

**Clark County School District**  
**Audited Financial Statements**  
**and Other Financial Information**  
**June 30, 2013**

**CLARK COUNTY SCHOOL DISTRICT  
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# SUMMERS, MCCRARY & SPARKS, P.S.C.

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## INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee of School District Audits  
Members of the Board of Education  
Clark County School District  
Winchester, Kentucky 40391

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

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

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

### **Auditor's Responsibility**

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

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

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clark County School District's basic financial statements. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the schedule of

expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2013, on our consideration of Clark County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Summers, McCrary & Sparks, PSC*

Summers, McCrary & Sparks, PSC  
Lexington, Kentucky  
October 28, 2013

**CLARK COUNTY SCHOOL DISTRICT – WINCHESTER, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

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

**FINANCIAL HIGHLIGHTS**

- The total General Fund balance for FY 2013 is \$9,187,515 as compared to \$7,888,518 for FY 2012, which is greater than the 2% as required by state law.
- The General Fund had \$40,411,374 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Expenditures for General Fund totaled \$38,873,914.
- The District continued work on the new George Rogers Clark High School project, Willis H. Justice Elementary School project and Conkwright Renovation projects. The District was able to move forward with the Area Technology Center phase of the New George Rogers Clark High School project.
- The Board of Education was able to give full time employees a one-time salary add-on of \$900 effective December 14, 2012.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

**Government-wide financial statements**

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

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

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

**CLARK COUNTY SCHOOL DISTRICT – WINCHESTER, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

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

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

**Fund financial statements**

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

The basic governmental fund financial statements can be found on pages 11 through 14 of this report.

**Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 43 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$49,243,803 as of June 30, 2013 as compared to \$44,698,913 as of June 30, 2012.

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

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

**CLARK COUNTY SCHOOL DISTRICT – WINCHESTER, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

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

Changes in net assets for the District were as follows:

	2013	2012	Change
Current Assets	<u>\$36,439,352</u>	<u>\$52,015,066</u>	<u>\$(15,743,520)</u>
Noncurrent Assets	<u>88,285,542</u>	<u>63,272,271</u>	<u>25,013,271</u>
<b>Total Assets</b>	<b><u>\$124,724,894</u></b>	<b><u>\$115,287,337</u></b>	<b><u>\$ 9,269,751</u></b>
Current Liabilities	\$ 6,888,794	\$ 8,774,968	\$(1,886,174)
Noncurrent Liabilities	<u>68,592,297</u>	<u>61,813,456</u>	<u>6,604,582</u>
<b>Total Liabilities</b>	<b><u>\$75,481,091</u></b>	<b><u>\$70,588,424</u></b>	<b><u>\$4,718,408</u></b>
Investment in capital assets (net of debt)	\$38,575,002	\$31,774,180	\$ 6,800,822
Restricted	969,815	38,006,004	(37,036,189)
Unrestricted	<u>9,698,986</u>	<u>(25,081,271)</u>	<u>34,786,710</u>
<b>Total Net Assets</b>	<b><u>\$49,243,803</u></b>	<b><u>\$44,698,913</u></b>	<b><u>\$ 4,551,343</u></b>

Assets increased significantly from 2012 to 2013 mainly due to increases in cash from bond proceeds and construction work in progress. Liabilities increased due to bond issues for the Willis H. Justice Elementary School, George Rogers Clark High School ATC and Conkwright renovation, as well as accounts payable on those projects and the new George Rogers Clark High School project.

**Comments on Budget Comparisons**

- The District’s total revenues for governmental funds for the fiscal year ended June 30, 2013, is \$54,998,168 as compared to \$52,757,522 for 2012.
- Other financing sources for the district totaled \$10,517,294 in 2013 as compared to \$18,828,125 in 2012. The major revenues in this category are the bond proceeds for the new Willis H. Justice Elementary, GRC High School ATC and Conkwright renovation projects.
- General fund budget compared to actual revenue varies mainly due to on-behalf payments made by the state for retirement, health and life benefits. Taxes collected and other local revenues were also higher than budgeted.
- The total cost of all governmental programs and services is \$79,052,733 for 2013 as compared to \$73,779,473 in 2012. The significant increase in expenditures was mainly due to construction expenses.
- General fund budget expenditures compared to actual varies mainly due to on behalf payments made by the state for retirement, and health and life insurance benefits.

**CLARK COUNTY SCHOOL DISTRICT – WINCHESTER, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

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

	Summary of Revenue and Expenditures					
	Governmental		Business-type		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
Local revenue sources	\$18,221,802	\$18,477,158	\$1,221,632	\$1,282,265	\$19,443,260	\$19,759,723
State revenue sources	28,929,801	28,221,929	158,614	213,143	29,088,415	28,435,072
Federal revenue sources	7,501,308	5,723,240	2,233,073	2,194,603	9,734,381	7,917,843
Investments	286,751	396,600	6,857	9,134	293,608	405,734
<b>Total revenue</b>	<b>54,939,662</b>	<b>52,818,927</b>	<b>3,620,176</b>	<b>3,699,145</b>	<b>58,559,664</b>	<b>56,518,072</b>
<b>Expenses:</b>						
Instruction	\$31,320,411	\$30,290,260	\$0	\$0	\$31,320,410	\$30,290,260
Student support services	1,950,717	1,859,882	0	0	1,950,717	1,859,882
Instructional support	1,651,711	1,712,182	0	0	1,651,711	1,712,182
District administration	1,392,683	1,327,265	0	0	1,392,683	1,327,265
School administration	2,194,319	2,227,866	0	0	2,194,319	2,227,866
Business Support	1,014,253	927,147	0	0	1,014,253	927,147
Plant operations	3,906,390	3,717,448	0	0	3,906,390	3,717,448
Student transportation	2,583,645	2,099,068	0	0	2,583,645	2,099,068
Community Service	478,336	480,893	0	0	478,336	480,893
Facilities acquisition	0	0	0	0	0	0
Interest on long-term debt	3,475,380	2,263,900	0	0	3,475,380	2,263,900
Food Service	28,247	0	3,732,434	3,485,754	3,760,681	3,485,754
<b>Total expenses</b>	<b>\$49,996,092</b>	<b>\$46,905,911</b>	<b>3,732,434</b>	<b>3,485,754</b>	<b>53,728,525</b>	<b>50,391,665</b>
KSBIT Assessment	(286,422)	0	0	0	(286,422)	0
Change in net assets	4,657,148	5,913,016	(112,258)	213,391	4,544,890	6,126,407
Beginning net assets	43,094,876	37,181,860	1,604,037	1,390,646	44,698,913	38,572,506
<b>Ending net assets</b>	<b>\$47,752,024</b>	<b>\$43,094,876</b>	<b>\$1,491,779</b>	<b>\$1,604,037</b>	<b>\$49,243,803</b>	<b>\$44,698,913</b>

**Food Service Activity**

- Revenues for Food Service Fund totaled \$3,620,176 as of June 30, 2013, a decrease of \$78,969 from 2012. These revenues include lunchroom sales, federal and state grants, federal commodities, and interest income. Total Operating Expenditures for Food Service Fund totals \$3,732,434 as of June 30, 2013, an increase of \$246,680 from 2012. The Change in Net Assets (Revenues less Expenditures) for the Food Service Fund is a decrease of \$112,258.

**CLARK COUNTY SCHOOL DISTRICT – WINCHESTER, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

**General Fund Revenue**

The majority of revenue was derived from local taxes making up 37% of the total revenue and state funding making up 62% of total revenue.

**General Fund Expenditures**

Instruction makes up 63% of total General Fund Expenditures. Central support services expenditures are: Transportation 5%, Maintenance & Operations 8%, School Administration 4% and Other Support Functions 20%.

**FUTURE BUDGETARY IMPLICATIONS**

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal grants, operate on a different fiscal calendar, but are reflected in the district’s overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$7,888,367 in contingency (15%) for the 2013-2014 fiscal year, which is above the 2 percent requirement. The CERS retirement rate decreased to 18.89% beginning July 1, 2013, as mandated by State law. Beginning on July 1, 2013, the District was required to contribute a matching percentage of 1.50% for all state and locally funded employees that contribute to the Kentucky Teachers’ Retirement System. The federal match for all employees under KTRS increased by 0.50% to 14.605%.

The Clark County Public Schools levied a real estate tax rate of 55.9 and a tangible tax rate of 55.9 on August 20, 2013. These rates reflect that the Board took the 4% increase rate of 55.7, plus the allowed rate of 0.2 for exonerations.

