and \$137,251 restricted for capital projects in the Construction Fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following general fund commitments at June 30, 2013: \$1,420,000 for construction, \$275,000 for buses, \$174,000 for equipment, \$600,000 for personnel, \$300,000 for technology, and \$267,284 for sick leave.

Amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2013, was \$203,003 in the general fund. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

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

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

CASEY COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE 10 – COMMITMENTS AND CONTINGENCIES

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

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

The District has construction commitments for ongoing facilities projects.

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

On January 14, 2013 the District was notified that in order to settle outstanding claims and deficits of the Kentucky School Boards Insurance Trust (KSBIT), a non-profit self-insured pool, an assessment would be made to present and prior insurance trust members. On June 26, 2013, members were notified that the KSBIT board voted on June 24, 2013 to submit a plan for the assessment to the Kentucky Department of Insurance in favor of a novation option, under which a highly rated reinsurer would assume all of the liabilities of KSBIT and its members for claims for a set amount. The option resulted in an estimated liability for the District of \$215,394. This estimate is recorded because the payment is probable and reasonably estimable. The estimate is recorded as a noncurrent liability in the Statement of Net Position as it is not expected to be paid by June 30, 2014, and as an extraordinary item in the Statement of Activities because the item is unusual in nature and infrequent in occurrence. The estimate is not recorded in the Statement of Revenues, Expenditures and Changes in Fund Balances because the amount has not been billed and is not mature.

NOTE 11 – DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance/net position:

General Fund	\$ 545,107
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REQUIRED SUPPLEMENTARY INFORMATION

CASEY COUNTY SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL

GENERAL FUND

Year Ended June 30, 2013

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues			
From local sources:			
Taxes:			
Property	\$ 1,660,000	\$ 1,766,000	\$ 1,865,535
Motor vehicle	400,000	400,000	427,732
Utilities	650,000	670,000	745,767
Other			553
Earnings on investments	90,000	100,000	113,540
Other local revenues		1,922	30,491
Intergovernmental - State	10,485,000	10,385,000	14,339,376
Intergovernmental - Indirect Federal	25,000	50,000	43,025
Total Revenues	<u>13,310,000</u>	<u>13,372,922</u>	<u>17,566,019</u>
Expenditures			
Instruction	8,765,172	8,277,458	10,337,951
Support services:			
Student	901,301	899,169	1,052,275
Instruction staff	449,422	446,018	546,930
District administrative	495,222	521,022	599,735
School administrative	798,508	793,056	1,019,879
Business	722,657	584,241	660,550
Plant operation and maintenance	2,521,807	2,728,844	1,938,303
Student transportation	1,914,305	2,002,555	1,848,091
Facilities acquisition and construction	55,000	55,000	
Community service activities	30,950	30,950	25,756
Other	1,000,656	1,519,064	
Total Expenditures	<u>17,655,000</u>	<u>17,857,377</u>	<u>18,029,470</u>
Excess (Deficit) of Revenues over Expenditures	(4,345,000)	(4,484,455)	(463,451)
Other Financing Sources (Uses)			
Proceeds from disposal of capital assets			1
Transfers out	(75,000)	(75,000)	(81,657)
Total Other Financing Sources (Uses)	<u>(75,000)</u>	<u>(75,000)</u>	<u>(81,656)</u>
Net Change in Fund Balance	(4,420,000)	(4,559,455)	(545,107)
Fund Balance, July 1, 2012	<u>4,420,000</u>	<u>4,559,455</u>	<u>7,434,954</u>
Fund Balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,889,847</u>

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES

Both inflows and outflows are equally different in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds by the amount of on-behalf payments of \$3,681,616.

CASEY COUNTY SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL

SPECIAL REVENUE FUND

Year Ended June 30, 2013

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues			
Earnings on investments	\$ -	\$ -	\$ 2,229
Other local revenues	51,900	11,750	31,881
Intergovernmental - State	454,245	638,983	808,112
Intergovernmental - Indirect Federal	2,045,127	2,373,672	2,272,783
Intergovernmental - Direct Federal	46,862	50,480	48,446
Total Revenues	<u>2,598,134</u>	<u>3,074,885</u>	<u>3,163,451</u>
Expenditures			
Instruction	2,354,843	2,823,524	2,817,516
Support services:			
Student	23,494	26,806	24,942
Instruction staff	65,808	65,654	66,302
Student transportation	6,405	4,290	898
Community service activities	222,584	225,411	222,288
Total Expenditures	<u>2,673,134</u>	<u>3,145,685</u>	<u>3,131,946</u>
Excess (Deficit) of Revenues over Expenditures	(75,000)	(70,800)	31,505
Other Financing Sources (Uses)			
Transfers in	75,000	75,000	75,000
Total Other Financing Sources (Uses)	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	-	4,200	106,505
Fund Balance, July 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30, 2013	<u>\$ -</u>	<u>\$ 4,200</u>	<u>\$ 106,505</u>

