

**FORT THOMAS INDEPENDENT SCHOOL  
DISTRICT**

**June 30, 2013**

*FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'  
REPORT INCLUDING SUPPLEMENTARY INFORMATION*

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
TABLE OF CONTENTS**

	<b>PAGE</b>
Independent Auditors' Report	
Management's Discussion and Analysis (MD&A)	1 - 4
Basic Financial Statements	
District-Wide Financial Statements	
Statement of Net Position	5
Statement of Activities	6
Fund Financial Statements	
Balance Sheet – Governmental Funds	7
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	8
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the District-Wide Statement of Activities	10
Statement of Net Position – Proprietary Funds	11
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	12
Statement of Cash Flows – Proprietary Funds	13
Statement of Fiduciary Net Position – Fiduciary Funds	14
Notes to the Financial Statements	15 - 29

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
TABLE OF CONTENTS  
(Continued)**

	<b>PAGE</b>
Required Supplementary Information	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	30
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Funds	31
Other Supplementary Information	
Combining Balance Sheet – Non-Major Governmental Funds	32
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Governmental Funds	33
Statement of Receipts, Disbursements and Fund Balances – Highlands High School Activity Funds	34 - 37
Statement of Receipts, Disbursements and Fund Balances – Other School Activity Funds	38
Schedule of Expenditures of Federal Awards	39
Notes to the Schedule of Expenditures of Federal Awards	40
Schedule of Findings and Questioned Costs	41 - 42
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	43 - 44
Independent Auditors' Report on Compliance for Each Major Program and an Internal Control Over Compliance Required by OMB Circular A-133	45 - 47
Management Letter Comments	48 - 50

## INDEPENDENT AUDITORS' REPORT

Kentucky State Committee for School District Audits and  
Members of the Board of Education  
Fort Thomas Independent School District  
Fort Thomas, Kentucky

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fort Thomas Independent School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Fort Thomas Independent School 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.

### Auditors' Responsibility

Our responsibility is to express an opinion 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; the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report. Those standards 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 auditors' 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 auditors consider 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 Fort Thomas Independent School District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 4 and pages 30 through 31 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 District, 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 Fort Thomas Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2013, on our consideration of the Fort Thomas Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fort Thomas Independent School District's internal control over financial reporting and compliance

*VonLehman & Company Inc.*

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

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

**Financial Highlights**

- The beginning cash and investment balance, including activity funds for the District was \$5,798,414.
- The General Fund had \$23,528,806 (excluding inter-fund transfers of \$166,113) in revenue, which primarily consisted of the state program (SEEK), property, local occupational license taxes and motor vehicle taxes. The General Fund had expenditures of \$22,129,421 (excluding inter-fund transfers of \$574,884).
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education compliance regulations. The District issued \$6,255,000 in new bonds.

**Overview of Financial Statements**

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

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

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

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

The District-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues. The District-wide financial statements can be found on pages 5 and 6 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 funds, 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 fund of the District is its 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 7 through 14 of this report.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

Notes to the financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 29 of this report.

**District-Wide Financial Analysis**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$21,274,641 as of June 30, 2013.

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

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

**Net Position for the Periods Ending June 30, 2013 and 2012**

	June 30,	
	2013	2012
Current Assets	\$ 9,442,737	\$ 5,819,765
Noncurrent Assets	54,740,496	50,492,923
Total Assets	64,183,233	56,312,688
Deferred Outflows	130,687	21,242
Total Assets and Deferred Outflows of Resources	64,313,920	56,333,930
Current Liabilities	3,762,740	2,596,004
Noncurrent Liabilities	39,276,539	35,194,443
Total Liabilities	43,039,279	37,790,447
Investment in Capital Assets (Net of Debt)	13,682,011	13,686,956
Restricted	3,774,967	1,941,305
Unrestricted	3,817,663	2,915,222
Total Net Assets	\$ 21,274,641	\$ 18,543,483

**Comments on Budget Comparisons**

- The District's total general revenues for the fiscal year ended June 30, 2013, net of inter-fund transfers, were \$24,106,275.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$4,766,210 in excess of budget, or approximately 25.4%. This is partially a result of the District recording "on behalf" payments made by the state.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

- The total cost of all programs and services, net of inter-fund transfers, in the General Fund, was \$22,538,192.
- General fund actual expenditures were more than budgeted expenditures by \$881,134. This is mainly a result of the District recording "on behalf" payments made by the state.

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

	June 30,	
	2013	2012
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$ 1,772,692	\$ 1,864,555
Operating Grants and Contributions	2,336,897	1,848,619
Capital Grants and Contributions	1,607,658	2,647,574
Total Program Revenues	5,717,247	6,360,748
General Revenues		
Taxes	12,621,954	12,112,132
Grants and Entitlements	11,339,611	12,424,085
Earnings on Investments	27,923	30,472
Miscellaneous	116,787	195,364
Total General Revenues	24,106,275	24,762,053
Total Revenues	29,823,522	31,122,801
<b>Expenses</b>		
Instruction	14,858,381	15,303,949
Student Support Services	1,171,545	1,173,652
Staff Support Services	1,203,901	1,338,839
District Administration	1,115,549	1,277,857
School Administration	1,845,682	1,992,213
Business Support	723,375	933,886
Plant Operations	2,825,351	2,551,953
Student Transportation	153,340	135,230
Community Services	68,355	58,400
Facility Acquisition and Construction	-	2,500
Interest on Long-Term Debt	1,625,008	1,630,227
Food Service	1,440,027	1,335,163
Other	61,850	17,840
Total Expenses	27,092,364	27,751,709
<b>Revenue in Excess (Deficit) of Expenses</b>	<b>\$ 2,731,158</b>	<b>\$ 3,371,092</b>

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

**Capital Assets**

At the end of fiscal year 2013, the District had a total of approximately \$54.7 million in capital assets net of accumulated depreciation, including approximately \$54.4 million for governmental activities and approximately \$370,000 for business type activities. Current year capital asset additions totaled approximately \$6.3 million.

**Debt**

At June 30, 2013, the District had approximately \$40.8 million in outstanding bonds. There were two new bond issuances during fiscal year 2013. The first issuance was in July, 2012 for \$2.9 million and the second issuance was in May, 2013 for \$3.3 million.

**Budgetary Implications**

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget with \$1,599,023 in contingency (7.3%). Significant District action that impacts the finances include a minimum 1% pay raise for all employees.

**Contacting the District's Financial Management**

Questions regarding this report should be directed to the Superintendent, Mr. Gene Kirchner, at (859) 815-2002 or by mail at Fort Thomas Independent School District, 28 N. Fort Thomas Avenue, Fort Thomas, Kentucky 41075.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 7,404,980	\$ 415,113	\$ 7,820,093
Investments	1,025,738	-	1,025,738
Accounts Receivable	345,880	27,848	373,728
Inventories	-	34,877	34,877
Prepaid Expenses	188,301	-	188,301
Total Current Assets	<u>8,964,899</u>	<u>477,838</u>	<u>9,442,737</u>
<b>Noncurrent Assets</b>			
Nondepreciable Capital Assets			
Land	465,820	-	465,820
Construction in Progress	4,562,476	-	4,562,476
Depreciable Capital Assets			
Land Improvements	229,786	-	229,786
Buildings and Improvements	54,444,362	-	54,444,362
Vehicles	264,935	-	264,935
Furniture and Equipment	5,378,580	698,666	6,077,246
Less Accumulated Depreciation	<u>(10,976,765)</u>	<u>(327,364)</u>	<u>(11,304,129)</u>
Total Noncurrent Assets	<u>54,369,194</u>	<u>371,302</u>	<u>54,740,496</u>
<b>Total Assets</b>	<u>63,334,093</u>	<u>849,140</u>	<u>64,183,233</u>
<b>Deferred Outflows of Resources</b>			
Discount on Bonds, Net	<u>130,687</u>	-	<u>130,687</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>63,464,780</u>	<u>849,140</u>	<u>64,313,920</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Current Portion of Bonds Payable	2,037,687	-	2,037,687
Current Portion of Capital Lease Obligations	46,638	-	46,638
Current Portion of Accrued Sick Leave	117,000	-	117,000
Accounts Payable	1,092,173	-	1,092,173
Accrued Payroll and Related Expenses	3,262	-	3,262
Accrued Interest	296,658	-	296,658
Deferred Revenue	<u>169,322</u>	-	<u>169,322</u>
Total Current Liabilities	<u>3,762,740</u>	-	<u>3,762,740</u>
<b>Noncurrent Liabilities</b>			
Noncurrent Portion of Accrued Sick Leave	468,350	-	468,350
Noncurrent Portion of Bonds Payable	<u>38,808,189</u>	-	<u>38,808,189</u>
Total Noncurrent Liabilities	<u>39,276,539</u>	-	<u>39,276,539</u>
<b>Total Liabilities</b>	<u>43,039,279</u>	-	<u>43,039,279</u>
<b>Net Position</b>			
Invested in Capital Assets, Net of Related Debt Restricted for	13,310,709	371,302	13,682,011
Capital Projects	3,774,967	-	3,774,967
Unrestricted	<u>3,339,825</u>	<u>477,838</u>	<u>3,817,663</u>
<b>Total Net Position</b>	<u>\$ 20,425,501</u>	<u>\$ 849,140</u>	<u>\$ 21,274,641</u>

