

**Clinton County School District**

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**Audited Financial Statements  
and  
Supplemental Information**

**For the Year Ended June 30, 2012**

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## Independent Auditor's Report

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Kentucky State Committee for School District Audits  
Members of the Board of Education  
Clinton County School District  
Albany, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clinton County School District (the "District"), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of *Office of Management and Budget 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 Requirements*, *Appendix III to the Independent Auditor's Contract - Electronic Submission*, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Clinton County School District

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

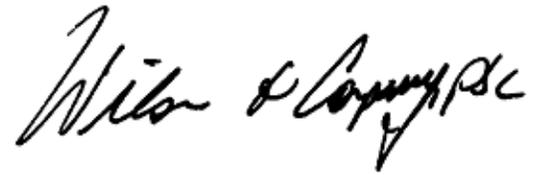
In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 7 and 39 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The accompanying combining and individual nonmajor fund financial statements, and schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Clinton County School District

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

A handwritten signature in black ink, appearing to read "Wilson & Company, P.C.", written in a cursive style.

Somerset, Kentucky  
November 1, 2012

**Clinton County School District  
Management's Discussion and Analysis  
For the Year Ended June 30, 2012**

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As management of the Clinton County 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, 2012. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance for the District was \$2,541,117.
- The ending cash balance for the District was \$1,096,892.
- The District renovates and constructs facilities consistent with a long-range facilities plan that is established with community input and is in compliance with Kentucky Department of Education (KDE) regulations.
- The District's total debt decreased by \$738,494 during the current fiscal year.
- Following the completion of the District's long-range plan for facilities, there is a focus on investing in plant management with the age and size of our facilities reflective of this need but the Board authorized no transfers of money to capital projects.
- The District remains committed to increasing teacher salaries.
- The General Fund had \$12,945,661 in revenue, which primarily consisted of the state program (SEEK), property, local occupational license taxes, utilities, motor vehicle taxes and contributions. Excluding inter-fund transfers, there were \$13,526,297 in General Fund expenditures.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

## **Management's Discussion and Analysis, Continued**

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

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

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

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

The government-wide financial statements can be found on pages 8 and 9 of this report.

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

The basic governmental fund financial statements can be found on pages 10 through 16 of this report.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 36 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$15,412,928 as of June 30, 2012.

## **Management's Discussion and Analysis, Continued**

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

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

### **Net Assets for the period ending June 30, 2012**

Following is a summary of the District's government-wide net assets for the fiscal years ended June 30, 2012 and 2011.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>Assets</b>		
Current assets	\$ 3,115,035	\$ 3,046,387
Noncurrent assets	25,334,132	26,008,464
Total assets	<u>28,449,167</u>	<u>29,054,851</u>
<b>Liabilities</b>		
Current liabilities	1,688,746	1,423,576
Noncurrent liabilities	<u>11,347,493</u>	<u>11,875,786</u>
Total liabilities	<u>13,036,239</u>	<u>13,299,362</u>
<b>Net Assets</b>		
Investment in capital assets (net of debt)	13,647,374	13,554,830
Restricted for debt service	154,946	139
Committed for future construction	1,250,000	-
Unreserved fund balance	<u>360,608</u>	<u>2,200,518</u>
Total net assets	<u>\$ 15,412,928</u>	<u>\$ 15,755,487</u>

### **Comments on Budget Comparisons**

- The District's total revenues for the fiscal year ended June 30, 2012, net of inter-fund transfers, was \$20,004,482.
- General Fund budget compared to actual revenue varied from line item to line item with the ending actual balance being \$3,123,214 more than budget or approximately 32% more than budget. The actual expenditures varied from line item to line item with the ending actual balance being \$2,806,818 under budget or approximately -26% under budget.
- The total cost of all programs and services, net of debt service, was \$19,745,717.

## **Management's Discussion and Analysis, Continued**

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2012 and 2011.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>Revenues</b>		
Local revenue sources	\$ 3,208,196	\$ 3,070,559
State revenue sources	12,106,094	11,403,877
Federal revenue sources	4,612,188	5,184,939
Interest income	72,048	91,241
Other sources	5,956	1,905
Total revenues	<u>20,004,482</u>	<u>19,752,521</u>
<b>Expenses</b>		
Instruction	12,200,659	11,690,939
Student support services	588,694	868,296
Instructional staff	602,748	645,583
District administration	614,328	629,521
School administration	1,019,109	885,321
Business and other support services	138,129	136,590
Plant operation and management	1,740,908	1,637,361
Student transportation	1,403,694	1,312,123
Community services	231,226	310,912
Debt service	533,512	479,897
Food service operations	1,206,222	1,164,049
Total expenses	<u>20,279,229</u>	<u>19,760,592</u>
<b>Revenues in Excess of Expenses</b>	<u>\$ (274,747)</u>	<u>\$ (8,071)</u>

### **General Fund Revenue**

The majority of revenue, 61%, was derived from state sources. Federal sources accounted for 23% and local and other sources accounted for the remaining 16%.