SUPPLEMENTARY INFORMATION

CASEY COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2013

	<u>Capital Outlay Fund</u>	<u>FSPK Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:					
Cash and cash equivalents	<u>\$ 77,751</u>	<u>\$ 91,109</u>	<u>\$ 137,251</u>	<u>\$ -</u>	<u>\$ 306,111</u>
Total Assets	<u><u>\$ 77,751</u></u>	<u><u>\$ 91,109</u></u>	<u><u>\$ 137,251</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 306,111</u></u>
Fund Balances					
Restricted	<u>\$ 77,751</u>	<u>\$ 91,109</u>	<u>\$ 137,251</u>	<u>\$ -</u>	<u>\$ 306,111</u>
Total Fund Balances	<u><u>\$ 77,751</u></u>	<u><u>\$ 91,109</u></u>	<u><u>\$ 137,251</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 306,111</u></u>

CASEY COUNTY SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2013

	Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	\$ -	\$ 299,948	\$ -	\$ -	\$ 299,948
Earnings on investments			9,131		9,131
Intergovernmental - State	210,785	464,148		1,352,660	2,027,593
Total Revenues	210,785	764,096	9,131	1,352,660	2,336,672
Expenditures					
Plant operation and maintenance					-
Facilities acquisition and construction			1,961,879		1,961,879
Bond issue costs			27,800		27,800
Debt service:					
Principal				1,615,000	1,615,000
Interest				617,461	617,461
Total Expenditures	-	-	1,989,679	2,232,461	4,222,140
Excess (Deficit) of Revenues over Expenditures	210,785	764,096	(1,980,548)	(879,801)	(1,885,468)
Other Financing Sources (Uses)					
Revenue bond proceeds			2,010,000		2,010,000
Bond discount			(35,295)		(35,295)
Transfers in			6,657	879,801	886,458
Transfers out	(171,478)	(708,323)			(879,801)
Total Other Financing Sources (Uses)	(171,478)	(708,323)	1,981,362	879,801	1,981,362
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	39,307	55,773	814	-	95,894
Fund balance, July 1, 2012	38,444	35,336	136,437	-	210,217
Fund balance, June 30, 2013	<u>\$ 77,751</u>	<u>\$ 91,109</u>	<u>\$ 137,251</u>	<u>\$ -</u>	<u>\$ 306,111</u>

CASEY COUNTY SCHOOL DISTRICT

**COMBINING STATEMENT OF NET POSITION - NONMAJOR PROPRIETARY FUNDS
- ENTERPRISE FUNDS**

June 30, 2013

	<u>Daycare</u>	<u>Community Education</u>	<u>Total Nonmajor Enterprise Funds</u>
Assets			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 40	\$ 1,075	\$ 1,115
Total Current Assets	<u>40</u>	<u>1,075</u>	<u>1,115</u>
Liabilities			
<u>Current Liabilities</u>			
Accounts payable			-
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<u>Net Position</u>			
Unrestricted	<u>40</u>	<u>1,075</u>	<u>1,115</u>
Total Net Position	<u>\$ 40</u>	<u>\$ 1,075</u>	<u>\$ 1,115</u>

CASEY COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
NONMAJOR ENTERPRISE FUNDS - PROPRIETARY FUNDS

Year Ended June 30, 2013

	<u>Daycare</u>	<u>Community Education</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating Revenues			
Tuition and fees	\$ 85,389	\$ 10,870	\$ 96,259
Total Operating Revenues	85,389	10,870	96,259
Operating Expenses			
Salaries and wages	113,231	6,897	120,128
Materials and supplies	5,913	4,854	10,767
Other operating expenses		154	154
Total Operating Expenses	119,144	11,905	131,049
Operating loss	(33,755)	(1,035)	(34,790)
Non-Operating Revenues (Expenses)			
State grants	15,392		15,392
State on-behalf payments	18,403	1,227	19,630
Total Non-Operating Revenues (Expenses)	33,795	1,227	35,022
Change in net position	40	192	232
Net Position, July 1, 2012	-	883	883
Net Position, June 30, 2013	<u>\$ 40</u>	<u>\$ 1,075</u>	<u>\$ 1,115</u>