The District is continuing progress in construction of the new Clark County High School/Area Technology Center project and a construction bid was awarded in the fall of 2011. Currently, this project is expected to have a cost of approximately \$59,906,528, which will be funded from SFCC cash, an SFCC bond sale, a Qualified School Construction Bond sale, and a local bond sale. The BG-1 was revised to add the cost of the additional phase for the Area Technology Center. The new George Rogers Clark High School opened in August 2013. The new Area Technology Center is set to open January 2014.

The District proceeded with bidding and issuing of bonds for the new Willis H. Justice Elementary School, Phase 1 & 2 of the George Rogers Clark High School/Area Technology Center Project and Conkwright renovation projects in fall 2011. The projects are estimated at \$15,711,005, \$5,565,000 and \$9,665,000, respectively, and will be funded through district SFCC cash, SFCC bond sales, and local bond sales. The new Willis H. Justice Elementary School opened in August 2013.

Questions regarding this report should be directed to Paul Christy, Superintendent, or Gina Amos, Director of Finance, at (859) 744-4545 or by mail at 1600 W. Lexington Avenue, Winchester, KY 40391.

CLARK COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	PRIMARY GOVERNMENT		TOTAL
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
<b>ASSETS:</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 34,107,740	\$ 1,004,064	\$ 35,111,804
Accounts receivable			
Taxes	340,124	-	340,124
Accounts	65,251	190,740	255,991
Intergovernmental - federal	699,225	-	699,225
Inventory	-	32,208	32,208
Total Current Assets	<u>35,212,340</u>	<u>1,227,012</u>	<u>36,439,352</u>
<b>Noncurrent Assets</b>			
Bond discounts and issue costs net of accumulated amortization of \$151,416	757,086	-	757,086
Non-depreciated capital assets	65,467,746	-	65,467,746
Net depreciated capital assets	<u>21,780,678</u>	<u>280,032</u>	<u>22,060,710</u>
Total Noncurrent Assets	88,005,510	280,032	88,285,542
<b>TOTAL ASSETS</b>	<u>\$ 123,217,850</u>	<u>\$ 1,507,044</u>	<u>\$ 124,724,894</u>
<b>LIABILITIES:</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 2,139,554	\$ 15,265	\$ 2,154,819
Accrued interest	315,575	-	315,575
Current portion of accrued sick leave	106,737	-	106,737
Current portion of bond obligations	3,469,492	-	3,469,492
Current portion of lease obligations	136,207	-	136,207
Unearned revenue	<u>705,964</u>	<u>-</u>	<u>705,964</u>
Total Current Liabilities	6,873,529	15,265	6,888,794
<b>Noncurrent Liabilities</b>			
Bond premiums net of amortization of \$40,490	187,122	-	187,122
Noncurrent portion of bond obligations	66,909,758	-	66,909,758
Noncurrent portion of lease obligations	642,536	-	642,536
Noncurrent portion of accrued sick leave	566,459	-	566,459
KSBIT payable	<u>286,422</u>	<u>-</u>	<u>286,422</u>
Total Noncurrent Liabilities	68,592,297	-	68,592,297
<b>TOTAL LIABILITIES</b>	<u>75,465,826</u>	<u>15,265</u>	<u>75,481,091</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	38,294,970	280,032	38,575,002
Restricted For:			
Debt Service	969,815	-	969,815
Unrestricted	<u>8,487,239</u>	<u>1,211,747</u>	<u>9,698,986</u>
<b>TOTAL NET POSITION</b>	<u>47,752,024</u>	<u>1,491,779</u>	<u>49,243,803</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 123,217,850</u>	<u>\$ 1,507,044</u>	<u>\$ 124,724,894</u>

See Accompanying Notes to the Financial Statements

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

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION PRIMARY GOVERNMENT		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government							
Governmental Activities:							
Instructional	\$ 31,320,411	\$ -	\$ 13,657,450	\$ -	\$ (17,662,961)	\$ -	\$ (17,662,961)
Support Services:							
Student	1,950,717	-	6,150	-	(1,944,567)	-	(1,944,567)
Instructional staff	1,651,711	-	150,301	-	(1,501,410)	-	(1,501,410)
District administration	1,392,683	-	441,203	-	(951,480)	-	(951,480)
School administration	2,194,319	-	237,835	-	(1,956,484)	-	(1,956,484)
Business	1,014,253	-	96,159	-	(918,094)	-	(918,094)
Plant operations and maintenance	3,906,390	-	315,325	-	(3,591,065)	-	(3,591,065)
Student transportation	2,583,645	174	125,390	-	(2,458,081)	-	(2,458,081)
Non-Instructional	478,336	-	248,022	-	(230,314)	-	(230,314)
Food Service	28,247	-	-	-	(28,247)	-	(28,247)
Interest on long-term debt	3,475,380	-	-	3,822,492	347,112	-	347,112
Total Governmental Activities	49,996,092	174	15,277,835	3,822,492	(30,895,591)	-	(30,895,591)
Business-Type Activities:							
Lunchroom sales	3,732,434	1,168,270	2,391,687	-	-	(172,477)	(172,477)
Total Primary Government	\$ 53,728,526	\$ 1,168,444	\$ 17,669,522	\$ 3,822,492	\$ (30,895,591)	\$ (172,477)	\$ (31,068,068)
			General Revenues:				
			Taxes:				
			Property	\$ 14,269,968	\$ -	\$ 14,269,968	
			Motor vehicle	1,233,310	-	1,233,310	
			Utilities	2,394,869	-	2,394,869	
			State aid formula grants	17,210,421	-	17,210,421	
			Interest and investment earnings	286,751	8,498	295,249	
			Miscellaneous	443,842	51,721	495,563	
			Total General Revenues	35,839,161	60,219	35,899,380	
			Extraordinary Item-KSBIT Assessment	(286,422)	-	(286,422)	
			Change in Net Position	4,657,148	(112,258)	4,544,890	
			Net Position beginning	43,094,876	1,604,037	44,698,913	
			Net Position ending	\$ 47,752,024	\$ 1,491,779	\$ 49,243,803	

See Accompanying Notes to the Financial Statements

CLARK COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	CONSTRUCTION FUND	DEBT SERVICE FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 9,320,530	\$ 65,242	\$ 23,752,153	\$ -	\$ 969,815	\$ 34,107,740
Accounts receivable						
Taxes	340,124	-	-	-	-	340,124
Other	65,251	-	-	-	-	65,251
Intergovernmental - federal	-	699,225	-	-	-	699,225
<b>TOTAL ASSETS</b>	<b>\$ 9,725,905</b>	<b>\$ 764,467</b>	<b>\$ 23,752,153</b>	<b>\$ -</b>	<b>\$ 969,815</b>	<b>\$ 35,212,340</b>
<b>LIABILITIES:</b>						
Accounts payable	\$ 533,437	\$ 58,503	\$ 1,547,614	\$ -	\$ -	\$ 2,139,554
Sick leave payable	4,953	-	-	-	-	4,953
Unearned revenue	-	705,964	-	-	-	705,964
<b>TOTAL LIABILITIES</b>	<b>538,390</b>	<b>764,467</b>	<b>1,547,614</b>	<b>-</b>	<b>-</b>	<b>2,850,471</b>
<b>FUND BALANCES:</b>						
Restricted						
Sick leave	339,075	-	-	-	-	339,075
Debt service	-	-	-	-	627,817	627,817
Capital projects	-	-	22,204,539	-	341,998	22,546,537
Committed	15,377	-	-	-	-	15,377
Assigned	32,200	30,749	-	-	-	62,949
Unassigned	8,800,863	(30,749)	-	-	-	8,770,114
<b>TOTAL FUND BALANCES</b>	<b>9,187,515</b>	<b>-</b>	<b>22,204,539</b>	<b>-</b>	<b>969,815</b>	<b>32,361,869</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 9,725,905</b>	<b>\$ 764,467</b>	<b>\$ 23,752,153</b>	<b>\$ -</b>	<b>\$ 969,815</b>	<b>\$ 35,212,340</b>

See Accompanying Notes to the Financial Statements

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

Total Governmental Fund Balances	\$ 32,361,869
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	87,248,424
Certain assets are not reported in the fund financial statement because they are not available to pay current period expenditures, but they are reported in the statement of net position.	
Bond discounts and issuance costs	757,086
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and other accrued liabilities) are not reported in the fund financial statement because they are not due and payable, but are presented in the statement of net position as follows:	
Bonds payable	(70,379,250)
Leases payable	(778,743)
Bond premiums	(187,122)
Accrued interest	(315,575)
Accrued sick leave	(668,243)
KSBIT payable	<u>(286,422)</u>
Net Position of Governmental Activities	<u>\$ 47,752,024</u>