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
Instructional Support Services	\$ 14,858,381	\$ 784,672	\$ 1,953,645	\$ 744,801	\$ (11,375,263)	\$ -	\$ (11,375,263)
Student	1,171,545	-	-	-	(1,171,545)	-	(1,171,545)
Instructional Staff	1,203,901	-	-	-	(1,203,901)	-	(1,203,901)
District Administration	1,115,549	-	-	-	(1,115,549)	-	(1,115,549)
School Administration	1,845,682	-	-	-	(1,845,682)	-	(1,845,682)
Business	723,375	-	-	-	(723,375)	-	(723,375)
Plant Operation and Maintenance	2,825,351	-	-	45,519	(2,779,832)	-	(2,779,832)
Student Transportation	153,340	-	-	-	(153,340)	-	(153,340)
Community Services	68,355	-	-	-	(68,355)	-	(68,355)
Amortization Expense	3,890	-	-	-	(3,890)	-	(3,890)
Bond Issuance Costs	57,960	-	-	-	(57,960)	-	(57,960)
Interest on Long-Term Debt	1,625,008	-	-	817,338	(807,670)	-	(807,670)
Total Governmental Activities	25,652,337	784,672	1,953,645	1,607,658	(21,306,362)	-	(21,306,362)
<b>Business-Type Activities</b>							
Food Service and Other Activities	1,440,027	988,020	383,252	-	-	(68,755)	(68,755)
<b>Total School District</b>	\$ 27,092,364	\$ 1,772,692	\$ 2,336,897	\$ 1,607,658	(21,306,362)	(68,755)	(21,375,117)
<b>General Revenues</b>							
Taxes					12,621,954	-	12,621,954
Federal and State Aid not Restricted to Specific Purposes					11,339,611	-	11,339,611
Operating Transfers In (Out)					17,702	(17,702)	-
Investment Earnings					26,633	1,290	27,923
Loss on Sale					(645)	-	(645)
Miscellaneous					117,432	-	117,432
<b>Total General Revenues</b>					24,122,687	(16,412)	24,106,275
<b>Change in Net Position</b>					2,816,325	(85,167)	2,731,158
<b>Net Position July 1, 2012, As Restated</b>					17,609,176	934,307	18,543,483
<b>Net Position June 30, 2013</b>					\$ 20,425,501	\$ 849,140	\$ 21,274,641

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	General Fund	Special Revenue Funds	Construction Funds	Debt Service Funds	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and Cash Equivalents	\$ 2,632,823	\$ 25,950	\$ 4,456,791	\$ -	\$ 289,416	\$ 7,404,980
Investments	1,025,738	-	-	-	-	1,025,738
Accounts Receivable	200,409	143,372	-	-	2,099	345,880
Prepaid Expense	188,301	-	-	-	-	188,301
<b>Total Assets</b>	<u>\$ 4,047,271</u>	<u>\$ 169,322</u>	<u>\$ 4,456,791</u>	<u>\$ -</u>	<u>\$ 291,515</u>	<u>\$ 8,964,899</u>
<b>Liabilities</b>						
Accounts Payable	\$ 118,834	\$ -	\$ 973,339	\$ -	\$ -	\$ 1,092,173
Accrued Payroll and Related Expense	3,262	-	-	-	-	3,262
Deferred Revenues	-	169,322	-	-	-	169,322
Total Liabilities	<u>122,096</u>	<u>169,322</u>	<u>973,339</u>	<u>-</u>	<u>-</u>	<u>1,264,757</u>
<b>Fund Balances</b>						
Nonspendable-Prepays	188,301	-	-	-	-	188,301
Restricted	-	-	3,483,452	-	291,515	3,774,967
Committed	585,350	-	-	-	-	585,350
Accumulated Sick Leave	3,151,524	-	-	-	-	3,151,524
Unassigned	3,925,175	-	3,483,452	-	291,515	7,700,142
Total Fund Balances	<u>\$ 4,047,271</u>	<u>\$ 169,322</u>	<u>\$ 4,456,791</u>	<u>\$ -</u>	<u>\$ 291,515</u>	<u>\$ 8,964,899</u>

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

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

Total Governmental Funds Balance		\$	7,700,142
Capital assets used in governmental activities are not financial resources and; therefore, are not reported as assets in governmental funds.			
Cost of Capital Assets	\$	65,345,959	
Accumulated Depreciation		<u>(10,976,765)</u>	54,369,194
Discount on bonds, net are not financial resources and therefore are not reported as assets in governmental funds			
			130,687
Long-term liabilities, including bonds payable, are not due and payable in the current period and; therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
Bonds Payable		40,818,382	
KITSA Bond Payable		27,494	
Accrued Interest on Bonds		296,658	
Accumulated Sick Leave		585,350	
Capital Lease Obligations		<u>46,638</u>	<u>(41,774,522)</u>
<b>Total Net Position - Governmental Activities</b>			<b>\$ <u>20,425,501</u></b>

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2013**

	General Fund	Special Revenue Funds	Construction Funds	Debt Service Funds	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 11,250,768	\$ -	\$ -	\$ -	1,371,186	12,621,954
Earnings on Investments	18,330	-	5,735	-	2,568	26,633
State Sources	11,400,731	276,716	-	1,258,237	892,845	13,828,529
Federal Sources	-	722,964	-	229,776	-	952,740
Other Sources	858,977	117,251	45,520	-	-	1,021,748
<b>Total Revenues</b>	<b>23,528,806</b>	<b>1,116,931</b>	<b>51,255</b>	<b>1,488,013</b>	<b>2,266,599</b>	<b>28,451,604</b>
<b>Expenditures</b>						
Instructional	13,442,626	909,686	-	-	-	14,352,312
Support Services						
Student	1,136,440	35,105	-	-	-	1,171,545
Instructional Staff	1,203,901	119,408	-	-	-	1,323,309
District Administration	1,086,601	-	-	-	-	1,086,601
School Administration	1,594,325	-	-	-	-	1,594,325
Business	720,906	-	-	-	-	720,906
Plant Operation and Maintenance	2,825,103	-	-	-	-	2,825,103
Student Transportation	53,624	92,634	-	-	-	146,258
Community Services	55,639	12,716	-	-	-	68,355
Debt Service						
Principal	9,029	-	-	1,876,618	-	1,885,647
Interest	1,227	-	-	1,593,279	-	1,594,506
Capital Outlay	-	-	4,959,868	-	-	4,959,868
<b>Total Expenditures</b>	<b>22,129,421</b>	<b>1,169,549</b>	<b>4,959,868</b>	<b>3,469,897</b>	<b>-</b>	<b>31,728,735</b>
Excess (Deficit) of Revenues Over Expenditures	1,399,385	(52,618)	(4,908,613)	(1,981,884)	2,266,599	(3,277,131)
<b>Other Financing Sources (Uses)</b>						
Operating Transfers In	166,113	52,618	1,986,136	1,981,884	-	4,186,751
Operating Transfers Out	(574,884)	-	(717,447)	-	(2,876,718)	(4,169,049)
Proceeds from Issuance of Bonds	-	-	6,255,000	-	-	6,255,000
Bond Issuance Costs	-	-	(57,960)	-	-	(57,960)
Underwriters' Discount on Bond Sale	-	-	(113,335)	-	-	(113,335)
<b>Total Other Financing Sources (Uses)</b>	<b>(408,771)</b>	<b>52,618</b>	<b>7,352,394</b>	<b>1,981,884</b>	<b>(2,876,718)</b>	<b>6,101,407</b>
Net Change in Fund Balance	990,614	-	2,443,781	-	(610,119)	2,824,276
<b>Fund Balance July 1, 2012</b>	<b>2,934,561</b>	<b>-</b>	<b>1,039,671</b>	<b>-</b>	<b>901,634</b>	<b>4,875,866</b>
<b>Fund Balance June 30, 2013</b>	<b>3,925,175</b>	<b>-</b>	<b>3,483,452</b>	<b>-</b>	<b>291,515</b>	<b>7,700,142</b>

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

**Net Changes in Total Fund Balances Per Fund Financial Statements** \$ 2,824,276

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

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceed capital outlays for the year.