CASEY COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS - PROPRIETARY FUNDS

Year Ended June 30, 2013

	<u>Daycare</u>	<u>Community Education</u>	<u>Total Other Enterprise Funds</u>
Cash Flows from Operating Activities			
Cash received from:			
Tuition and fees	\$ 85,389	\$ 10,870	\$ 96,259
Cash paid to/for:			
Employees	(94,828)	(5,670)	(100,498)
Supplies	(5,913)	(4,854)	(10,767)
Other activities		(154)	(154)
Net Cash Provided (Used) by Operating Activities	<u>(15,352)</u>	<u>192</u>	<u>(15,160)</u>
Cash flows from Non-Capital Financing Activities			
State grants	15,392		15,392
Net Cash Provided by Non-Capital Financing Activities	15,392	-	15,392
Net change in cash and cash equivalents	40	192	232
Balances, beginning of year	<u>-</u>	<u>883</u>	<u>883</u>
Balances, end of year	<u>\$ 40</u>	<u>\$ 1,075</u>	<u>\$ 1,115</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (33,755)	\$ (1,035)	\$ (34,790)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
State on-behalf payments	18,403	1,227	19,630
Net cash provided (used) by operating activities	<u>\$ (15,352)</u>	<u>\$ 192</u>	<u>\$ (15,160)</u>
Schedule of non-cash transactions:			
State on-behalf payments	<u>\$ 18,403</u>	<u>\$ 1,227</u>	<u>\$ 19,630</u>

CASEY COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2013

	JONES PARK ELEMENTARY SCHOOL	LIBERTY ELEMENTARY SCHOOL	WALNUT HILL ELEMENTARY SCHOOL	CASEY COUNTY HIGH SCHOOL	CASEY COUNTY MIDDLE SCHOOL	Total Agency Fund
Assets						
Cash and cash equivalents	\$ 12,078	\$ 10,703	\$ 14,585	\$ 75,008	\$ 33,503	\$145,877
Receivables	-	-	-	-	-	-
Total Assets	<u>\$ 12,078</u>	<u>\$ 10,703</u>	<u>\$ 14,585</u>	<u>\$ 75,008</u>	<u>\$ 33,503</u>	<u>\$145,877</u>
Liabilities						
Accounts payable	\$ -	\$ 68	\$ 31	\$ 6,495	\$ 6,614	\$ 13,208
Due to student groups	12,078	10,635	14,554	68,513	26,889	132,669
Total Liabilities	<u>\$ 12,078</u>	<u>\$ 10,703</u>	<u>\$ 14,585</u>	<u>\$ 75,008</u>	<u>\$ 33,503</u>	<u>\$145,877</u>

CASEY COUNTY SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2013

<u>SCHOOL</u>	<u>CASH BALANCE July 1, 2012</u>	<u>RECEIPTS</u>	<u>DISBURSE- MENTS</u>	<u>CASH BALANCE June 30, 2013</u>	<u>RECEIVABLES June 30, 2013</u>	<u>ACCOUNTS PAYABLE June 30, 2013</u>	<u>DUE TO STUDENT GROUPS June 30, 2013</u>
JONES PARK ELEMENTARY	\$ 16,441	\$ 32,749	\$ 37,112	\$ 12,078	\$ -	\$ -	\$ 12,078
LIBERTY ELEMENTARY	9,769	30,912	29,978	10,703	-	68	10,635
WALNUT ELEMENTARY	16,663	27,798	29,876	14,585	-	31	14,554
CASEY COUNTY HIGH	68,128	223,858	216,978	75,008	-	6,495	68,513
CASEY COUNTY MIDDLE	32,591	195,356	194,444	33,503	-	6,614	26,889
	<u>\$ 143,592</u>	<u>\$ 510,673</u>	<u>\$ 508,388</u>	<u>\$ 145,877</u>	<u>\$ -</u>	<u>\$ 13,208</u>	<u>132,669</u>