CLARK COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	CONSTRUCTION FUND	DEBT SERVICE FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>						
From local sources:						
Taxes:						
Property	\$ 11,483,378	\$ -	\$ -	\$ -	\$ 2,786,590	\$ 14,269,968
Motor vehicle	1,233,310	-	-	-	-	1,233,310
Utilities	2,394,869	-	-	-	-	2,394,869
Earnings on investments	58,820	-	219,900	-	8,031	286,751
Other local revenues	195,911	186,250	-	-	-	382,161
Intergovernmental - state	24,936,406	1,773,599	-	910,415	1,309,381	28,929,801
Intergovernmental - federal	108,680	4,420,095	-	2,972,533	-	7,501,308
<b>TOTAL REVENUES</b>	<u>40,411,374</u>	<u>6,379,944</u>	<u>219,900</u>	<u>3,882,948</u>	<u>4,104,002</u>	<u>54,998,168</u>
<b>EXPENDITURES:</b>						
Current:						
Instruction:	24,822,232	5,648,079	-	-	-	30,470,311
Support Services:						
Student	1,854,320	15,998	-	-	-	1,870,318
Instructional staff	1,183,246	456,386	-	-	-	1,639,632
District administration	1,258,446	-	-	-	-	1,258,446
School administration	2,166,931	-	-	-	-	2,166,931
Business	1,012,037	-	-	-	-	1,012,037
Plant operations and maintenance	3,838,538	-	-	-	-	3,838,538
Student transportation	2,510,278	-	-	-	-	2,510,278
Food Service	-	28,247	-	-	-	28,247
Non-Instructional	-	476,310	-	-	-	476,310
Facilities acquisition and construction	-	-	26,083,113	-	-	26,083,113
Debt service	227,886	-	-	7,470,686	-	7,698,572
<b>TOTAL EXPENDITURES</b>	<u>38,873,914</u>	<u>6,625,020</u>	<u>26,083,113</u>	<u>7,470,686</u>	<u>-</u>	<u>79,052,733</u>
Excess (Deficit) of Revenues over Expenditures	<u>1,537,460</u>	<u>(245,076)</u>	<u>(25,863,213)</u>	<u>(3,587,738)</u>	<u>4,104,002</u>	<u>(24,054,565)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Sale of capital assets	1,995	-	-	-	-	1,995
Operating transfers in	15,317	255,775	1,079,045	3,587,738	-	4,937,875
Operating transfers out	(255,775)	(15,317)	(125,000)	-	(4,541,784)	(4,937,876)
Discount on issuance of debt	-	-	(284,700)	-	-	(284,700)
Proceeds from debt issuance	-	-	10,800,000	-	-	10,800,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(238,463)</u>	<u>240,458</u>	<u>11,469,345</u>	<u>3,587,738</u>	<u>(4,541,784)</u>	<u>10,517,294</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	1,298,997	(4,618)	(14,393,868)	-	(437,782)	(13,537,271)
Fund Balance beginning of year	7,893,136	-	36,598,407	-	1,407,597	45,899,140
Prior Period Adjustment	(4,618)	4,618	-	-	-	-
Fund Balance beginning of year-restated	7,888,518	4,618	36,598,407	-	1,407,597	45,899,140
Fund Balance end of year	<u>\$ 9,187,515</u>	<u>\$ -</u>	<u>\$ 22,204,539</u>	<u>\$ -</u>	<u>\$ 969,815</u>	<u>\$ 32,361,869</u>

See Accompanying Notes to the Financial Statements

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

Net Change in Fund Balances - Total Governmental Funds	\$ (13,537,271)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Capital outlays are reported as expenditures in the fund financial statement because they are current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.</p>	
Capital outlays	26,054,302
Depreciation expense	(1,229,946)
<p>Revenues reported in the fund financial statements are recognized when measurable and available. However, revenues in the statement of activities are recognized when earned.</p>	
	(60,456)
<p>The proceeds from the disposal of capital assets provide current financial resources and are reported in the fund financial statements. However, for governmental activities the proceeds are reported net of the cost less any accumulated depreciation.</p>	
	(46)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>	
Change in accrued interest	9,017
Change in sick leave	(122,609)
Change in other liabilities	(286,422)
<p>Amortization of bond discounts and issuance costs are reported in the statement of activities but do not require current financial resources and therefore are not reported as expenditures in governmental funds.</p>	
	(38,302)
<p>Amortization of bond premiums are reported in the statement of activities but do not provide current financial resources and therefore are not reported as revenues in governmental funds.</p>	
	15,187
<p>Long-term debt proceeds are reported as other financing resources in funds, thereby increasing fund balances. In the statement of net position, however, issuing long-term debt increases liabilities and has no effect on net position. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>	
Debt proceeds	(10,800,000)
Bond discounts	284,700
Debt principal repaid	4,368,994
	4,368,994
Change in Net Position of Governmental Activities	\$ 4,657,148

CLARK COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL GENERAL FUND (NON-GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2013

	GENERAL FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE Favorable (Unfavorable)
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
From Local Sources:				
Taxes:				
Property	\$ 9,631,575	\$ 10,638,403	\$ 11,483,378	\$ 844,975
Motor vehicle	1,190,001	1,248,899	1,233,310	(15,589)
Utilities	2,400,000	2,400,000	2,394,869	(5,131)
Earnings on investments	75,000	75,000	58,820	(16,180)
Other local revenues	77,000	77,000	195,911	118,911
Intergovernmental - state	17,161,651	17,185,617	24,936,406	7,750,789
Intergovernmental - indirect federal	50,000	57,961	108,680	50,719
<b>TOTAL REVENUES</b>	<u>30,585,227</u>	<u>31,682,880</u>	<u>40,411,374</u>	<u>8,728,494</u>
	36,186,227			
<b>EXPENDITURES:</b>				
Current:				
Instruction:	17,941,897	18,230,523	24,822,232	(6,591,709)
Support Services:				
Student	1,582,508	1,672,834	1,854,320	(181,486)
Instructional staff	1,215,876	1,177,182	1,183,246	(6,064)
District administration	1,334,429	1,359,087	1,258,446	100,641
School administration	1,772,919	1,785,419	2,166,931	(381,512)
Business	840,185	898,354	1,012,037	(113,683)
Plant operations and maintenance	3,278,298	3,562,523	3,838,538	(276,015)
Student transportation	2,358,805	2,557,697	2,510,278	47,419
Debt service	230,911	230,911	227,886	3,025
Contingency	5,630,399	7,456,070	-	7,456,070
<b>TOTAL EXPENDITURES</b>	<u>36,186,227</u>	<u>38,930,600</u>	<u>38,873,914</u>	<u>56,686</u>
Excess (Deficit) of Revenues over Expenditures	<u>(5,601,000)</u>	<u>(7,247,720)</u>	<u>1,537,460</u>	<u>8,785,180</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of capital assets	1,000	1,000	1,995	995
Operating transfers in	-	3,470	15,317	11,847
Operating transfers out	-	(255,775)	(255,775)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,000</u>	<u>(251,305)</u>	<u>(238,463)</u>	<u>12,842</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(5,600,000)	(7,499,025)	1,298,997	8,798,022
Fund Balance beginning	5,600,000	7,499,025	7,893,136	394,111
Prior Period Adjustment	-	-	(4,618)	(4,618)
Fund Balance beginning of year-restated	<u>5,600,000</u>	<u>7,499,025</u>	<u>7,888,518</u>	<u>389,493</u>
Fund Balance ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,187,515</u>	<u>\$ 9,187,515</u>

Note: Both inflows and outflows are equally different in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds by the amount of on-behalf payments of \$7,666,079.