Depreciation Expense	\$ (1,692,565)	
Capital Outlays	<u>5,936,172</u>	4,243,607

The difference between the proceeds related to the sale of capital assets and the net book value of those assets disposed of during the year is shown as a loss on disposal of capital assets on the statement of activities while this is not reported in governmental funds as the costs of these capital assets were reported as an expenditure at the time of acquisition. (645)

Discounts on bonds are reported in the governmental funds as an other financing source. However, for governmental activities those items are shown in the statement of net position an allocated over the term of the bond in the statement of activities. This is the amount by which the current year discount on bonds exceeded the current year amortization expense.

Discount on Bonds	113,335	
Amortization Expense	<u>(3,890)</u>	109,445

Repayment of bond and capital lease principal is an expenditure in the governmental funds but, it reduces long-term liabilities in the statement of net position and does not affect the statement of activities. 1,929,183

The proceeds from bonds provide current financial resources and are reported in the fund financial statements but they are presented as liabilities in the statement of net position. (6,255,000)

In the statement of activities, compensated absences (sick leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these amounts are measured by the amount of financial resources used (essentially, the amounts actually paid.) The difference in expenses reported in the statement of activities is as a result of the change in accumulated sick leave. (4,039)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The difference in interest expense reported in the statement of activities is as a result of the change in accrued interest on bonds. (30,502)

**Change in Net Position of Governmental Activities** \$ 2,816,325

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2013**

	<b>Food Service Fund</b>	<b>Adult Education Fund</b>	<b>Summer Enrichment Fund</b>	<b>Total</b>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 374,980	\$ 424	\$ 39,709	\$ 415,113
Accounts Receivable	27,848	-	-	27,848
Inventories for Consumption	34,877	-	-	34,877
	437,705	424	39,709	477,838
<b>Total Current Assets</b>				
	437,705	424	39,709	477,838
<b>Noncurrent Assets</b>				
Furniture and Equipment	698,666	-	-	698,666
Less Accumulated Depreciation	(327,364)	-	-	(327,364)
	371,302	-	-	371,302
<b>Total Noncurrent Assets</b>				
	371,302	-	-	371,302
<b>Total Assets</b>				
	\$ 809,007	\$ 424	\$ 39,709	\$ 849,140
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
	-	-	-	-
<b>Total Current Liabilities</b>				
	-	-	-	-
<b>Net Position</b>				
Invested in Assets, Net of Debt	371,302	-	-	371,302
Unrestricted	437,705	424	39,709	477,838
	809,007	424	39,709	849,140
<b>Total Net Position</b>				
	809,007	424	39,709	849,140
<b>Total Liabilities and Net Position</b>				
	\$ 809,007	\$ 424	\$ 39,709	\$ 849,140

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2013**

	<u>Food Service Fund</u>	<u>Adult Education Fund</u>	<u>Summer Enrichment Fund</u>	<u>Total</u>
<b>Operating Revenues</b>				
Lunchroom Sales	\$ 941,904	\$ -	\$ -	\$ 941,904
Other Operating Revenues	<u>17,576</u>	<u>786</u>	<u>27,754</u>	<u>46,116</u>
Total Operating Revenues	<u>959,480</u>	<u>786</u>	<u>27,754</u>	<u>988,020</u>
<b>Operating Expenses</b>				
Salaries and Benefits	664,775	817	24,468	690,060
Contract Services	23,495	-	2,998	26,493
Materials and Supplies	682,352	-	2,472	684,824
Depreciation	38,580	-	-	38,580
Other Operating Expenses	<u>70</u>	<u>-</u>	<u>-</u>	<u>70</u>
Total Operating Expenses	<u>1,409,272</u>	<u>817</u>	<u>29,938</u>	<u>1,440,027</u>
Operating Loss	<u>(449,792)</u>	<u>(31)</u>	<u>(2,184)</u>	<u>(452,007)</u>
<b>Non-Operating Revenues (Expenses)</b>				
Federal Grants	245,939	-	-	245,939
State Grants	76,448	-	-	76,448
Donated Commodities and Other Donations	60,865	-	-	60,865
Transfers	(17,702)	-	-	(17,702)
Interest Income	<u>1,290</u>	<u>-</u>	<u>-</u>	<u>1,290</u>
Total Non-Operating Revenues (Expenses)	<u>366,840</u>	<u>-</u>	<u>-</u>	<u>366,840</u>
Net Loss	<u>(82,952)</u>	<u>(31)</u>	<u>(2,184)</u>	<u>(85,167)</u>
<b>Net Position July 1, 2012</b>	<u>891,959</u>	<u>455</u>	<u>41,893</u>	<u>934,307</u>
<b>Net Position June 30, 2013</b>	<u>\$ 809,007</u>	<u>\$ 424</u>	<u>\$ 39,709</u>	<u>\$ 849,140</u>

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013**

	<u>Food Service Fund</u>	<u>Adult Education Fund</u>	<u>Summer Enrichment Fund</u>	<u>Total</u>
<b>Cash Flows From Operating Activities</b>				
Cash Received from Lunchroom Sales	\$ 914,056	\$ -	\$ -	\$ 914,056
Cash Received from Other Activities	17,576	786	27,754	46,116
Cash Payments to Employees for Services	(664,775)	(817)	(24,468)	(690,060)
Cash Payments to Suppliers for Goods and Services	(645,052)	-	(5,470)	(650,522)
Cash Transfers	(17,702)	-	-	(17,702)
	<u>(395,897)</u>	<u>(31)</u>	<u>(2,184)</u>	<u>(398,112)</u>
<b>Net Cash Used by Operating Activities</b>				
<b>Cash Flows From Capital Financing Activities</b>				
Acquisition of Capital Assets	(43,190)	-	-	(43,190)
<b>Cash Flows From Non Capital Financing Activities</b>				
Federal and State Grants	322,387	-	-	322,387
<b>Cash Flows From Investing Activities</b>				
Interest on Investments	1,290	-	-	1,290
	<u>(115,410)</u>	<u>(31)</u>	<u>(2,184)</u>	<u>(117,625)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>				
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>490,390</u>	<u>455</u>	<u>41,893</u>	<u>532,738</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 374,980</u>	<u>\$ 424</u>	<u>\$ 39,709</u>	<u>\$ 415,113</u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</b>				
Operating Loss	\$ (449,792)	\$ (31)	\$ (2,184)	\$ (452,007)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities</b>				
Depreciation	38,580	-	-	38,580
Donated Commodities Received from Federal Government	60,865	-	-	60,865
Interfund Transfers	(17,702)	-	-	(17,702)
Change in Assets and Liabilities				
Increase in Accounts Receivable	(27,848)	-	-	(27,848)
	<u>(395,897)</u>	<u>(31)</u>	<u>(2,184)</u>	<u>(398,112)</u>
<b>Net Cash Used by Operating Activities</b>				
<b>Schedule of Non-Cash Transactions</b>				
Donated Commodities Received from Federal Government	<u>\$ 60,865</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,865</u>

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013**

		<b>Agency Fund</b>
<hr/>		
<b>Assets</b>		
Cash and Cash Equivalents	\$	616,736
Accounts Receivable		16,399
		<hr/>
Total Assets		633,135
		<hr/>
<b>Liabilities</b>		
Due to Student Groups		
High School Activity Funds		457,664
Elementary and Middle School Activity Funds		175,471
		<hr/>
Total Liabilities		633,135
		<hr/>
<b>Net Position</b>		
Held in Trust for Scholarships	\$	-
		<hr/> <hr/>

See accompanying notes.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Fort Thomas Independent Board of Education (the 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 Fort Thomas Independent School District (the 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. District members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Fort Thomas Independent 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 Band Boosters, 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:

Fort Thomas Independent School District Finance Corporation – On December 12, 1988, the Fort Thomas Independent School District resolved to authorize the establishment of the Fort Thomas Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The District Members of the Fort Thomas Independent Board of Education also comprise the Corporation's Board of Directors.

**Basis of Presentation**

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. 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 a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus.

The District has the following funds:

**I. Governmental Fund Types**

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on page 39. 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 Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
  - The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
  - The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District. No budgetary comparison is presented as this fund does not have a legally adopted budget.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky law. This is a major fund of the District. No budgetary comparison is presented as this fund does not have a legally adopted budget.