CASEY COUNTY SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
CASEY COUNTY HIGH SCHOOL
YEAR ENDED JUNE 30, 2013

NAME OF ACTIVITY	CASH	RECEIPTS	DISBURSE- MENTS	CASH	RECEIVABLES	ACCOUNTS PAYABLE	DUE TO
	BALANCES July 1, 2012			BALANCES June 30, 2013			June 30, 2013
ART CLUB	\$ 1,726	\$ 1,577	\$ 509	\$ 2,794	\$ -	\$ 188	\$ 2,606
ATHLETICS	8,376	49,832	49,884	8,324	-	5,701	2,623
ATH-VENDING	3,248	2,753	2,065	3,936	-	-	3,936
BAND BOOSTERS	-	933	-	933	-	-	933
BASKETBALL CLUB	1,406	6,133	6,271	1,268	-	-	1,268
BBP WEIGHT LOSS PRO	-	-	-	-	-	-	-
BETA CLUB	221	838	912	147	-	-	147
C FUND	2,795	12,276	9,553	5,518	-	606	4,912
CA FUND (STAFF)	3,204	7,458	8,323	2,339	-	-	2,339
CCHS BASKETBALL CLUB	551	1,001	684	868	-	-	868
CHOIR	62	-	-	62	-	-	62
DRAMA CLUB	-	5,909	5,274	635	-	-	635
FCA	205	709	663	251	-	-	251
FCCLA	1,138	-	500	638	-	-	638
FEA	724	-	-	724	-	-	724
FFA	7,288	62,455	59,053	10,690	-	-	10,690
FR-ROTC	5,199	17,019	16,740	5,478	-	-	5,478
HOME ECONOMICS	326	-	-	326	-	-	326
INDUSTRIAL ARTS	1,883	679	694	1,868	-	-	1,868
JKG	45	-	-	45	-	-	45
JUNIOR CLASS	5,314	13,636	12,118	6,832	-	-	6,832
MEDIA TV	76	5	-	81	-	-	81
OUTDOOR CLUB	685	455	442	698	-	-	698
PEP CLUB	1,958	293	1,557	694	-	-	694
PROJECT GRADUATION	1,950	7,912	8,032	1,830	-	-	1,830
SCIENCE CLUB	717	530	530	717	-	-	717
SCIENCE DEPT	320	494	28	786	-	-	786
SENIOR CLASS	116	-	-	116	-	-	116
SENIOR T-SHIRTS	162	1,140	1,068	234	-	-	234
SPANISH CLUB	100	-	-	100	-	-	100
STUDENT COUNCIL	324	521	808	37	-	-	37
STUDENT PARKING	930	1,410	1,361	979	-	-	979
UK HEALTH	60	-	-	60	-	-	60
Y CLUB	141	16,360	16,464	37	-	-	37
YEARBOOK	16,878	16,799	18,714	14,963	-	-	14,963
TOTALS	<u>68,128</u>	<u>229,127</u>	<u>222,247</u>	<u>75,008</u>	<u>-</u>	<u>6,495</u>	<u>68,513</u>
Transfers	-	5,268	5,268	-	-	-	-
TOTALS	<u>\$ 68,128</u>	<u>\$ 223,859</u>	<u>\$ 216,979</u>	<u>\$ 75,008</u>	<u>\$ -</u>	<u>\$ 6,495</u>	<u>\$ 68,513</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CASEY COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2013

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster -			
Cash Assistance			
Passed Through State Department of Education			
National School Lunch Program	10.555	7750002-12 7750002-13	\$ 144,108 585,872
School Breakfast Program	10.553	7760005-12 7760005-13	60,767 254,282
Summer Food Service Program for Children	10.559	7690024-12 7740023-12 7740023-13	739 7,840 15,445
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555	057502-02	83,760
TOTAL CHILD NUTRITION CLUSTER			<u>1,152,813</u>
TOTAL U.S. DEPT. OF AGRICULTURE			<u>1,152,813</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
National Guard Civilian Youth Opportunities	12.404	5042 5043	2,594 45,853
			<u>48,447</u>
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>48,447</u>
<u>U.S. APPALACHIAN REGIONAL COMMISSION</u>			
<u>Passed Through Berea College</u>			
Appalachian Regional Development	23.011	4703	1,567
TOTAL U.S. APPALACHIAN REGIONAL COMMISSION			<u>1,567</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Special Education Cluster (IDEA) -			
Passed Through State Department of Education			
Special Education - Grants to States	84.027	3372 3372P 3373 3373P	62,743 19 453,573 4,139
			<u>520,474</u>
Special Education - Preschool Grants	84.173	3432 3432P 3433	1,530 55 30,858
			<u>32,443</u>
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)			<u>552,917</u>

The accompanying notes are an integral part of this schedule.