CLARK COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL SPECIAL REVENUE FUND (NON-GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUND			VARIANCE Favorable (Unfavorable)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
From Local Sources:				
Other local revenues	\$ 67,132	\$ 134,539	\$ 186,250	\$ 51,711
Intergovernmental - state	1,405,684	1,808,558	1,773,599	(34,959)
Intergovernmental - indirect federal	3,103,316	3,689,556	4,420,095	730,539
<b>TOTAL REVENUES</b>	<u>4,576,132</u>	<u>5,632,653</u>	<u>6,379,944</u>	<u>747,291</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:	3,958,430	5,258,015	5,648,079	(390,064)
Support Services:				
Student	14,116	13,789	15,998	(2,209)
Instructional staff	135,997	130,295	456,386	(326,091)
Food Service	-	33,860	28,247	5,613
Non-Instructional	467,589	458,544	476,310	(17,766)
<b>TOTAL EXPENDITURES</b>	<u>4,576,132</u>	<u>5,894,503</u>	<u>6,625,020</u>	<u>(730,517)</u>
Excess (Deficit) of Revenues over Expenditures	<u>-</u>	<u>(261,850)</u>	<u>(245,076)</u>	<u>16,774</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	-	-	255,775	(255,775)
Operating transfers out	-	(6,000)	(15,317)	(9,317)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>(6,000)</u>	<u>240,458</u>	<u>(265,092)</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>-</u>	<u>(267,850)</u>	<u>(4,618)</u>	<u>(248,318)</u>
Fund Balance beginning	-	-	-	-
Prior Period Adjustment	-	-	4,618	4,618
Fund Balance beginning of year-restated	<u>-</u>	<u>-</u>	<u>4,618</u>	<u>4,618</u>
Fund Balance ending	<u>\$ -</u>	<u>\$ (267,850)</u>	<u>\$ -</u>	<u>\$ (243,700)</u>

See Accompanying Notes to the Financial Statements

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

	<u>FOOD SERVICE FUND</u>
<b>ASSETS:</b>	
Current Assets	
Cash and cash equivalents	\$ 1,004,064
Accounts receivable	190,740
Inventory	<u>32,208</u>
Total Current Assets	1,227,012
Noncurrent Assets	
Machinery & equipment	1,290,087
Accumulated depreciation	<u>(1,010,055)</u>
Total Noncurrent Assets	280,032
<b>TOTAL ASSETS</b>	<b>\$ <u><u>1,507,044</u></u></b>
<b>LIABILITIES:</b>	
Current Liabilities	
Accounts payable	<u>\$ 15,265</u>
<b>TOTAL LIABILITIES</b>	<b><u>15,265</u></b>
<b>NET POSITION:</b>	
Invested in capital assets, net of related debt	280,032
Unrestricted	<u>1,211,747</u>
<b>TOTAL NET POSITION</b>	<b><u>1,491,779</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ <u><u>1,507,044</u></u></b>

See Accompanying Notes to the Financial Statements

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

	FOOD SERVICE FUND
OPERATING REVENUES:	
Lunchroom sales	\$ 1,168,270
Other operating revenues	53,362
TOTAL OPERATING REVENUES	1,221,632
OPERATING EXPENSES:	
Salaries and wages	1,328,941
Contract services	81,735
Materials and supplies	2,229,447
Miscellaneous	11,869
Property	24,645
Depreciation	55,797
TOTAL OPERATING EXPENSES	3,732,434
Operating Income (Loss)	(2,510,802)
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	2,081,715
Federal commodities	151,358
State grants	158,614
Loss on disposal of equipment	(1,641)
Interest income	8,498
NON-OPERATING REVENUES (EXPENSES)	2,398,544
Change in Net Position	(112,258)
Total Net Position beginning	1,604,037
Total Net Position ending	\$ 1,491,779

See Accompanying Notes to the Financial Statements

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

	<u>FOOD SERVICE FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,221,632
Cash paid to suppliers	(2,211,153)
Cash paid to employees	<u>(1,146,615)</u>
Net Cash Provided (Used) by Operating Activities	<u>(2,136,136)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Governmental grants	<u>1,905,340</u>
Net Cash Provided (Used) by Noncapital Financing Activities	1,905,340
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	<u>0</u>
Net Cash Provided (Used) by Financing Activities	0
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>8,498</u>
Net Cash Provided (Used) by Investing Activities	<u>8,498</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(222,298)
Cash and cash equivalents beginning	<u>1,226,362</u>
Cash and cash equivalents ending	<u><u>\$ 1,004,064</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (2,510,802)
Adjustments to Reconcile Net Income (Loss) to Net Cash from Operating Activities:	
Depreciation	55,797
On-behalf payments	182,326
Donated commodities	151,358
Changes in Assets and Liabilities:	
Inventories	2,541
Accounts payable	<u>(17,356)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (2,136,136)</u></u>
Non-cash Items:	
On-behalf payments	\$ 182,326
Donated commodities	\$ 151,358

See Accompanying Notes to the Financial Statements

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

	<u>AGENCY FUNDS</u>
ASSETS	
Cash and cash equivalents	\$ 364,604
Accounts receivable	<u>4,168</u>
TOTAL ASSETS	<u>\$ 368,772</u>
LIABILITIES:	
Accounts payable	\$ 10,886
Due to student groups	<u>357,886</u>
TOTAL LIABILITIES	<u>\$ 368,772</u>

See Accompanying Notes to the Financial Statements

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

**NOTE 1 – REPORTING ENTITY**

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

The District, for financial purposes, includes all the funds and account groups relevant to the operation of the Clark County School District. 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 District itself, such as Boosters Clubs, Parent-Teacher Associations, etc.

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

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

**Blended Component Unit**

**Clark County Board of Education Finance Corporation** - In a prior year, the Board of Education resolved to authorize the establishment of the Clark County School District Finance Corporation (a non-stock, non-profit corporation organized under Section 162.385 of the School Bond Act and Chapter 273 and KRS 58.180) (the Corporation) as an agency of the District for financing the costs of school building improvements. The Board members of the Clark County Board of Education also comprise the corporation's Board of Directors.

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

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

**BASIS OF PRESENTATION**

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activity of the reporting entity, except for fiduciary funds. The statements distinguish between governmental and business-type activities. The government wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financials statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the statements for governmental funds.

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

Fund Financial Statements

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the

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

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

**BASIS OF PRESENTATION (CONT'D)**

Fund Financial Statements (Cont'd)

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

The District has the following funds:

I. Governmental Fund Types

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

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

(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). The following are Capital Project Funds:

- 1) The Support Education Excellence in Kentucky (SEEK) Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is generally restricted for use in financing capital acquisitions. This is a non-major fund of the District.
- 2) The Facility Support Program of Kentucky accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a non-major fund of the District.

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

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

Fund Financial Statements (Cont'd)

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

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

II. Proprietary Fund Types (Enterprise Fund)

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

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

III. Fiduciary Fund Type (Agency)

(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*.

**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.

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

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

**BASIS OF ACCOUNTING (CONT'D)**

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

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

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

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

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

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

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

Budgetary Process

The District's budgetary process accounts for certain transactions on a basis of accounting other than the General Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is that on-behalf payments made by the state for the District are not budgeted. See Note 16 for these amounts which were not known by the District at the time the budget was adopted.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular or special meetings. Per District policy, only amendments that aggregate greater than \$10,000 require Board approval. Such amendments made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end in accordance with state law.

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

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

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventory

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

Prepaid Assets

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

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

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

Property Taxes

Property Tax Revenues - Property taxes are levied each September on the assessed value listed as of the prior January 1 for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes received after December 31, are considered delinquent and the County Attorney can file a lien against the property.

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

The property tax rates assessed for the year ended June 30, 2013, to finance the General Fund operations were \$.536 per \$100 valuation for real property, \$.536 per \$100 valuation for business personal property and \$.535 per \$100 valuation for motor vehicles.

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are expensed.

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

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

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

Capital Assets (Cont'd)

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund advances are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

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

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount "accumulated sick leave payable" in the general fund. The non-current portion of the liability is not reported in the fund financial statements, but is reflected in the statement of net position.

Unearned Revenue

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

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

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

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balances

The District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) for fiscal year 2011 for its governmental funds. Fund balances for each of the District's governmental funds (General Fund, special revenue funds, capital projects funds, and debt service funds) will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance*—amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- *Committed fund balance*—amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority.
- *Assigned fund balance*—amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- *Unassigned fund balance*—amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

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

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

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Net Position

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

Deferred Outflows/Inflows of Resources

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

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

Operating Revenues and Expenses

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

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

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

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

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants, or outside contributions of resources restricted to capital acquisition and construction.

Estimates

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

New Accounting Pronouncements

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

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

**NOTE 3 - CASH AND CASH EQUIVALENTS**

At year end, the carrying amount of the District's cash and cash equivalents was \$35,476,408. The bank balance for the same time was \$37,187,071. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Of the bank balance, \$545,112 was covered by the Federal Depository Insurance, \$36,641,958 was covered by collateral held in pledging bank's trust department in the District's name.

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

**NOTE 3 - CASH AND CASH EQUIVALENTS (Cont'd)**

The carrying amounts are reflected in the financial statements as follows:

Governmental Funds	\$34,107,740
Proprietary Funds	1,004,064
Fiduciary Funds	364,604
Total	<u>\$35,476,408</u>

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: Special Revenue Fund, SEEK Capital Outlay Fund, FSPK Building Fund, Construction Fund, Food Service Fund and School Activity Funds.