**II. Proprietary Fund Types (Enterprise Fund)**

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

The District applies all Governmental Accounting Standards District (GASB) pronouncements to Proprietary Funds as well as the Financial Accounting Standards District (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**III. Fiduciary Fund Type (Agency and Trust Funds)**

- (A) The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

**Basis of Accounting**

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental Funds use the modified accrual basis of accounting. Proprietary and Fiduciary Funds also use the accrual basis of accounting.

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses and changes in net position as an expense with a like amount reported as donated commodities revenue.

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

**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 District. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

**Budgetary Process**

The District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. In Kentucky, the public school fiscal year is July 1 through June 30. Some programs relating to federal and state grants operate on a different fiscal year but are nevertheless reflected in the overall budget.

**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.

**Inventories**

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

**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 District-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 District-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 \$1,000, with the exception of computers, digital cameras and real property, for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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:

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	12 Years
Furniture and Fixtures	7 Years
Other	10 Years

**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. The liability is based on the District's experience of making termination payments. The entire compensated absence liability is reported on the District-wide financial statements.

**Interfund Balances**

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

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the District-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 noncurrent 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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance Reserves**

The District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

**Encumbrances**

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

**Net Position**

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

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the Proprietary Funds. For the District, those revenues are primarily charges for meals provided by the various schools and charges for the Day Care services provided to parents. Expenses are primarily payroll, food costs, and supply purchases.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds, and as expenditures/expenses in the purchaser funds. Flows of cash, or goods from one fund to another without a requirement for repayment, are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in Governmental Funds and as non-operating revenues/expenses in Proprietary Funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Estimates**

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

**NOTE 2 - CASH AND CASH EQUIVALENTS**

At year end, the District had on deposit, cash and cash equivalents totaling \$9,333,069. Of the total cash balance, \$250,000 was covered by the Federal Depository Insurance Corporation (FDIC), with the remainder covered by a collateral agreement held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity date of 90 days or less.

Cash and cash equivalents at June 30, 2013, consist of the following:

<u>Bank Balance</u>	<u>Book Balance</u>
\$ 9,333,069	\$ 8,436,828
<u>                    </u>	<u>                    </u>

Allocation per financial statements:

Governmental Funds	\$ 7,404,980
Proprietary Funds	415,113
Activity Funds	<u>616,735</u>
	<u>\$ 8,436,828</u>

**NOTE 3 - CAPITAL ASSETS**

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

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Governmental Activities</b>				
Land	\$ 465,820	\$ -	\$ -	\$ 465,820
Construction In Progress	2,029,593	4,562,476	(2,029,593)	4,562,476
Land Improvements	229,786	-	-	229,786
Buildings & Improvements	52,153,840	2,290,522	-	54,444,362
Technology Equipment	2,428,638	208,635	(221,895)	2,415,378
Vehicles	244,246	20,689	-	264,935
General Equipment	2,092,044	883,443	(12,285)	2,963,202
Total at Historical Cost	59,643,967	7,965,765	(2,263,773)	65,345,959
<b>Less Accumulated Depreciation</b>				
Land Improvements	225,965	1,528	-	227,493
Buildings & Improvements	6,934,101	1,190,432	-	8,124,533
Technology Equipment	1,597,648	315,226	(221,896)	1,690,978
Vehicles	144,902	22,724	-	167,626
General Equipment	615,119	162,655	(11,639)	766,135
Total Accumulated Depreciation	9,517,735	1,692,565	(233,535)	10,976,765
<b>Governmental Activities Capital Assets, Net</b>				
	\$ 50,126,232	\$ 6,273,200	\$ (2,030,238)	\$ 54,369,194
<b>Business-Type Activities</b>				
Technology Equipment	\$ 3,845	\$ 399	\$ -	\$ 4,244
General Equipment	651,631	42,791	-	694,422
Total at Historic Cost	655,476	43,190	-	698,666
<b>Less Accumulated Depreciation</b>				
Technology Equipment	2,115	836	-	2,951
General Equipment	286,669	37,744	-	324,413
Total Accumulated Depreciation	288,784	38,580	-	327,364
<b>Business-Type Activities Capital Assets, Net</b>				
	\$ 366,692	\$ 4,610	\$ -	\$ 371,302

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,008,240
District Administration	68,285
School Administration	592,927
Business Support Services	5,824
Plant Operation and Maintenance	583
Student Transportation	16,706
	\$ 1,692,565

**NOTE 4 - DEBT AND LEASE OBLIGATIONS**

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued by the Fort Thomas Independent School District Finance Corporation.

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

	Amount of Debt Outstanding July 1, 2013	Additions of New Debt	Repayments	Debt Outstanding June 30, 2013	Amounts Expected to be Paid Within One Year
Governmental Activities					
General Obligation					
Bonds	\$ 36,440,000	\$ 6,255,000	\$ 1,876,618	\$ 40,818,382	\$ 2,031,942
KISTA Bond Pool	36,523	-	9,029	27,494	5,745
Capital Leases	90,174	-	43,536	46,638	46,638
	<u>\$ 36,566,697</u>	<u>\$ 6,255,000</u>	<u>\$ 1,929,183</u>	<u>\$ 40,892,514</u>	<u>\$ 2,084,325</u>

The repayment of general obligation and KISTA bonds includes the following:

Paid by the District	\$ 1,214,972
Paid by the Kentucky School Facility Construction Commission	<u>670,675</u>
	<u>\$ 1,885,647</u>

**Bonds**

The District, through the General Fund, (including Facility Support Program of Kentucky Fund (FSPK) and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the sponsoring governmental entity to construct school facilities.

The District entered into "participation agreements" with the School Facility Construction Commission (the 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.

**NOTE 4 - DEBT AND LEASE OBLIGATIONS (Continued)**

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

<u>Issue Date</u>	<u>Original Amount</u>	<u>Interest</u>	<u>Outstanding Balance at June 30, 2013</u>
July, 1992	\$ 235,000	3.75 - 6.40 %	\$ 3,382
January, 2004	61,476	1.00 - 3.50	5,745
April, 2006	11,220,000	4.13 - 4.38	9,635,000
July, 2006	1,160,000	3.50 - 4.20	840,000
August, 2007	1,380,000	3.75 - 4.13	1,130,000
January, 2008	1,575,000	3.25 - 4.25	1,305,000
June, 2008	1,600,000	3.35 - 4.30	1,495,000
May, 2009	10,220,000	1.00 - 3.40	6,785,000
January, 2009	36,418	2.00 - 3.90	21,749
August, 2009	11,750,000	1.72 - 6.50	10,430,000
August, 2010	2,030,000	1.00 - 5.20	1,860,000
June, 2011	1,130,000	1.85 - 4.20	1,080,000
July, 2012	2,945,000	1.50 - 3.20	2,945,000
May, 2013	3,310,000	2.00 - 3.125	3,310,000
			<u>\$ 40,845,876</u>

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

<u>Fiscal Year</u>	<u>Ft. Thomas Independent School District</u>		<u>KY School Facilities Construction Commission</u>		<u>Federal Rebate</u>	<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>		
2013-14	\$ 1,329,999	\$ 1,040,582	\$ 707,688	\$ 625,340	\$ (26,832)	\$ 3,676,777
2014-15	1,354,300	1,007,847	724,381	604,348	(26,280)	3,664,596
2015-16	1,393,838	967,684	739,950	578,892	(25,652)	3,654,712
2016-17	1,427,975	922,378	770,934	550,662	(24,856)	3,647,093
2017-18	1,465,662	874,902	797,683	520,238	(23,911)	3,634,574
2018-19	1,513,906	824,891	824,560	487,599	(22,939)	3,628,017
2019-20	1,550,551	770,331	864,449	451,467	(21,734)	3,615,064
2020-21	1,599,636	712,612	730,364	412,137	(20,321)	3,434,428
2021-22	1,661,026	643,722	763,974	375,992	(18,862)	3,425,852
2022-23	1,725,421	571,441	794,579	337,602	(17,320)	3,411,723
2023-24	1,787,589	495,502	837,411	296,643	(15,611)	3,401,534
2024-25	1,857,439	416,511	877,561	252,585	(13,730)	3,390,366
2025-26	1,789,801	334,725	1,055,199	205,653	(11,761)	3,373,617
2026-27	1,078,671	246,264	946,329	155,720	(9,749)	2,417,235
2027-28	1,110,741	194,497	964,259	112,670	(7,672)	2,374,495
2028-29	914,518	140,800	845,482	68,907	(5,484)	1,964,223
2029-30	941,392	93,717	733,608	32,555	(3,185)	1,798,087
2030-31	574,082	57,737	365,918	11,760	(1,001)	1,008,496
2031-32	440,065	33,143	259,935	5,921	-	739,064
2032-33	453,946	14,017	271,054	2,913	-	741,930
	<u>\$ 25,970,558</u>	<u>\$ 10,363,303</u>	<u>\$ 14,875,318</u>	<u>\$ 6,089,604</u>	<u>\$ (296,900)</u>	<u>\$ 57,001,883</u>

**NOTE 4 - DEBT AND LEASE OBLIGATIONS (Continued)**

**Capital Leases**

The District leases copiers for various schools under a capital lease. This lease expires in June, 2014. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments, or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation under capital leases is included in depreciation expense for 2013.