CASEY COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2013

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>			
Reading is Fundamental	84.000	6873	1,000
Passed Through State Department of Education Title I Grants to Local Educational Agencies	84.010	3102 3102D 3102M 3103 3103M	371,109 56,753 20,090 785,090 4,852 <hr/> 1,237,894
Vocational Education - Basic Grants to States	84.048	3483	22,247
Twenty-First Century Community Learning Centers	84.287	5501 5501A 5501J 5502A 5502B 5503C 5503S	16,477 9,127 14,050 109,582 5,336 34,721 5,882 <hr/> 195,175
Rural Education	84.358	3502 3503	5,744 36,304 <hr/> 42,048
Improving Teacher Quality - State Grants	84.367	4012 4013	12,004 149,266 <hr/> 161,270
Education Jobs	84.410	4411	29,990
Race to the Top	84.413	4521	28,679
TOTAL U.S. DEPARTMENT OF EDUCATION			<hr/> 2,271,220
TOTAL EXPENDITURES OF FEDERAL AWARDS			<hr/> <u>\$ 3,474,047</u>

CASEY COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

NOTE D – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CASEY COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013**

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued (unmodified):

Internal control over financial reporting:

- Material weakness(es) identified? _____yes ___X___no

- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____yes ___X___none reported

Noncompliance material to financial statements noted?

_____yes ___X___no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____yes ___X___no

- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____yes ___X___none reported

Type of auditor's report issued on compliance for major programs (unmodified):

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____yes ___X___no

Section I-Summary of Auditor's Results - Continued

Identification of major programs:

CFDA Number	Federal Program or Cluster
84.010	DEPARTMENT OF EDUCATION Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee? X yes no

Section II – Financial Statement Findings

No Matters

Section III – Federal Award Findings and Questioned Costs

No Matters

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

CASEY COUNTY SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2013

There were no prior audit findings.

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

CHRIS R. CARTER, CPA
SCOTT KISSELBAUGH, CPA
BRIAN S. WOOSLEY, CPA



STILES, CARTER & ASSOCIATES, P.S.C.

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Casey County School District
Liberty, 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 requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Casey County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Casey County School District's basic financial statements, and have issued our report thereon dated September 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Casey County School District's internal control over financial reporting (internal control) to determine the audit 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 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 Casey County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Independent Auditor's Contract*.

We noted certain matters that we reported to management of Casey County School District in a separate letter dated September 20, 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Certified Public Accountants
Elizabethtown, Kentucky
September 20, 2013

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

CHRIS R. CARTER, CPA
SCOTT KISSELBAUGH, CPA
BRIAN S. WOOSLEY, CPA



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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Casey County School District
Liberty, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Casey County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the Independent Auditor's Contract. 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 Casey County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Casey County School 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

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Certified Public Accountants
Elizabethtown, Kentucky
September 20, 2013

MANAGEMENT LETTER AND COMMENTS

CHRIS R. CARTER, CPA
SCOTT KISSELBAUGH, CPA
BRIAN S. WOOSLEY, CPA



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Casey County School District
Liberty, Kentucky

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

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated September 20, 2013, contains our report on the District's internal control. This letter does not affect our report dated September 20, 2013, on the financial statements of the Casey County School District.

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

This report is intended solely for the information and use of management, the members of the Casey County Board of Education, others within the District, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Stiles, Carter & Associates". The signature is written in a cursive, flowing style.

Certified Public Accountants
Elizabethtown, Kentucky
September 20, 2013

CASEY COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2013

UNCORRECTED PRIOR YEAR COMMENTS

None

CURRENT YEAR COMMENTS

CASEY COUNTY MIDDLE SCHOOL

ANNUAL FINANCIAL REPORT

We noted the F-SA-15A, Annual Financial Reports for the general activity and gaming funds were dated 8/27/13 violating Redbook policy that the school treasurer shall prepare the Annual Financial Report Forms, F-SA-15A and F-SA-15B by July 25th.

MANAGEMENT RESPONSE

Christy Bowling stated that she had not prepared the report for the year. She completed the report, for the month of June and not for the year. This will be created for the year at the end of June.

FUNDRAISERS

We noted the F-SA-2B, Fundraiser Worksheets, for the Cheerleading (My Pan Fundraiser) and the Academic Team (Old KY Chocolate Fundraiser), without the principal's signature, did not list the total count of items to be sold, total budgeted sales, detail for receipts, detail for expenses, total value of unsold items or the activity reconciliation but instead listed only total receipts, total expenses and actual profit.