### **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 overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$400,000 in contingency (3.6%). The beginning cash balance for beginning the fiscal year was \$2,541,117. There was no significant Board action that impacted the finances during the current year.

Questions regarding this report should be directed to Superintendent Charlotte Bernard or Director of Finance Greg Wells at (606) 387-6480 or by mail at 2353 N. Hwy 127, Albany, Kentucky 42602.

**Clinton County School District**  
**Statement of Net Assets**  
**June 30, 2012**

	<u>Governmental</u> Activities	<u>Business-Type</u> Activities	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,979,625	\$ 19,515	\$ 1,999,140
Receivables			
Taxes	-	-	-
Accounts	137,351	-	137,351
Intergovernmental - state	11,241	-	11,241
Intergovernmental - federal	929,048	14,147	943,195
Inventories	-	24,108	24,108
Nondepreciable capital assets	6,217,854	-	6,217,854
Depreciable capital assets, net	<u>18,898,878</u>	<u>217,400</u>	<u>19,116,278</u>
<b>Total assets</b>	<u>28,173,997</u>	<u>275,170</u>	<u>28,449,167</u>
<b>Liabilities</b>			
Cash overdraft	902,248	-	902,248
Accounts payable	70,442	5,340	75,782
Accrued expenses	23	-	23
Deferred revenue	9,483	-	9,483
Portion due or payable within one year			
Bond obligations	680,317	-	680,317
Accrued sick leave	20,893	-	20,893
Portion due or payable after one year			
Bond obligations	11,034,823	-	11,034,823
Accrued sick leave	<u>312,670</u>	<u>-</u>	<u>312,670</u>
<b>Total liabilities</b>	<u>13,030,899</u>	<u>5,340</u>	<u>13,036,239</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	13,401,592	245,782	13,647,374
Restricted for debt service	154,946	-	154,946
Committed for future construction	1,250,000	-	1,250,000
Unrestricted	<u>336,560</u>	<u>24,048</u>	<u>360,608</u>
<b>Total net assets</b>	<u>\$ 15,143,098</u>	<u>\$ 269,830</u>	<u>\$ 15,412,928</u>

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

**Clinton County School District  
Statement of Activities  
For the Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government</b>							
<b>Governmental activities</b>							
Instruction	\$ 12,200,659	\$ 59,734	\$ 3,720,961	\$ -	\$ (8,419,964)	\$ -	\$ (8,419,964)
<b>Support services</b>							
Students	588,694	-	188,795	-	(399,899)	-	(399,899)
Instructional staff	602,748	-	411,155	-	(191,593)	-	(191,593)
District administration	614,328	-	-	-	(614,328)	-	(614,328)
School administration	1,019,109	-	-	-	(1,019,109)	-	(1,019,109)
Business and other support services	138,129	-	-	-	(138,129)	-	(138,129)
Operation and maintenance of plant	1,740,908	-	-	-	(1,740,908)	-	(1,740,908)
Student transportation	1,403,694	-	93,303	-	(1,310,391)	-	(1,310,391)
Community services	231,226	-	208,955	-	(22,271)	-	(22,271)
Interest on long term debt	533,512	-	-	986,387	452,875	-	452,875
Total governmental activities	<u>19,073,007</u>	<u>59,734</u>	<u>4,623,169</u>	<u>986,387</u>	<u>(13,403,717)</u>	<u>-</u>	<u>(13,403,717)</u>
<b>Business-type activities</b>							
Food service	<u>1,206,222</u>	<u>237,288</u>	<u>968,135</u>	<u>-</u>	<u>-</u>	<u>(799)</u>	<u>(799)</u>
Total business-type activities	<u>1,206,222</u>	<u>237,288</u>	<u>968,135</u>	<u>-</u>	<u>-</u>	<u>(799)</u>	<u>(799)</u>
<b>Total primary government</b>	<u>\$ 20,279,229</u>	<u>\$ 297,022</u>	<u>\$ 5,591,304</u>	<u>\$ 986,387</u>	<u>(13,403,717)</u>	<u>(799)</u>	<u>(13,404,516)</u>
<b>General revenues</b>							
<b>Taxes</b>							
Property taxes, levied for general purposes					1,647,086	-	1,647,086
Motor vehicle					276,115	-	276,115
Utilities					786,317	-	786,317
Other					94,288	-	94,288
<b>Intergovernmental revenues</b>							
State					10,140,591	-	10,140,591
Investment earnings					70,963	1,085	72,048
Gain (Loss) on disposal of capital assets					5,956	-	5,956
Other local revenues					<u>107,368</u>	<u>-</u>	<u>107,368</u>
Total general revenues					<u>13,128,684</u>	<u>1,085</u>	<u>13,129,769</u>
Operating transfers					47,579	(47,561)	18
<b>Change in net assets</b>					(227,454)	(47,275)	(274,729)
Net assets, beginning of year					<u>15,370,552</u>	<u>317,114</u>	<u>15,687,666</u>
<b>Net assets, end of year</b>					<u>\$ 15,143,098</u>	<u>\$ 269,839</u>	<u>\$ 15,412,937</u>