The following is a schedule, by year, of the future minimum lease payment under capital lease together with the present value of the net minimum lease payments as of June 30, 2013.

Year Ending <u>June 30,</u>		
2014	\$	49,960
Less Amount Representing Interest		<u>3,322</u>
Present Value of Minimum Lease Payments		46,638
Less Current Portion		<u>46,638</u>
Long-Term Portion	\$	<u><u>-</u></u>

**NOTE 5 - ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District, an amount equal to 30% of the value of accumulated sick leave. At June 30, 2013, this amount totaled approximately \$585,350 for those employees with twenty-seven or more years of experience. The District has reserved \$585,350 of its General Fund for unpaid sick leave benefits.

Changes in the District's compensated absences during fiscal year 2013 were as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>	<u>Amounts Expected to be Paid Within One Year</u>
Governmental Activities					
Accumulated Sick					
Leave	\$ <u>581,311</u>	\$ <u>42,366</u>	\$ <u>38,327</u>	\$ <u>585,350</u>	\$ <u>117,000</u>

The accumulated sick leave liability will be liquidated by the General Fund.

**NOTE 6 - COMMITMENTS UNDER NONCAPITALIZED LEASES**

The District has operating leases for three copiers for sixty months at \$2,611 per month. Minimum future rentals as of June 30, 2013 are as follows:

The District leases equipment under an operating lease which expires in November, 2014. Expenditures for equipment under operating leases totaled \$53,632 for the year ended June 30, 2013.

Year Ending June 30,	
<u>2014</u>	\$ <u>31,332</u>

**NOTE 7 - RETIREMENT PLANS**

The District's total payroll for the year was \$15,672,291. The payroll for employees covered under the following plans totaled \$15,378,193.

**Kentucky Teachers' Retirement System**

Certified employees participate in the Kentucky Teachers' Retirement System (KTRS), which is a cost sharing, multiple-employer retirement system created by, and operating under, Kentucky law.

The Kentucky Teachers' Retirement System covers all regular certified full-time employees of each school district. The plan provides for retirement, disability and death benefits. KTRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601-3800.

Participating employees contribute 10.355% of creditable compensation. Matching contributions are made by the state. These on behalf payments are reflected in the District's financial records and amounted to \$1,607,195 for 2013. The matching contributions are paid by the federal program for any salaries paid by that program. Such contribution rates are determined by the District of Trustees of Kentucky Retirement Systems. The District contributed 14.105% of the employee's compensation paid by federal programs for the fiscal year ended June 30, 2013. In addition, the District contributed 1.0% of the employee's compensation to the retiree medical insurance fund for employees who are not in federally funded positions.

The District's required contributions for pension obligations to KTRS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$1,512,562 (composed of \$162,261 from the District and \$1,350,301 from the employees), \$1,582,745 and \$1,495,306, respectively; 100% has been contributed for fiscal years 2013, 2012, and 2011.

**County Employees Retirement System**

Employees who work an average of 100 hours per month participate in the County Employees Retirement System of Kentucky (CERS) which is a cost sharing, multiple-employer public employee's retirement system created by, and operating under, Kentucky Law.

The County Employees Retirement System covers substantially all regular non-certified full-time employees of each county and school district, and any additional local agencies electing to participate. The plan provides for retirement, disability and death benefits. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

**NOTE 7 - RETIREMENT PLANS (Continued)**

Participating employees hired before September 1, 2008 contribute 5.0% of the creditable compensation, while participating employees hired after that day contribute 6% of the creditable compensation. Employer contribution rates are intended to fund the normal cost on a current basis plus 1.0% of unfunded past service costs per annum plus interest at the actuarial assumed rate. Such contribution rates are determined by the District of Trustees of Kentucky Retirement Systems each biennium. The District contributed 19.55% of the employee's compensation during the fiscal year ended June 30, 2013.

The District's required contributions for pension obligations to CERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$717,452 (composed of \$566,170 from the District and \$151,282 from the employees), \$660,850 and \$589,600, respectively; 100% has been contributed for fiscal years 2013, 2012, and 2011

**NOTE 8 - CONTINGENCIES**

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

**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.

**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 workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Districts 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 Districts 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 (24) months after the expiration of the self insurance term. The Liability Insurance Fund pays insurance 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 (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs, and claims for which coverage was provided) would be returned to the member on a pro rata basis.

**NOTE 10 - RISK MANAGEMENT (Continued)**

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

The Kentucky School Boards Insurance Trust is currently facing some financial distress, and its liabilities exceed its assets. The Trust had proposed assessing participants in the Liability Insurance Fund and the Unemployment Compensation Fund a total of \$70 million to cover the Trusts' unfunded liabilities. Subsequent to year end, the Kentucky Department of Insurance filed a motion to seize control of the Insurance Trust and proposed a plan to resolve the unfunded liability through a smaller assessment. The effect of that motion and the ultimate outcome of the proposed assessment is unknown as of the date of these financial statements. As a result, no accrual has been made for the District's share of any proposed assessment in the accompanying financial statements.

**NOTE 11 - TRANSFER OF FUNDS**

The following transfers were made during the year.

From Fund	To Fund	Purpose	Amount
Food Service	General	Indirect Costs	\$ 17,702
Building	Debt Service	Bond Payments	1,981,884
Capital Outlay	Construction	Site Improvement	490,299
General	Special Revenue	Matching	52,618
General	Construction	Site Improvement	373,855
Building	Construction	Site Improvement	404,535

**NOTE 12 - ON-BEHALF PAYMENTS**

As amounts are paid by various state agencies on-behalf of the District, the amounts are recognized as revenues and expenditures by the District. On the statement of revenues, expenditures and changes in fund balance, the on-behalf payments are included with state revenue and are included in the functional expense classifications. On the statement of activities, the on-behalf payments are included in the functional expense classifications and are included with program operating grants and contributions for the respective functions. A summary of on-behalf payments during 2013 is as follows:

Payments Made by the State for Fringe Benefits of District Employees and Technology Expenses	\$ <u>2,110,360</u>
Payments Made by the KSFCC for its Participation in the District's Bonds - Included in Debt Service Expenditures	\$ <u>1,258,237</u>

**NOTE 13 - EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS**

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position; and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Application of these standards required restatement of portions of these financial statements as follows:

Net Position, July 1, 2012 as Previously Reported	\$	17,848,456
Expense Bond Issuance Costs Previously Capitalized		<u>(239,280)</u>
<b>Net Position, July 1, 2012 as Restated</b>	<b>\$</b>	<b><u>17,609,176</u></b>

**NOTE 14 - SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2013, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosure is November 6, 2013, which is the date on which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>with Final Budget Favorable (Unfavorable)</b>
<b>Revenues</b>				
Taxes	\$ 10,488,000	\$ 10,488,000	\$ 11,250,768	\$ 762,768
Other Local Sources	10,000	10,000	18,330	8,330
State Sources	7,244,455	7,244,455	11,400,731	4,156,276
Federal Sources	-	-	-	-
Other Sources	1,020,141	1,020,141	858,977	(161,164)
	<u>18,762,596</u>	<u>18,762,596</u>	<u>23,528,806</u>	<u>4,766,210</u>
<b>Total Revenues</b>				
<b>Expenditures</b>				
Instructional	11,318,791	11,318,791	13,442,626	(2,123,835)
Support Services				
Student	946,586	946,586	1,136,440	(189,854)
Instructional Staff	1,027,593	1,027,593	1,203,901	(176,308)
District Administration	1,253,429	1,253,429	1,086,601	166,828
School Administration	1,321,219	1,321,219	1,594,325	(273,106)
Business	961,142	961,142	720,906	240,236
Plant Operation and Maintenance	3,119,868	3,119,868	2,825,103	294,765
Student Transportation	84,057	84,057	53,624	30,433
Community Services	-	-	55,639	(55,639)
Debt Service	18,500	18,500	10,256	8,244
Capital Outlays	40,000	40,000	-	40,000
Contingency	1,599,023	1,599,023	-	1,599,023
Transfers, Net	6,950	6,950	408,771	(401,821)
	<u>21,697,158</u>	<u>21,697,158</u>	<u>22,538,192</u>	<u>(841,034)</u>
<b>Total Expenditures</b>				
Net Change in Fund Balance	(2,934,562)	(2,934,562)	990,614	3,925,176
<b>Fund Balance July 1, 2012</b>	<u>2,934,562</u>	<u>2,934,562</u>	<u>2,934,561</u>	<u>(1)</u>
<b>Fund Balance June 30, 2013</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,925,175</u>	<u>\$ 3,925,175</u>