**NOTE - 4 CAPITAL ASSETS**

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

**Governmental Activities:**

Instruction	\$850,103
Support Services:	
Student	80,399
Instructional staff	12,078
District administration	11,625
School administration	27,388
Business	2,007
Plant operations & maintenance	39,041
Student transportation	205,071
Other Instructional	208
Non-instructional	2,026
Total depreciation expense, governmental activities	<u>\$1,229,946</u>

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

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

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

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$3,030,137	\$0	\$0	\$3,030,137
Construction in progress	36,383,306	26,054,303	0	62,437,609
Total capital assets not being depreciated	39,413,443	26,054,302	0	65,467,746
Other capital assets				
Land Improvements	144,670	0	0	144,670
Buildings & Improvements	39,285,733	0	0	39,285,733
Technological Equipment	5,413,030	0	(65,230)	5,347,800
Vehicles	4,025,870	0	0	4,025,870
General Equipment	809,234	0	0	809,234
Total other assets	49,678,537	0	0	49,613,307
Less accumulated depreciation for:				
Land Improvements	(15,070)	(7,233)	0	(22,303)
Buildings & Improvements	(18,212,670)	(759,263)	0	(18,971,933)
Technological Equipment	(4,749,513)	(263,063)	65,185	(4,947,391)
Vehicles	(3,047,461)	(176,655)	0	(3,224,116)
General Equipment	(643,152)	(23,732)	0	(666,885)
Total accumulated depreciation	(26,667,866)	(1,229,946)	65,185	(27,832,628)
Other capital assets, net	23,010,671	(1,229,946)	(45)	21,780,678
Governmental Activities, net	\$62,424,114	\$24,824,356	(\$45)	\$87,248,424
Business Activities:				
Technological Equipment	\$155,324	\$0	(\$5,345)	\$149,979
General Equipment	1,140,108	0	0	1,140,108
Total	1,295,432	0	(\$5,345)	1,290,087
Less accumulated depreciation for:				
Technological Equipment	(100,774)	(14,986)	3,705	(112,055)
General Equipment	(857,188)	(40,812)	0	(898,000)
Total accumulated depreciation	(957,962)	(55,798)	3,705	(1,010,055)
Business Activities, net	\$337,470	(\$55,798)	(\$1,640)	\$280,032

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

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

Bonds

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

In connection with the school revenue bonds issued after May 1, 1996, the District entered into "Participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

On December 1, 2011, the District issued \$2,845,000 in Qualified Zone Academy Bonds (QZABS). QZAB's are financing instruments that are used to finance renovations and repairs to schools, with the federal government providing the interest payment and the school district being responsible for the repayment of principal only.

On December 1, 2011, the District issued \$15,450,000 in Qualified School Construction Bonds (QSCB). The QSCB are tax advantaged bonds issued as described in section 54A, 54F and 6431 of the Internal Revenue Code. The District has irrevocable elected to receive a cash interest subsidy payment from the Federal government equal to the interest payable by the District on each interest payment date. The SFCC will make annual payments of \$640,348 into an irrevocable escrow account, which along with the income earned on the payments will produce the total principal amount required for the retirement of the bonds at their maturity.

Advance Refunding

On July 1, 2012, the District issued \$268,100 of general obligation refunding bonds, Series 2012R, with interest rates of 2.0%. The bonds consist of serial bonds with annual maturities from June, 2013 through December, 2016. The net proceeds of \$267,954 (after issuance costs of \$146) were used to advance refund series 2001 bonds with a total outstanding principal amount of \$265,000 and an average interest rate of 4.825%.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refundable bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. The advance refunding was done in order to reduce debt payments in the short-term. The refunding decreased the District's total debt service payments by \$11,893. The transaction resulted in an economic loss (difference between the present

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

**NOTE 5 – LONG-TERM DEBT & LEASE OBLIGATIONS (Cont'd)**

value of the debt service on the old and the new bonds) of \$3,100. The District reports the refundable credit and interest subsidy as federal revenues.

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

Issue Date	Proceeds	Rates	Balance June 30, 2013	Maturity Date
2008R	3,945,000	2.25-3.60%	2,835,000	09/01/2019
2010 QSCB	41,535,000	5.20%	35,615,164	06/01/2026
2010 BABS	5,170,000	2.25-3.60%	3,390,000	09/01/2019
2012R	268,100	2.00%	203,800	6/1/2016
2011 QZAB	2,845,000	5.00%	2,725,635	12/1/2030
2011 QSCB	15,450,000	5.00%	14,809,651	12/1/2030
2012	10,800,000	2.00-3.20%	10,800,000	8/1/2032
	<u>\$80,013,100</u>		<u>\$70,379,250</u>	

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

Fiscal Year	Clark County School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2014	\$3,350,827	\$3,501,412	\$118,665	\$118,529	\$6,729,703
2015	3,287,105	3,486,100	120,687	115,674	5,952,170
2016	3,302,443	3,470,461	123,049	112,341	5,873,803
2017	3,247,060	3,453,872	125,932	108,348	5,879,031
2018	3,258,333	3,437,621	129,659	104,065	5,807,449
2019-23	16,134,852	15,946,005	725,108	443,514	27,984,496
2024-28	23,182,669	12,235,248	903,269	265,353	32,386,064
2029-32	11,763,841	2,735,914	605,752	43,886	22,429,518
	<u>\$67,527,129</u>	<u>\$49,266,633</u>	<u>\$2,852,121</u>	<u>\$1,311,710</u>	<u>\$120,957,593</u>

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

**NOTE 5 – LONG-TERM DEBT & LEASE OBLIGATIONS (Cont'd)**

KSBIT Payable

The Kentucky School Board Insurance Trust (KSBIT) notified the District during the year that its self-insurance pools for worker's compensation and liability insurance were underfunded. As a result, an assessment will be required, under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members, to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On June 24, 2013, the KSBIT Board voted to submit a plan to the Kentucky Department of insurance using the novation option of funding. A novation transfers all existing KSBIT claims and risk to a highly rated reinsurer which will take over the future responsibility for all present and future claims. The District's liability under the novation method would be \$286,422. The District will have the option to make a lump-sum payment of its assessment or to finance the liability over 20 years. The plan is still subject to approval, and no payment is expected for the year ending June 30, 2014. The District has recorded this estimated amount in its long-term obligations since payment is probable and is included as an extraordinary item on the statement of activities.

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

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Bonds	\$63,816,542	\$10,800,000	\$4,237,291	\$70,379,250	\$3,469,492
Capital Leases	910,446	0	131,703	778,743	136,207
KSBIT Payable	0	286,422	0	286,422	0
Sick Leave	545,633	203,390	75,827	673,196	106,737
<b>Total</b>	<b>\$65,272,621</b>	<b>\$11,289,812</b>	<b>\$4,444,821</b>	<b>\$72,117,611</b>	<b>\$3,712,436</b>

Capital Leases

The following is an analysis of the leased property under capital leases by class at June 30, 2013:

Class of Property	Amount
Buses	\$1,295,014
Less: Accumulated Depreciation	(606,929)
Book Value	<u>\$688,085</u>

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

**NOTE 5 – LONG-TERM DEBT & LEASE OBLIGATIONS (Cont'd)**

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

<u>Year Ending June 30</u>	<u>Capital lease payable</u>
2014	\$159,740
2015	154,588
2016	145,439
2017	140,951
2018	90,879
2019-2022	<u>173,252</u>
Total minimum lease payments	864,849
Less: Amount of interest	<u>(86,106)</u>
Present value of net minimum lease payments	<u><u>\$778,743</u></u>

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

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

<u>Year ending June 30:</u>	
2014	\$130,773
2015	<u>4,963</u>
Total	<u><u>\$134,818</u></u>

Rent expense for the year ended June 30, 2013 was \$173,546.

**NOTE 7 - RETIREMENT PLAN**

Kentucky Teacher's Retirement System

The District contributes to the Kentucky Teachers' Retirement System (KTRS), a cost-sharing, multiple-employer, defined benefit pension plan, for the District's certified employees. KTRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires members of KTRS to occupy a position requiring either a four year degree or certification by the KY Department of Education (KDE).

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

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

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

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

The District's total payroll for the year was \$30,037,258. The payroll for employees covered under KTRS was \$22,896,740. For the years ended June 30, 2013, 2012 and 2011, the Commonwealth contributed \$2,718,900, \$2,689,769 and \$2,311,849, respectively for the benefit of the District's participating employees. The District's contributions to KTRS for the years ending June 30, 2013, 2012 and 2011 were \$538,073, \$437,999 and \$426,587, respectively, which represented those employees covered by federal programs.

County Employees' Retirement System

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

Plan members are required to contribute either 5% or 6% of their annual covered compensation and the District is required to contribute at an actuarially determined rate. The current rate is 19.55% of the employee's total compensation. The contribution requirements for CERS for the years ended June 30, 2013, 2012 and 2011 were \$1,460,125 (which consisted of \$1,154,961 from the District and \$305,164 from the employees), \$1,329,993 and \$1,175,854.