MANAGEMENT RESPONSE

All forms will be initialed by the assistant principal and signed by the principal. Everything but candy orders is pre-sold. We had completed worksheets in the past in this manner. This will be corrected.

INVENTORY CONTROL

We noted the Inventory Control Worksheets, F-SA-5, for Boys Basketball Concessions were not completed but instead two sheets were prepared listing inventory counts, sales price and value of items on hand and a third with a note stating that all inventory was depleted or sold with the remaining items to travel with the basketball team for tournament. We also noted that Football, Softball, Dance, Volleyball and Girls Basketball activity funds are turning in receipts for concessions without the use of F-SA-5, Inventory Control Worksheet.

MANAGEMENT RESPONSE

Mr. Flannery informed us that we would need to use inventory control worksheets for concessions at the March 2013 meeting. Mr. Emerson and Mr. Flannery had an in-depth conversation and we will use the inventory control sheets in the future.

TICKET SALES

We noted F-SA-1, Requisition and Report of Ticket Sales for a football game dated 9/18/12 without a signature for receipt of the change box money and without signatures for the person in charge of sales or the ticket taker. We also noted the F-SA-1, Requisition and Report of Ticket Sales, for a baseball game held on 3/26/2013 with the same signature for ticket seller and the ticket taker.

MANAGEMENT RESPONSE

Christy Bowling, bookkeeper will return any receipts for signatures. Mr. Emerson stated that no one was available to assist with taking up tickets. We have rectified that issue. Teachers have assigned games and there will be a ticket seller and a ticket taker.

CASEY COUNTY SCHOOL DISTRICT

COMMENTS – CONTINUED

June 30, 2013

CASEY COUNTY MIDDLE SCHOOL – CONTINUED

ACTIVITY FUND BUDGETS

We noted the F-SA-3, Principal's Combining Budget, listed fund amounts that did not reconcile to FY13 Individual Activity Budgets' totals but instead listed budgeted amounts from FY12. We also noted that the principal did not sign or date the Soccer Individual Activity Budget. We also noted the following individual activity funds did not have budgets on file: Central, 8th Grade, Yearbook, Entrepreneur Club, Beta Club, Library, Drama Club, Student Vending, Teacher Vending, Science, FCA, CCMS Newspaper, Dance Team, Academic Team, KUNA/Y-Club, 7th Grade, Donations, Lang. Arts, 21st CCLC and Spirit Club.

MANAGEMENT RESPONSE

We will create activity fund budgets for each of the listed funds and ensure amounts are aligned with end-of-year budgets.

UNTIMELY DEPOSIT

We noted receipts of tickets sold for a football game held on Tuesday, 9/18/12 were not deposited until Monday, 9/24/12, six days after the funds were collected.

MANAGEMENT RESPONSE

Christy Bowling, our bookkeeper, was out sick at the time. No one else is authorized to make deposits. We are assigning Principal Kathy Fogle or Assistant Principal Jeff Emerson to do any deposits when Christy is absent.

PURCHASE ORDERS

We noted check #9635 in the amount of \$291.94, dated 2/26/2013, written to Al J. Schneider Company, for 2 days of teacher training paid out of the Football Fund, with a purchase order dated 2/26/13, six days after the vendor invoice dated 2/20/13. We also noted check #9849 in the amount of \$1,060.00, dated 6/12/13, written to University of Kentucky for return of E-discovery seed money paid out of the Entrepreneur Club without a purchase order or vendor invoice but instead had attached an F-SA-8, Standard Invoice, without a vendor certification signature or signature for approval for payment at the bottom of the form.

MANAGEMENT RESPONSE

The bookkeeper was on maternity leave. We had a sub at the time and we should have requested a new invoice. We will insure that all PO's are issued before an invoice is paid. Purchase orders will be issued for any funds that are paid out. All sponsors will be required to sign forms before paying invoices.

UNALLOWABLE PURCHASE

We noted check #9550 the amount of \$111.81, dated 12/13/12, written to Green River Building Supply, for paint and painting supplies, paid out of the Central Fund violating the Redbook policy of school activity funds shall not be used to pay for basic routine operation expenses, renovations or maintenance of school facilities or buildings.

MANAGEMENT RESPONSE

There will be no purchases for any materials that are for operating expenses of school building. In addition, CCMS will review each month's entries to ensure that all paperwork is correct.