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2013**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Other Local Sources	-	-	-	-
State Sources	39,618	39,618	276,716	237,098
Federal Sources	6,371	6,371	722,964	716,593
Other Sources	22,750	22,750	117,251	94,501
	<u>68,739</u>	<u>68,739</u>	<u>1,116,931</u>	<u>1,048,192</u>
<b>Total Revenues</b>				
<b>Expenditures</b>				
Instructional	122,779	122,779	909,686	(786,907)
Support Services	-	-	-	-
Student	-	-	35,105	(35,105)
Instructional Staff	-	-	119,408	(119,408)
District Administration	-	-	-	-
School Administration	-	-	-	-
Business	-	-	-	-
Plant Operation and Maintenance	-	-	-	-
Student Transportation	-	-	92,634	(92,634)
Community Services	-	-	12,716	(12,716)
Debt Service	-	-	-	-
Contingency	-	-	-	-
Transfers, Net	(54,040)	(54,040)	(52,618)	(1,422)
	<u>68,739</u>	<u>68,739</u>	<u>1,116,931</u>	<u>(1,048,192)</u>
<b>Total Expenditures</b>				
Net Change in Fund Balance	-	-	-	-
<b>Fund Balance July 1, 2012</b>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance June 30, 2013</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**OTHER SUPPLEMENTARY INFORMATION**

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013**

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 256,181	\$ 33,235	\$ 289,416
Investments	-	-	-
Accounts Receivable	-	2,099	2,099
Prepaid Expense	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Assets</b>	<u>\$ 256,181</u>	<u>\$ 35,334</u>	<u>\$ 291,515</u>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ -	\$ -	\$ -
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
 <b>Fund Balances</b>			
Restricted			
Construction Fund	256,181	35,334	291,515
Unassigned	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Fund Balance	<u>256,181</u>	<u>35,334</u>	<u>291,515</u>
 <b>Total Liabilities and Fund Balances</b>	 <u>\$ 256,181</u>	 <u>\$ 35,334</u>	 <u>\$ 291,515</u>

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013**

	<b>SEEK Capital Outlay Fund</b>	<b>FSPK Building Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>Revenues</b>			
Taxes	\$ -	\$ 1,371,186	\$ 1,371,186
Earnings on Investments	946	1,622	2,568
State Sources	256,143	636,702	892,845
Other Sources	-	-	-
	<u>257,089</u>	<u>2,009,510</u>	<u>2,266,599</u>
<b>Expenditures</b>			
Support Services			
Business	-	-	-
Plant Operation and Maintenance	-	-	-
Debt Service	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	-	-	-
Excess (Deficit) of Revenues Over Expenditures	<u>257,089</u>	<u>2,009,510</u>	<u>2,266,599</u>
<b>Other Financing Sources (Uses)</b>			
Operating Transfers In	-	-	-
Operating Transfers Out	<u>(490,299)</u>	<u>(2,386,419)</u>	<u>(2,876,718)</u>
Total Other Financing Sources (Uses)	<u>(490,299)</u>	<u>(2,386,419)</u>	<u>(2,876,718)</u>
Net Change in Fund Balance	(233,210)	(376,909)	(610,119)
<b>Fund Balance July 1, 2012</b>	<u>489,391</u>	<u>412,243</u>	<u>901,634</u>
<b>Fund Balance June 30, 2013</b>	<u>\$ 256,181</u>	<u>\$ 35,334</u>	<u>\$ 291,515</u>

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
HIGHLANDS HIGH SCHOOL ACTIVITY FUNDS  
YEAR ENDED JUNE 30, 2013**

Fund Accounts	Cash		Receipts		Disbursements		Cash		Fund	
	Balances July 1, 2012	\$	10,000 \$	5,500 \$	Balances June 30, 2013	Accounts Receivable	Accounts Payable	Balances June 30, 2013	Accounts Receivable	Balances June 30, 2013
Academic Competition Grants	-	\$	10,000	5,500	4,500	-	-	4,500	-	4,500
Academic Team	40		160	85	115	-	-	115	-	115
36th District B/G BB Tournament	-		9,331	9,331	-	-	-	-	-	-
9th Football Championship	587		4,528	5,115	-	-	-	-	-	-
Art Club	33		1,387	-	1,420	-	-	1,420	-	1,420
Art Fees	283		7,875	8,045	113	-	-	113	-	113
Baseball	1,881		32,852	32,808	1,925	-	-	1,925	-	1,925
BAM	-		11,645	11,640	5	-	-	5	-	5
Bookstore	55,781		28,886	20,535	64,132	-	-	64,132	-	64,132
Bowling	-		670	670	-	-	-	-	-	-
Boys Basketball	6,123		28,109	28,726	5,506	-	-	5,506	-	5,506
Boys Golf	-		376	376	-	-	-	-	-	-
Boys Regional Soccer Tournament	-		2,155	2,155	-	-	-	-	-	-
Boys Soccer	1,223		11,827	12,026	1,024	-	-	1,024	-	1,024
Boys Tennis	10		1,674	1,411	273	-	-	273	-	273
Boys Track	717		3,528	2,910	1,335	-	-	1,335	-	1,335
Campbell County Conservation District Grant	48		-	-	48	-	-	48	-	48
Cheerleaders	4,161		7,195	11,356	-	-	-	-	-	-
Chess	7		-	-	7	-	-	7	-	7
Chorus	2,260		7,666	5,994	3,932	-	-	3,932	-	3,932
Class of 2012	408		-	408	-	-	-	-	-	-
Coke Scoreboards	8,109		-	8,109	-	-	-	-	-	-
Counselor's Office	19,666		91,470	76,951	34,185	-	-	34,185	-	34,185
Creative Writing	5		-	-	5	-	-	5	-	5
Cross Country	446		1,381	1,827	-	-	-	-	-	-
Dance Team	2,345		50,550	52,895	-	-	-	-	-	-

**FORT THOMAS INDEPENDENT BOARD OF EDUCATION**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES**  
**HIGHLANDS HIGH SCHOOL ACTIVITY FUNDS**  
**YEAR ENDED JUNE 30, 2013**  
(Continued)

Fund Accounts	Cash		Receipts	Disbursements	Cash		Accounts Receivable	Accounts Payable	Fund Balances June 30, 2013
	Balances July 1, 2012	Balances June 30, 2013			Balances June 30, 2013	Balances June 30, 2013			
Dramatics	\$ 5,237	\$ 8,479	\$ 24,888	\$ 21,646	\$ 8,479	\$ -	\$ -	\$ -	8,479
English Department	678	667	9	20	667	-	-	-	667
Envirothon	-	498	1,910	1,412	498	-	-	-	498
Family and Consumer Science	1,182	1,123	3,905	3,964	1,123	-	-	-	1,123
FB 1st Round	-	-	4,939	4,939	-	-	-	-	-
FB 2nd Round	-	-	7,780	7,780	-	-	-	-	-
FB 3rd Round	-	-	21,553	21,553	-	-	-	-	-
FB 4th Round	-	-	9,010	9,010	-	-	-	-	-
FBLA	58	431	1,886	1,513	431	-	-	-	431
FCCLA	18,793	16,428	14,169	16,534	16,428	-	-	-	16,428
Football	35,510	6,127	26,275	55,658	6,127	-	-	-	6,127
General Account	-	21,707	21,707	-	21,707	-	-	-	21,707
German Club	833	823	1,692	1,702	823	-	-	-	823
Girls Basketball	3,373	4,717	17,708	16,364	4,717	-	-	-	4,717
Girls Golf	82	132	50	-	132	-	-	-	132
Girls Soccer	-	577	8,935	8,358	577	-	-	-	577
Girls Soccer Dist. Tournament	-	-	304	304	-	-	-	-	-
Girls Tennis	304	2,467	4,073	1,910	2,467	-	-	-	2,467
Girls Track	836	1,276	3,145	2,705	1,276	-	-	-	1,276
Green Club	154	193	39	-	193	-	-	-	193
History Club	676	75	-	601	75	-	-	-	75
Hospitality Class	3,234	3,234	-	-	3,234	-	-	-	3,234
Industrial Arts Club	266	266	-	-	266	-	-	-	266
Industrial Arts Department	987	987	-	-	987	-	-	-	987
Instructional Fees	64,677	73,255	85,592	77,014	73,255	-	15,701	-	88,956
Interest Earned for Clubs	26,512	26,246	1,249	1,515	26,246	-	-	-	26,246