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

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

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

Deferred Compensation

The District also offers employees the option to participate in a defined contribution plan under Section 403(B) and 401(K) of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. Employee contributions made to these plans during the year totaled \$119,170. The District does not contribute to these plans.

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until their termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not report these assets and liabilities on its financial statements. Employee contributions made to this plan during the year totaled \$229,169. The District does not contribute to this plan.

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.

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

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

*Funding policy* – In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Member contributions are 1.75% of salary. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.0% of members' salary for the 2012-2013 fiscal year.

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

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. At June 30, 2013, this amount totaled \$673,196. The District follows a policy of funding up to one-half of the total amount accrued as a reservation of the General Fund balance.

**NOTE 9 - INSURANCE AND RELATED ACTIVITIES**

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

**NOTE 10 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for worker's compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual Premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term. The liability insurance fund pays insurance

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

**NOTE 10 - RISK MANAGEMENT (Cont'd)**

premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage, and for any reason, by giving ninety days notice. In the event the Trust terminated coverage, any amount remaining in the Fund would be returned to the member on a pro rata basis.

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

**NOTE 11 - COBRA**

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

**NOTE 12 – LITIGATION**

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

**NOTE 13 - CONTINGENCIES**

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

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

**NOTE 13 - CONTINGENCIES (Cont'd)**

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

**NOTE 14 - DEFICIT OPERATING/ FUND BALANCES**

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

Building Fund	\$169,535
Capital Outlay Fund	\$268,247
Construction Fund	\$14,393,868
Food Service	\$280,065

**NOTE 15 – INTERFUND TRANSACTIONS**

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
Special Revenue	General	Reimbursement	\$6,000
Special Revenue	General	Indirect Costs	\$9,317
Capital Outlay	Debt Service	Debt Service	\$769,988
General	Special Revenue	Technology	\$255,775
Building	Construction	Construction	\$1,079,045
Building	Debt Service	Debt Service	\$2,692,751
Construction	Debt Service	Debt Service	\$125,000

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

**NOTE 16 - ON-BEHALF PAYMENTS**

The Commonwealth of Kentucky contributes funds on behalf of the District for medical insurance and related expenses, pension contributions and vocational education. The School Facilities Construction Commission contributes funds for the retirement of bonds and payment of interest on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts as reported on the statement of activities and in the actual column on the budgetary comparison schedule.

These revenues were not budgeted by the District. As a result, the actual expenditures for the General, Proprietary and Building funds exceeded budgeted amounts, as presented on the budgetary comparison schedules.

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

General Fund	\$7,666,079
Food Service Fund	127,230
Debt Service Fund	<u>910,415</u>
Total	<u>\$8,703,714</u>

**NOTE 17 - COMMITMENTS**

As of June 30, 2013, the District had outstanding construction contracts totaling \$14,548,666.

**NOTE 18 – PRIOR PERIOD ADJUSTMENT**

A prior period adjustment of \$4,618 was made on the fund financial statements to reclassify expenditures from the general fund to the special revenue fund.

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

	CAPITAL OUTLAY FUND	BUILDING FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS:			
Cash and cash equivalents	\$ 627,817	\$ 341,998	\$ 969,815
<b>TOTAL ASSETS</b>	<b>\$ 627,817</b>	<b>\$ 341,998</b>	<b>\$ 969,815</b>
TOTAL LIABILITIES	-	-	-
FUND BALANCES:			
Restricted	627,817	341,998	969,815
TOTAL FUND BALANCES	627,817	341,998	969,815
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 627,817</b>	<b>\$ 341,998</b>	<b>\$ 969,815</b>

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

	CAPITAL OUTLAY	BUILDING FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES:			
From local sources:			
Taxes:			
Property	\$ -	\$ 2,786,590	\$ 2,786,590
Earnings on investments	5,260	2,771	8,031
Intergovernmental - State	496,481	812,900	1,309,381
TOTAL REVENUES	501,741	3,602,261	4,104,002
TOTAL EXPENDITURES	-	-	-
Excess (Deficit) of Revenues over Expenditures	501,741	3,602,261	4,104,002
OTHER FINANCING SOURCES (USES):			
Operating transfers out	(769,988)	(3,771,796)	(4,541,784)
TOTAL OTHER FINANCING SOURCES (USES)	(769,988)	(3,771,796)	(4,541,784)
Excess (Deficit) of revenues and Other financing sources over expenditures and other financing uses	(268,247)	(169,535)	(437,782)
Fund balance beginning	896,064	\$ 511,533	1,407,597
Fund balance ending	\$ 627,817	\$ 341,998	\$ 969,815

**CLARK COUNTY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES**  
**SCHOOL ACTIVITIES FUND**  
**For The Year Ended June 30, 2013**

	Cash Balances June 30, 2012	Receipts	Disbursements	Cash Balances June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Deposits Held in Custody for Students June 30, 2013
George Rogers Clark High School	\$ 206,168	\$ 432,816	\$ 432,105	\$ 206,879	\$ -	\$ 60	\$ 206,819
Clark Middle School	39,237	291,026	280,676	49,587	-	2,611	46,976
Conkwright Middle School	86,846	177,916	227,914	36,848	-	1,665	35,183
Clark County Alternative School	932	2,923	2,939	916	-	-	916
Central Elementary School	25,093	29,498	47,539	7,052	3,726	3,329	7,449
Fannie Bush Elementary School	4,018	24,275	24,759	3,534	-	837	2,698
Hannah McClure Elementary School	3,306	30,747	29,073	4,981	-	538	4,443
Willis H. Justice Elementary School	-	164	-	164	345	345	164
Pilot View Elementary School	12,596	15,685	16,422	11,859	-	-	11,859
Providence Elementary School	13,682	17,363	22,867	8,177	-	-	8,177
Shearer Elementary School	10,108	28,034	29,153	8,988	-	1,502	7,487
Strode Station Elementary School	21,721	49,006	56,398	14,328	97	-	14,425
Trapp Elementary School	13,369	21,898	23,976	11,291	-	-	11,291
	<u>\$ 437,076</u>	<u>\$ 1,121,350</u>	<u>\$ 1,193,822</u>	<u>\$ 364,604</u>	<u>\$ 4,168</u>	<u>\$ 10,886</u>	<u>\$ 357,886</u>

CLARK COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
CLARK COUNTY HIGH SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

ACCOUNTS:	Cash Balances June 30, 2012	Receipts	Disbursements	Cash Balances June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Deposits Held in Custody for Students June 30, 2013
40th District Boys	-	4,148	4,148	-	-	-	-
Academic Team	16	-	-	16	-	-	16
Adventuring Crew 1119	111	-	-	111	-	-	111
Ag. Machine Shop	1,336	4,240	2,561	3,015	-	-	3,015
Anti-Bullying	-	338	338	-	-	-	-
Art	-	413	413	-	-	-	-
Art Club	7,666	1,715	277	9,104	-	-	9,104
Arts & Humanities	-	288	288	-	-	-	-
Athletics	33,301	11,796	32,507	12,590	-	-	12,590
Athletic Contingency	10,980	-	-	10,980	-	-	10,980
Band	-	19,435	19,435	-	-	-	-
Baseball	-	13,215	13,215	-	-	-	-
Beta Club	1,068	2,540	1,604	2,004	-	-	2,004
Black Achievers	51	-	-	51	-	-	51
Bookstore	1,050	-	-	1,050	-	-	1,050
Bowling	76	150	-	226	-	-	226
Boy's Basketball	-	5,091	5,091	-	-	-	-
Boy's Golf	-	-	-	-	-	-	-
Boy's Soccer	-	-	-	-	-	-	-
Boy's Tennis	-	1,183	1,183	-	-	-	-
Business	-	-	-	-	-	-	-
Cap & Gowns	-	11,966	11,954	12	-	-	12
Pass	365	500	205	660	-	-	660
CBI - Spec Ed	40	500	346	194	-	-	194
Cheerleading	-	-	-	-	-	-	-
Chess Club	223	-	-	223	-	-	223
Chorus	-	1,013	1,013	-	-	-	-
Cinderella's Closet	350	-	-	350	-	-	350
Class of 2010	-	-	-	-	-	-	-
Class of 2011	-	-	-	-	-	-	-
Class of 2012	13,201	(13,201)	-	-	-	-	-
Class of 2013	452	66,100	55,362	11,190	-	-	11,190
Class of 2014	-	-	-	-	-	-	-
Climate Committee	-	-	-	-	-	-	-
Contingency	6,623	-	-	6,623	-	-	6,623
Dance Team	-	-	-	-	-	-	-
Drama	295	-	65	230	-	-	230
Ego	734	-	-	734	-	-	734
English	-	-	-	-	-	-	-
Family & Consumer	-	3,340	3,340	-	-	-	-
FBLA	5	-	-	5	-	-	5
FCA	189	(90)	-	99	-	-	99
Fees	10,973	96,184	84,244	22,913	-	-	22,913
FFA	74	14,490	14,308	256	-	-	256
FCCLA	314	6,149	6,184	278	-	-	278
Floral Design	90	1,321	1,311	100	-	-	100
Foreign Language	-	48	48	-	-	-	-
Football	-	34,964	34,964	-	-	-	-
Football Fundraiser	-	31,049	12,609	18,440	-	-	-
Football Playoff Game	-	-	-	-	-	-	-
Football Weightroom	-	-	-	-	-	-	-
French Club	442	675	403	714	-	-	714
Freshman Academy	319	2,401	484	2,236	-	-	2,236
Future Educators Assoc	29	45	48	26	-	-	26
General	42,006	14,164	21,137	35,033	-	60	34,974
Girl's Basketball	-	11,671	11,438	233	-	-	233
Girl's Golf	-	1,548	1,548	-	-	-	-
Girl's Soccer	-	3,497	3,497	-	-	-	-
Girl's Tennis	81	2,109	2,143	47	-	-	47
Greenhouse	3,732	11,161	6,739	8,154	-	-	8,154
Guidance	842	277	289	830	-	-	830
Health	-	-	-	-	-	-	-
Industrial Arts	-	-	-	-	-	-	-
Industrial Arts Special	207	1,239	1,131	315	-	-	315
Jr. Civitan	179	60	239	-	-	-	-
Jr. ROTC	215	8,287	6,452	2,050	-	-	2,050
JV Cheerleading	-	1,005	1,005	-	-	-	-