CASEY COUNTY SCHOOL DISTRICT

COMMENTS – CONTINUED

June 30, 2013

CASEY COUNTY HIGH SCHOOL

SEGREGATION OF DUTIES

We noted the school's bookkeeper records receipts on the deposit ticket and takes the deposit to the bank violating the Redbook policy that these duties should be segregated. We also noted the school's bookkeeper prints checks and mails checks violating the Redbook policy that these duties should be segregated.

MANAGEMENT RESPONSE

Bookkeeper creates a deposit voucher that lists individual receipts each day. The following day, another school secretary cross-references and reviews the deposit slips and deposit voucher to see that both reconcile and match. CCHS has now changed duties so that there will be a segregation of duties. Mrs. Leigh will print checks. Ms. Shaw will transport to the post office.

BOOSTERS

We noted the following booster clubs' Annual Financial Report with violations of Redbook requirements: the Basketball Boosters submitted an Annual Financial Report with no ending balance and the Cheer Boosters submitted an Annual Financial Report without a beginning or ending balance.

MANAGEMENT RESPONSE

2013-14 school year, all booster clubs are "in-house". The original problem was collecting the financial report. That issue will no longer exist.

MULTIPLE RECEIPT FORM

We noted a deposit of \$1,587, dated 10/9/2012 for Jr. Class Krispy Kreme Sales and a deposit of \$13,985.50 dated 12/11/2012 for FFA Fruit Sales with F-SA-6, Multiple Receipt Forms, without student signatures or initials but instead were filled out by the sponsor collecting the funds.

MANAGEMENT RESPONSE

This issue was addressed several times last year with each club sponsor. Again, all financial responsibilities for the club sponsors was reviewed at the beginning of the 2013-14 school year. From this point forward, if it is found out that staff signs receipt form, it will only serve as a reminder that student had remitted money, and it will be mandatory that the sponsor retrieve student signatures or initials on the receipt form.

PURCHASE ORDER

We noted check #9275 in the amount of \$90.00, dated 12/6/12, without an F-SA-7, Purchase Order. The Redbook requires a purchase order, F-SA-7, to be prepared and approved by the sponsor and principal before the payment is obligated.

MANAGEMENT RESPONSE

In December of 2012, all that was required for payment of officials was a standard invoice, which was submitted. Beginning of 2013-14, CCHS requires the F-SA-7 P.O. form for all checks to be issued.

CASEY COUNTY SCHOOL DISTRICT

COMMENTS – CONTINUED

June 30, 2013

CASEY COUNTY HIGH SCHOOL – CONTINUED

INVENTORY CONTROL

We noted the following activities without F-SA-5, Inventory Control Worksheets: School-wide Agenda Book Sales, the Art Club T-shirt Sales and FFA T-shirt Sales. The Redbook requires the monitoring of reasonable profits on concession and vending machine sales and bookstore sales and any other stocked items held for resale to be verified using Inventory Control Worksheet, F-SA-5.

MANAGEMENT RESPONSE

2013-14 CCHS does not use student agenda books, however in prior years this was submitted as a student fee. Art club students had pre-paid for all T-shirts, none were ordered for profit. FFA, the bulk of the shirts were given as part of club dues. Remaining shirts were sold, but club sponsor has been informed that an inventory control worksheet must be in place for the remaining t-shirts for the 2013-14 school year.

JONES PARK ELEMENTARY SCHOOL

ANNUAL FINANCIAL REPORT

We noted that the Annual Financial Report was dated 8/12/13 violating Redbook policy of the school treasurer shall prepare the Annual Financial Report Forms, F-SA-15A by July 25th.

MANAGEMENT RESPONSE

Bookkeeper will make sure this is done on time in the future. The reason for this being done August 12 is that the bookkeeper returned to work on August 6th and does not have extended days in the summer.

SEGREGATION OF DUTIES

We noted that the school's bookkeeper records revenue in the accounting system and takes the deposit to the bank violating Redbook policy that these duties be segregated. We also noted the school's bookkeeper approves invoices, enters invoices into the accounting system and matches invoices to checks violating Redbook policy that these duties be segregated.

MANAGEMENT RESPONSE

Due to being written up several years ago for not making timely deposits bookkeeper started making the deposits. Mr. Pierce and the bookkeeper are working on a solution to correct this. Invoices will be signed by someone other than myself in the future.

INDIVIDUAL ACTIVITY FUND BUDGETS

We noted the following F-SA-4A, Individual Activity Fund Budget Worksheets, were not on file: C-Fund, Student Vending, Teacher Vending, Resource Account, Library, Unite Club and Box Tops, violating the Redbook policy that each club and organization prepare a tentative budget of receipts and expenditures for the next school year on the Individual Budget Worksheet, F-SA-4A.