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES**  
**HIGHLANDS HIGH SCHOOL ACTIVITY FUNDS**  
**YEAR ENDED JUNE 30, 2013**  
**(Continued)**

Fund Accounts	Cash		Receipts	Disbursements	Cash		Fund	
	Balances July 1, 2012	Balances June 30, 2013			Balances June 30, 2013	Accounts Receivable	Accounts Payable	Balances June 30, 2013
JV Dance Team	\$ 100	\$ -	5,192	\$ 5,292	\$ -	\$ -	\$ -	-
James F. Brandhorst Scholarship	1,350	-	-	1,350	-	-	-	-
Junior Prom	1,671	19,925	-	17,379	4,217	-	4,217	-
LBR Scholarship	50	-	-	-	50	-	50	-
Marching Band	1,358	24,547	-	16,918	8,987	-	8,987	-
Math Department	185	-	-	-	185	-	185	-
Math Honor Society	50	638	-	663	25	-	25	-
Miscellaneous	14,100	1,374	-	15,474	-	-	-	-
Mock Trial	69	1,685	-	1,131	623	-	623	-
MS Athletics Tournaments	-	2,196	-	2,196	-	-	-	-
MS Dance Team	900	10,634	-	9,894	1,640	-	1,640	-
National Honor Society	1,437	880	-	250	2,067	-	2,067	-
NEHS	379	1,190	-	1,056	513	-	513	-
NSHS	-	595	-	152	443	-	443	-
Principal	21,486	6,228	-	9,470	18,244	-	18,244	-
Resource Center	2,652	255	-	258	2,649	-	2,649	-
Robotics Team	12,940	10,500	-	8,115	15,325	-	15,325	-
Scholarships	15,704	15,750	-	20,352	11,102	-	11,102	-
Science Fees	18,536	27,444	-	16,594	29,386	-	29,386	-
Senior Class	1,566	12,743	-	12,888	1,421	-	1,421	-
Senior Class - Sam Scott Scholarship	-	4,500	-	-	4,500	-	4,500	-
Sinfonia Orchestra	-	12,181	-	10,000	2,181	-	2,181	-
Softball	-	3,000	-	2,151	849	-	849	-
Spanish Club	1,308	81	-	-	1,389	-	1,389	-
Speech Club	4,325	5,282	-	4,707	4,900	-	4,900	-
Staff Courtesy Fund	34	-	-	34	-	-	-	-

**FORT THOMAS INDEPENDENT BOARD OF EDUCATION**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES**  
**HIGHLANDS HIGH SCHOOL ACTIVITY FUNDS**  
**YEAR ENDED JUNE 30, 2013**  
(Continued)

Fund Accounts	Cash		Disbursements		Cash		Accounts		Fund Balances
	Balances July 1, 2012	Receipts	Disbursements	Balances June 30, 2013	Receivable	Payable	June 30, 2013		
Steff Resources Fund	\$ 1,773	\$ 670	\$ 546	\$ 1,897	\$ -	\$ -	\$ 1,897	\$ 1,897	
STLP-HS	-	50	-	50	-	-	50	50	
Student Coke Commissions	1,569	1,146	-	2,715	-	-	2,715	2,715	
Student Council	8,754	5,003	3,849	9,908	-	-	9,908	9,908	
Swimming	93	3,806	3,899	-	-	-	-	-	
Textbook Rental	17,345	63,752	80,489	608	-	-	608	608	
Video Productions	1,070	1,917	1,519	1,468	-	-	1,468	1,468	
Volleyball	11,053	20,234	24,989	6,298	-	-	6,298	6,298	
Volleyball District Tournament	-	231	231	-	-	-	-	-	
We the People	306	24,274	24,580	-	-	-	-	-	
Yearbook	4,658	30,354	23,077	11,935	-	-	11,935	11,935	
<b>Total General</b>	<b>414,346</b>	<b>892,340</b>	<b>872,878</b>	<b>433,808</b>	<b>15,701</b>	<b>-</b>	<b>449,509</b>	<b>449,509</b>	
<b>Total Athletic Department</b>	<b>20,664</b>	<b>302,681</b>	<b>315,190</b>	<b>8,155</b>	<b>-</b>	<b>-</b>	<b>8,155</b>	<b>8,155</b>	
<b>Total</b>	<b>\$ 435,010</b>	<b>\$ 1,195,021</b>	<b>\$ 1,188,068</b>	<b>\$ 441,963</b>	<b>\$ 15,701</b>	<b>\$ -</b>	<b>\$ 457,664</b>	<b>\$ 457,664</b>	

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
OTHER SCHOOL ACTIVITY FUNDS  
YEAR ENDED JUNE 30, 2013**

	<u>Robert Johnson Elementary School</u>	<u>Ruth Moyer Elementary School</u>	<u>Samuel Woodfill Elementary School</u>	<u>Highlands Middle School</u>	<u>Total</u>
<b>Cash Balance at July 1, 2012</b>	\$ 38,757	\$ 42,895	\$ 5,136	\$ 71,424	\$ 158,212
Add: Receipts	63,352	84,158	58,631	104,561	310,702
Less: Disbursements	<u>(77,538)</u>	<u>(70,200)</u>	<u>(51,871)</u>	<u>(94,532)</u>	<u>(294,141)</u>
Cash Balance at June 30, 2013	24,571	56,853	11,896	81,453	174,773
Accounts Receivable	-	-	698	-	698
Accounts Payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance at June 30, 2013</b>	<b><u>\$ 24,571</u></b>	<b><u>\$ 56,853</u></b>	<b><u>\$ 12,594</u></b>	<b><u>\$ 81,453</u></b>	<b><u>\$ 175,471</u></b>

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013**

<b>Federal Grants/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Grantors Number</b>	<b>Expenditures</b>	<b>Program/ Cluster Total</b>
<b><u>U.S. Department of Education</u></b>				
<i>Passed Through State Department of Education</i>				
Title I - Vocational Education Grants to States	84.048	4621232	\$ 13,934	\$ 13,934
Title II - Improving Teacher Quality State Grant	84.367	3230002	11,781	
Title II - Improving Teacher Quality State Grant	84.367	3230002	60,837	
Title II - Improving Teacher Quality State Grant	84.367	3230002	285	72,903
<u>Education Technology Cluster</u>				
Education Technology State Grant	84.318	3210002	29	29
Education Jobs Fund	84.410	N/A	3,066	3,066
<u>Title I Cluster</u>				
Title I - Grants to Local Education Agencies	84.010	3100002	6,858	
Title I - Grants to Local Education Agencies	84.010	3100002	158,880	165,738
<u>Special Education Cluster</u>				
Special Education Grants to States	84.027	3810002	57,800	
Special Education Grants to States	84.027	3810002	395,582	
Special Education Preschool Grants	84.173	3800002	7,910	461,292
Total U.S. Department of Education			716,962	716,962
<b><u>U.S. Department of Agriculture</u></b>				
<i>Passed Through State Department of Education</i>				
<u>Child Nutrition Cluster</u>				
National School Lunch Program	10.555	7750002-10	245,302	
National School Lunch Program	10.555	7750002-11	-	
School Breakfast Program	10.553	7760005-10	11,721	
School Breakfast Program	10.553	7760005-11	-	257,023
<i>Passed Through State Department of Agriculture</i>				
National School Lunch Program - Food Donation	10.555	019-0202	60,865	60,865
Total U.S. Department of Agriculture			317,888	317,888
Total Expenditures of Federal Awards			\$ 1,034,850	\$ 1,034,850

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Fort Thomas Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. 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 - FOOD DISTRIBUTION**

Non-monetary assistance is reported in the schedule at the fair value of the commodities disbursed.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

<b>FINANCIAL STATEMENTS</b>	
Type of Financial Statement Opinion	Unqualified
Were there any material weaknesses reported at the financial statements level (GAGAS)?	None reported
Were there any control deficiencies identified, not considered to be material weaknesses, reported at the financial statement level (GAGAS)?	None reported
Was there any reported material noncompliance at the financial statement level (GAGAS)?	None reported
<b>FEDERAL AWARDS</b>	
Were there any material weaknesses reported for major federal programs?	None reported
Were there any control deficiencies identified, not considered material weaknesses reported for major programs?	None reported
Type of Major Programs Compliance Opinion	Unqualified
Are there any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510?	Yes
Major Programs (list):	Child Nutrition Cluster [CFDA 10.553 and 10.555] Education Jobs Title I Cluster [CFDA 84.010]
Dollar Threshold: Type A/B Programs	\$300,000
Low Risk Auditee?	Yes

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Continued)**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None Reported

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Compliance and Other Matters**

DEPARTMENT OF AGRICULTURE

Child Nutrition Cluster – School Breakfast Program (CFDA No. 10.553) and National School Lunch Program (CFDA No. 10.555)

2013-001

*Criteria:* The food service department is required annually to verify eligibility of a sample of students that received free or reduced price meals during the year. Eligibility is based on income levels in excess of a certain percentage of federal poverty guidelines.