CLARK COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
CLARK COUNTY HIGH SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

ACCOUNTS:	Cash Balances June 30, 2012	Receipts	Disbursements	Cash Balances June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Deposits Held in Custody Students June 30, 2013
LBD Speical Ed	250	-	-	250	-	-	250
Library	429	412	598	243	-	-	243
Math	-	-	-	-	-	-	-
NHS	1,093	-	85	1,008	-	-	1,008
Orchestra	-	847	699	148	-	-	148
Outstanding English	500	500	500	500	-	-	500
Parking	13,253	590	323	13,521	-	-	13,521
Physical Education	-	1,545	1,025	520	-	-	520
Principal's Account	11,791	(3,864)	3,764	4,164	-	-	4,164
Project Graduation	12,359	14,933	23,146	4,146	-	-	4,146
Rachel Sutherland	1,000	-	1,000	-	-	-	-
Rise	62	-	-	62	-	-	62
Science	-	57	57	-	-	-	-
Smoke Signals	361	5,997	5,468	890	-	-	890
Social Studies	-	188	188	-	-	-	-
Softball	-	7,098	7,098	-	-	-	-
Soft Drinks	500	5,041	5,470	71	-	-	71
Spanish Club	125	-	-	125	-	-	125
Special Education	-	-	-	-	-	-	-
Spirit Club	-	636	614	22	-	-	22
STLP	69	5	-	74	-	-	74
Swimming	-	-	-	-	-	-	-
Tech Prep	-	-	-	-	-	-	-
Testing	-	-	-	-	-	-	-
Textbooks	-	95	95	-	-	-	-
Track	-	491	491	-	-	-	-
TSA	182	1,644	1,608	218	-	-	218
VoAg	50	580	584	46	-	-	46
Volleyball	-	-	-	-	-	-	-
Y-Club	116	360	385	91	-	-	91
YSC Donation Account	129	2,183	2,073	239	-	-	239
Yearbook	26,264	16,452	13,268	29,448	-	-	29,448
<b>TOTALS</b>	<b>\$ 206,168</b>	<b>\$ 432,816</b>	<b>\$ 432,105</b>	<b>\$ 206,879</b>	<b>\$ -</b>	<b>\$ 60</b>	<b>\$ 206,819</b>

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

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures (\$)</i>
<b><u>U.S. Department of Education</u></b>			
Passed Through Kentucky State Department of Education:			
<b><i>Special Education Cluster (IDEA)-Cluster</i></b>			
Special Education Grants to States	84.027	3810002-11	\$159,379
Special Education Grants to States	84.027	3810002-12	1,048,115
Special Education_Preschool Grants	84.173	3800002-11	9,018
Special Education Preschool Grants	84.173	3800002-12	51,652
Total Special Education Cluster (IDEA)- Clusterr			\$1,268,164
Career and Technical Education – Basic Grants	84.048	4621232-11	\$16,251
Career and Technical Education -- Basic Grants	84.048	4621232-12	1,565
Career and Technical Education – Basic Grants	84.048	4621232-13	9,058
Total Career and Technical Education			26,874
Education Jobs Fund	84.410	EJOBOO-10	\$110,196
English Language Acquisition Grants	84.365	3300002-11	\$9,838
English Language Acquisition Grants	84.368		4,799
Total English Language Acquisition			14,637
Migrant Education State Grant Program	84.011	3110002-11	\$48,848
Migrant Education State Grant Program	84.011		160,900
Total Migrant Education			209,748
School Improvement Grants, Recovery Act	84.388	4100302-09	\$50,000
Special Education - State Personnel Development	84.323	3336	\$1
Title I State Agency Program for Neglected and Delinquent Children	84.013	3130	\$1,117
Title I State Agency Program for Neglected and Delinquent Children	84.013	3131	614
Title I State Agency Program for Neglected and Delinquent Children	84.013	3133	16,126
Total Neglected and Delinquent			17,857
Improving Teacher Quality State Grants	84.367	3230002-11	\$130,989
Improving Teacher Quality State Grants	84.367	3230002-12	166,284
Total Improving Teacher Quality			297,273
Race to the Top	84.413	3960002-11	\$8,367
Striving Readers	84.371	3180001-10	\$2,931

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

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures (\$)</i>
Educational Technology State Grants	84.318	4251	\$200
Title I Grants to Local Educational Agencies	84.010	3100002-11	\$302,820
Title I Grants to Local Educational Agencies	84.010	3100002-10	9,465
Title I Grants to Local Educational Agencies	84.010	3100002-12	926,242
Title I Grants to Local Educational Agencies	84.010	3100201-11	3,000
Title I Grants to Local Educational Agencies	84.010	3100202-11	60,125
Title I Grants to Local Educational Agencies	84.010	3100202-12	345,930
Total Title I			\$1,842,472
Total U.S. Department of Education			\$3,848,722
 <i>United States Department of Agriculture</i>			
<i>Direct Programs</i>			
Passed Through Kentucky State Department of Education:			
Fruit and Vegetable	10.582	7720012-13	28,247
Fruit and Vegetable:	10.582	7720012-12	1,964
Total Fruit and Vegetable			30,211
 <i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	7760005-12	117,470
School Breakfast Program	10.553	7760005-13	433,686
National School Lunch Program	10.555	7750002-12	307,861
National School Lunch Program	10.555	7750002-13	1,194,940
National School Lunch Program – Commodities	10.555		151,358
Summer Food Service Program for Children	10.559	7690024-13	257
Summer Food Service Program for Children	10.559	7740023-13	24,967
Total Child Nutrition Cluster			\$2,230,539
Total U.S. Department of Agriculture			\$2,260,750
<b>Total Expenditures of Federal Awards</b>			<b>\$6,109,472</b>

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

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Clark County School District and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB A-87, Cost Principles for State and Local Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**NOTE 3 – FOOD DISTRIBUTION**

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. For the year, the District received food commodities totaling \$151,358.

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

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

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Clark County School District  
Winchester, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clark County School District (District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 28, 2013.

### Internal Control Over Financial Reporting

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that

there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 13-01. This finding is a noncompliance of specific state statutes or regulations identified in *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements.

We noted certain matters that we reported to management of the District in a separate letter dated October 28, 2013.