MANAGEMENT RESPONSE

Budget worksheets were done for Unite Club and Resource account until a couple years ago. Because these are internal accounts the bookkeeper was told it would not be necessary to continue to do them. They will be included in any future budget materials.

CASEY COUNTY SCHOOL DISTRICT

COMMENTS – CONTINUED

June 30, 2013

JONES PARK ELEMENTARY SCHOOL – CONTINUED

FUNDRAISERS

We noted the F-SA-2B, Fundraiser Worksheets, for the Resource Account T-shirt sales and the Unite Club Avon Sales without dates for collections and expenses or check numbers for expenses but instead only listed totals.

MANAGEMENT RESPONSE

Casey County Board form 09.33 AP21 for follow-up on fundraisers was used instead of F-SA-2B. This form does not provide for collections and expenses, just totals. However, form F-SA-2B will be used in the future and this information provided.

RECEIPT OF PRIZES

We noted check #1984 in the amount of \$32.95, dated 11/29/12, written to Dollar General out of the Unite Club for the reward of a visa card to be given to the top Rada Sales fundraising seller without documentation of receipt of the card by the winner. We also noted check #2035 in the amount of \$2,000.00, dated 5/1/13, written to Walmart out of the C-Fund for proficient and distinguished rewards without documentation of receipt of the card by the winners.

MANAGEMENT RESPONSE

Bookkeeper was aware of the check #1984 for the gift card, however, was not aware of the need to document receipt of prizes (games and toys) given to winners from check #2035. This will be handled properly in the future.

LIBERTY ELEMENTARY

SEGREGATION OF DUTIES

We noted the school's bookkeeper matches invoices to checks and mails checks, violating the Redbook policy that these duties be segregated.

MANAGEMENT RESPONSE

A third person will be designated to reconcile invoices to checks that are written prior to the checks being mailed.

CREDIT CARDS

We noted the F-SA-13, Credit Card Sign In/Out Form, for the Wal-Mart Card without the credit card account number documented. We also noted there was not an F-SA-13, Credit Card Sign In/Out Form for the school's Sam's Club Credit Card violating Redbook policy that cards may be checked out to individual employees using the Credit Card Sign In/Out Form, F-SA-13.

MANAGEMENT RESPONSE

Form F-SA-13 will be used to check out the Sam's Club Credit Card also. (That particular card had not been used, therefore a sign in/out form had not been prepared for it.)

CASEY COUNTY SCHOOL DISTRICT

COMMENTS – CONTINUED

June 30, 2013

LIBERTY ELEMENTARY – CONTINUED

INDIVIDUAL ACTIVITY FUND BUDGETS

We noted the following activity accounts with F-SA-4A, Individual Activity Budget Worksheets, were not dated and did not list a beginning cash balance, prior year actual receipts, prior year actual expenditures or totals for any of these amounts but instead only listed budgeted receipts and budgeted expenditures: General Fund, Student Fund, Teacher Vending and Flower Fund.

MANAGEMENT RESPONSE

In the future, Individual Activity Budget Worksheets will be dated and will include a beginning cash balance, prior year actual receipts, and prior year actual expenditures.

PRINCIPAL'S COMBINING BUDGET

We noted there was not an F-SA-3, Principal's Combining Budget, prepared but instead a F-SA-4A, Individual Activity Budget Worksheet was completed with the activity fund listed as All Funds, was not dated and did not list a beginning or ending balance for the activity funds.

MANAGEMENT RESPONSE

Form F-SA-3, Principal's Combining Budget, will be used in the future and will include the required information.

STANDARD INVOICE

We noted check #2738 in the amount of \$343.64, dated 9/24/12, written to Betty Wesley for a camcorder and cameras paid out of the General Fund with an F-SA-8, Standard Invoice, without the approving signature of a sponsor or the principal.

MANAGEMENT RESPONSE

This expenditure was approved by the principal. There was an oversight in not signing the form.

UNALLOWABLE PURCHASE

We noted check #2809 in the amount of \$199.21, dated 5/7/13, written to Subway, paid out of the Student Vending Fund, of which \$18.76 was used to purchase cookies for a staff meeting violating Redbook policy of only staff generated funds, including proceeds from snack machines in the staff areas may be used for staff gifts, dinners, etc.

MANAGEMENT RESPONSE

This was an unintentional violation and the proper adjustments have been made to each of the funds.