*Condition:* The verification process included a sample of five families. Verification includes the following steps: a) obtaining documentation to support the income represented on the initial application b) mail a letter to each family informing them of the verification results and any changes in eligibility and c) update the system for any necessary changes in eligibility. During our testing of the verification process, we noted that the department failed to properly complete each step noted above.

*Cause:* The Board's standard policies and procedures were not followed.

*Effect:* Verification process was not completed in accordance with federal regulations. During the year, two students received free or reduced price meals even though they were determined to be ineligible during the verification process. The financial impact to the program was deemed to be immaterial.

*Recommendation:* We recommend that the department review the verification process and ensure that each step is properly completed and documented. Furthermore, we recommend that that controls are implemented to ensure that the verification process is independently reviewed for completeness and accuracy.

**MANAGEMENT'S RESPONSE**

The procedures and documentation required to verify eligibility for students to receive free or reduced price meals will be reviewed by District administration with the food service director. A process of follow up with families tested for verification, communication of the results of the testing to the families and updating the system for any changes will be put in place. Documentation of the annual eligibility test will be reviewed annually by District administration.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

None Reported

**INDEPENDENT AUDITORS' 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 and  
Members of the Board of Education  
Fort Thomas Independent School District  
Fort Thomas, 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 Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fort Thomas Independent School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Fort Thomas Independent School District's basic financial statements, and have issued our report thereon dated November 6, 2013

**Internal Control over Financial Reporting**

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

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

Kentucky State Committee for School District Audits and  
Members of the Board of Education  
Fort Thomas Independent School District

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*VonLehman & Company Inc.*

Fort Mitchell, Kentucky  
November 6, 2013

**INDEPENDENT AUDITORS' 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 and  
Members of the Board of Education  
Fort Thomas Independent School District  
Fort Thomas, Kentucky

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

We have audited the Fort Thomas Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The Fort Thomas Independent School District's major federal programs are identified in the summary of auditors' result 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.

**Auditors' Responsibility**

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

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

**Opinion on Each Major Federal Program**

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

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2013-001. Our opinion on each major federal program is not modified with respect to these matters.

Fort Thomas Independent School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-001, that we consider to be significant deficiencies.

Fort Thomas Independent School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Kentucky State Committee for School District Audits and  
Members of the Board of Education  
Fort Thomas Independent School District

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.

*VonLehman & Company Inc.*

Fort Mitchell, Kentucky  
November 6, 2013

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

Kentucky State Committee for School District Audits and  
Members of the Board of Education  
Fort Thomas Independent School District  
Fort Thomas, Kentucky

In planning and performing our audit of the financial statements of the Fort Thomas School District (the District) for the year ended June 30, 2013, we considered the District's internal controls in order to determine the audit procedures that are appropriate for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls.

During the course of our audit we select samples of activity for our auditing tests. Through these procedures we became aware of a few matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding these matters. We previously reported on the District's internal controls in our report dated November 6, 2013. This letter does not affect our report dated November 6, 2013 on the financial statements of the Fort Thomas Independent School District.

Our findings are presented as follows:

**CURRENT YEAR RECOMMENDATIONS**

**ITEM 01- ACTIVITY FUNDS**

**General Findings for All Schools**

- Instances were noted in which the multiple receipt forms were not filled out in their entirety and, in some cases, not completed. We recommend training be provided as it relates to these forms and that when required, this form is completed.
- We noted several instances in which teachers are not transmitting funds collected to the bookkeeper in a timely manner. It is very important for teachers to submit these amounts daily as, among other reasons, the Redbook requires all amounts collected to be deposited on a daily basis if over \$100. We recommend the District and school leadership reiterate to the staff the procedure for and the importance of transmitting money to the bookkeeper on a daily basis.
- For fundraising events, Forms F-SA-2A and F-SA-2B need to be used, and all fundraisers should be approved by the District. The F-SA-2A form is used to request approval for the fundraiser by the Principal and by the District. The F-SA-2B form is used to track the actual outcome of the fundraiser. Schools need to properly document how the receipts obtained through a fundraiser are spent in order to show the expenses were in line with the approved purpose of the fundraiser. This could be accomplished by setting up a separate account in the software for each fundraiser held so it is clear what funds were received as part of the fundraiser and what those funds were spent on.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(CONTINUED)**

**Highlands High School**

- It was noted that purchase orders are not always prepared and approved prior to purchase. The Redbook requires purchase orders to be approved by the sponsor and principal before the payments are obligated. It is our recommendation that purchase orders be prepared and approved prior to purchase for all disbursements.

**Highlands Middle School**

- It was noted that purchase orders are not always prepared and approved prior to purchase. The Redbook requires purchase orders to be approved by the sponsor and principal before the payments are obligated. It is our recommendation that purchase orders be prepared and approved prior to purchase for all disbursements.

**Johnson Elementary School**

- No specific school findings.

**Woodfill Elementary School**

- No specific school findings.

**Moyer Elementary School**

- No specific school findings.

**MANAGEMENT'S RESPONSE**

- Teachers, staff, booster organizations and administrators have been trained on the latest Redbook forms and procedures by an expert consultant. The training took place between the date of this report and the start of the 2013-14 school year. The supporting documentation will be reviewed periodically to make sure the proper forms and procedures are being followed.
- To ensure purchase order preparation and approval is completed before making a purchase, the ESchoolMall electronic purchase order system will be installed and used at HHS and HMS during the 2013-2014 school year. This is the same system currently used for District level purchases.

**ITEM 02- FOOD SERVICE DEPARTMENT**

- The monthly SNP Site Claim Report is used by the food service department to obtain reimbursement for those that qualify for free and reduced meals. During our testing of this form, we noted several discrepancies between the actual number of those eligible for free and reduced meals versus the number reported on the form. These were all small discrepancies and did not have a material effect on the amount of reimbursement the District received. These discrepancies were due to manual adjustments that were required to be made to the forms due to changes in eligibility status. We recommend there be a procedure put in place so that someone is reviewing the numbers included on the SNP Site Claim Report to ensure they are accurate.

**FORT THOMAS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2013  
(CONTINUED)**

**MANAGEMENT'S RESPONSE**

- Procedures will be put in place to review the accuracy of the numbers on the SNP report on a timely basis and any differences will be supported by documentation.

**ITEM 03- TITLE I**

- Each year the District is awarded Title I funds based on the Title I Ranking Report, which details the amount of funding by school. A portion of the current year award was allocated to be used for support of a private school within the District. During our review of this program, we noted that the District's expenses associated with the private school exceeded the reimbursement amount designated in the Title I Ranking Report. We recommend that the expenses associated with the private school are monitored to ensure that the District doesn't incur costs in excess of the reimbursement.

**MANAGEMENT'S RESPONSE**

- When the District receives final amounts to the Title I ranking report halfway through the school year, adjustments will be made to where personnel are assigned to perform Title I services. These adjustments will reflect the allocations on the updated Title I ranking report.

**STATUS OF PRIOR RECOMMENDATIONS**

**Moyer Elementary School**

- Transfer forms (F-SA-10) were not signed documenting approval of transfer by principal.

Current Status: Issue resolved.

**Woodfill Elementary School**

- Receipt books are partially used to document receipt of funds (primarily over-the-counter cash or check deposits). However, not all receipts could be accounted for by a written receipt copy and receipt copies could not be tied into the bank deposits. The School Treasurer should prepare pre-numbered receipts for all money received, and the receipts should be reconcilable to the daily bank deposit.

Current Status: Issue resolved.

- A 2011-12 budget was not prepared and submitted to the Board

Current Status: Issue resolved.