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

Clark County School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Clark County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Summers, McCrary & Sparks, PSC*

Summers, McCrary & Sparks, PSC  
Lexington, Kentucky  
October 28, 2013

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

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

Kentucky State Committee For School District Audits  
Members of the Board of Education  
Clark County School District  
Winchester, Kentucky

### Report on Compliance for Each Major Federal Program

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

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

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

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

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

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

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

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

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

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

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

*Summers, McCrary & Sparks, PSC*

Summers, McCrary & Sparks, PSC  
Lexington, Kentucky  
October 28, 2013

**CLARK 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 deficiencies identified that are not considered to be material weakness? \_\_\_\_\_yes  X none reported

Noncompliance material to financial statements noted? \_\_\_\_\_yes  X no

**Federal Awards**

Internal control over majority programs:

Material weakness(es) identified? \_\_\_\_\_yes  X no

Significant deficiencies identified that are not considered to be material weakness(es)? \_\_\_\_\_yes  X none reported

Type of auditor's report issued on compliance for the major programs - unmodified

Any audit findings disclosed that are required to be report in accordance with section 510(a) of Circular A-133? \_\_\_\_\_yes  X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
84.010	Title 1

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

Auditee qualified as low-risk auditee?  X yes \_\_\_\_\_no

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

**Section II – Financial Statement Findings**

State Audit Requirements

13-01 Condition: The District did not publish the amounts paid to each individual payee and the tax rates levied by the District.

Criteria: Per KRS 424.220, the District shall publish the amount disbursed to each individual payee. Per KRS 424.25, the District shall publish the tax rates levied by the District.

Effect: Noncompliance with the state statute.

Cause: Oversight due to change in finance officer.

Recommendation: The District should publish the disbursements and tax rates by the date required by state statute.

Response: Findings will be corrected in 2013-2014 school year. The Superintendent will review monthly reporting requirements with cabinet staff, so it will not be missed due to an absence again.

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

**None**

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

Finding 12-01: The securities pledged as collateral by the District's depository were insufficient to fully collateralize the District's deposits. The District's deposits were fully collateralized in the current year.

**SUMMERS, MCCRARY & SPARKS, P.S.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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LAURENCE T. SUMMERS  
1961-1992

Members of the Board of Education  
Clark County School District  
Winchester, Kentucky 40391

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

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated October 28, 2013 on the financial statements of the Clark County School District

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

Respectfully,

*Summers, McCrary & Sparks, PSC*

Summers, McCrary & Sparks, PSC  
Lexington, Kentucky  
October 28, 2013

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

**BOARD**

1. **Cash Disbursements**

Condition: When testing cash disbursements, we noted several purchase orders dated after the invoice and several purchase orders without the proper approvals. The District needs to review and strengthen the existing controls over cash disbursements to ensure purchases orders are completed prior to making a purchase.

Response: The Superintendent and Director of Finance will review purchasing procedures with administration. All invoices will be reviewed for proper purchasing procedures. Any discrepancies will be reported to the Superintendent for corrective action.

2. **Capital Assets**

Condition: During our audit of capital assets, we noted a physical inventory of assets was not taken. According to the Board's capital asset policy, procedures and forms shall be developed for maintaining an annual inventory. A lack of physical inventory procedures over property could result in misuse of the District's assets.

Response: We are creating a data base of all assets that are required to be inventoried. Technology will maintain the list of all computer workstations and laptops, the food service department will maintain the food service inventory and the finance department will maintain all other asset inventories.

3. **Title 1**

Condition: Supporting documentation was not properly maintained for the Title 1 ranking report due to employee turnover. The District should review and standardize its policy for maintaining supporting documentation for its programs addressing employee turnover situations.

Response: Multiple departments are collaborating their information so that no one department has sole record keeping duties. If employee turnover happens there will always be records available.

**STATUS OF PRIOR YEAR COMMENTS**

Previously, we noted purchase orders were being completed after the purchase was already made. This condition was repeated in the current year. None of the other prior year conditions were repeated, as procedures were implemented to correct them.

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

**SCHOOL ACTIVITY FUNDS**

**GEORGE ROGERS CLARK HIGH SCHOOL**

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

Response: The Bookkeeper will review the "Ticket Sales" procedures section, item No. 6, of the "Redbook", which states reconciliation, explanation of shortages/overages, and signatures are recorded using Form (F-SA-1). The Bookkeeper will also ensure that all required signatures are properly included in the corresponding sections (Form F-SA-1).

**CLARK ALTERNATIVE SCHOOL**

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

**CLARK MIDDLE SCHOOL**

Comment: During our review of accounts payable, we found one invoice that was not included on the accounts payable listing at year end, which should have been. The Bookkeeper should review the "Financial Reports" policy section, item no. 1, and the "Definitions" section of the "Redbook," which states a listing of accounts payable (Form F-SA-15B0) shall accompany the report. An accounts payable is when merchandise or services are received, but not paid for at the end of the reporting period.

Response: I have reviewed the "Financial Reports" policy section, item no. 1 and the "Definitions" section of the "Redbook." For future reference, I assure that I will keep better track of the accounts payable list to give a more accurate report at year end.

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

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

Response: I will reconcile monthly bank statements before end of the following month throughout the fiscal year. Upon receipt of the document in mail, the reconciliation process will be completed and reports printed.

**CONKWRIGHT MIDDLE SCHOOL**

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

**WILLIS H. JUSTICE ELEMENTARY**

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

**STRODE STATION ELEMENTARY**

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

**TRAPP ELEMENTARY**

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

**PILOT VIEW ELEMENTARY**

Comment: During our review of transfers made during the year, we found one instance where the transfer form was not completed properly. The Bookkeeper should review the Transfer Form (Form F-SA-10) of the "Redbook" to ensure they are familiar with all items that need to be reported on the form.

Response: I have reviewed the Transfer Form and in the future, all transfers will be completed per the Redbook.

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

**PROVIDENCE ELEMENTARY**

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

**HANNAH MCCLURE ELEMENTARY**

Comment: During our review of the school's clubs and activities, we noted one instance where the fundraiser form (F-SA-2B) was not completed correctly. The bookkeeper should review the Clubs/Activities Sponsor section of the "Redbook" to ensure they are familiar with all items that need to be reported on the form.

Response: Upon review of the fundraiser worksheet instructions, we have corrected the error, and will update each year's fundraisers accordingly.

**FANNIE BUSH ELEMENTARY**

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

**SHEARER ELEMENTARY**

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

**CENTRAL ELEMENTARY**

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

**STATUS OF PRIOR YEAR COMMENTS**

**GEORGE ROGERS CLARK HIGH SCHOOL**

- Previously, we found donations intended for students during our review of cash receipts that were inadvertently deposited into the teachers' account. We noted some donor letters did not clarify the intended purpose or use. We recommended that the Bookkeeper needs to transfer these funds into the proper accounts. Also, we recommended the school follow up with donors to obtain more specific direction. No similar findings occurred in the current year.

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

**CLARK MIDDLE SCHOOL**

- Previously, during our review of accounts payable, we found one invoice that was not included on the accounts payable listing at year end, which should have been. We recommended that the Bookkeeper review the “Financial Reports” policy section, item no. 1, and the “Definitions” section of the “Redbook,” which states a listing of accounts payable (Form F-SA-15B0) shall accompany the report. An accounts payable is when merchandise or services are received, but not paid for at the end of the reporting period. Similar finding occurred in current year.
- Previously, during our review of cash disbursements, we found two cash disbursements that did not have an invoice or standard invoice to support the expense. We recommended that the Bookkeeper review the “Purchasing” procedures section, item no. 3 of the “Redbook,” which states before being processed, each disbursement shall be documented by a completed purchase order and an original invoice. If a vendor invoice is not available, the disbursement shall be supported by a standard invoice (Form F-SA-8). No Similar findings in current year.

**CONKWRIGHT MIDDLE SCHOOL**

- Previously, during our review of cash disbursements, we found multiple instances where the Principal did not sign the approval section of the “Standard Invoice” (Form F-SA-8). We recommended that the Bookkeeper and Principal review the “standard Invoice” to ensure they are familiar with all items that need to be completed on the form. No similar findings occurred in current year.

**CENTRAL ELEMENTARY**

- Previously, during our review of accounts payable, we found three invoices that were not included on the accounts payable listing at year end, which should have been. We recommended that the Bookkeeper review the “Financial Reports” policy section, item no. 1, and the “Definitions” section of the “Redbook,” which states a listing of accounts payable (Form F-SA-15B0) shall accompany the report. An accounts payable is when merchandise or services are received but not paid for at the end of the reporting period. No similar findings occurred in the current year.

**PILOT VIEW ELEMENTARY**

- Previously, during our review of transfers made during the year, we found one instance where the transfer form was not completed properly. We recommended that the Bookkeeper review the Transfer Form (Form F-SA-10) of the “Redbook”, to ensure they are familiar with all items that need to be reported on the form. Similar findings in the current year.

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

- Previously, during our review of the Annual Financial Report we noted one account finished the year with a negative balance. We recommended that the Bookkeeper should review the “Financial Reports” policy section, item no. 4, which states no activity fund shall end the fiscal year with a deficit balance. No similar findings in the current year.