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

**Clinton County School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

	General Fund	Special Revenue Funds	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 1,823,531	\$ -	\$ 156,094	\$ 1,979,625
Receivables				
Taxes	-	-	-	-
Accounts	137,351	-	-	137,351
Intergovernmental - state	-	11,241	-	11,241
Intergovernmental - federal	-	929,048	-	929,048
Total assets	<u>\$ 1,960,882</u>	<u>\$ 940,289</u>	<u>\$ 156,094</u>	<u>\$ 3,057,265</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Cash overdraft	\$ -	\$ 902,248	\$ -	\$ 902,248
Accounts payable	41,884	28,558	-	70,442
Accrued expenses	(410)	433	-	23
Deferred revenue	-	9,483	-	9,483
Total liabilities	<u>41,474</u>	<u>940,722</u>	<u>-</u>	<u>982,196</u>
<b>Fund balances</b>				
Restricted for Debt Service		-	154,946	154,946
Committed for Future Construction	1,250,000	-	-	1,250,000
Unrestricted -				
Unassigned	669,408	(433)	1,148	670,123
Total fund balances	<u>1,919,408</u>	<u>(433)</u>	<u>156,094</u>	<u>2,075,069</u>
Total liabilities and fund balances	<u>\$ 1,960,882</u>	<u>\$ 940,289</u>	<u>\$ 156,094</u>	<u>\$ 3,057,265</u>

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

**Clinton County School District**  
**Reconciliation of the Balance Sheet - Governmental Funds to the**  
**Statement of Net Assets**  
**June 30, 2012**

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<b>Total fund balances - governmental funds</b>	\$ 2,075,069
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	25,116,732
Long-term liabilities, including bonds payable and accrued sick leave, are not due and payable in the current period and therefore, are not reported as liabilities in the funds.	<u>(12,048,703)</u>
<b>Total net assets - governmental activities</b>	<u>\$ 15,143,098</u>

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

**Clinton County School District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2012**

	General Fund	Special Revenue Funds	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
From local sources				
Taxes				
Property	\$ 1,410,830	\$ -	\$ 236,256	\$ 1,647,086
Motor vehicles	276,115	-	-	276,115
Utilities	786,317	-	-	786,317
Other	94,288	-	-	94,288
Transportation	59,734	-	-	59,734
Earnings on investments	70,644	319	-	70,963
Other local revenues	107,142	226	-	107,368
Intergovernmental - State	10,140,591	871,851	986,387	11,998,829
Intergovernmental - Federal	-	3,751,318	-	3,751,318
Total revenues	<u>12,945,661</u>	<u>4,623,714</u>	<u>1,222,643</u>	<u>18,792,018</u>
<b>Expenditures</b>				
Current				
Instruction	8,087,062	3,746,596	-	11,833,658
Support services				
Students	537,687	188,795	-	726,482
Instructional staff	189,893	411,155	-	601,048
District administration	639,046	-	-	639,046
School administration	965,471	-	-	965,471
Business and other support services	137,708	-	-	137,708
Plant operation and management	1,426,858	-	-	1,426,858
Student transportation	1,382,796	93,303	-	1,476,099
Community services	22,271	208,955	-	231,226
Site acquisition	-	-	-	-
New building construction	-	-	-	-
Building improvements	-	-	47,015	47,015
Debt service	137,505	-	1,332,671	1,470,176
Total expenditures	<u>13,526,297</u>	<u>4,648,804</u>	<u>1,379,686</u>	<u>19,554,787</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(580,636)</u>	<u>(25,090)</u>	<u>(157,043)</u>	<u>(762,769)</u>
<b>Other financing sources (uses)</b>				
Gain on sale of equipment	5,956	-	-	5,956
Bond Principal Proceeds	198,172	-	-	198,172
Transfers in	177,218	30,196	967,414	1,174,828
Transfers out	<u>(202,417)</u>	<u>(5,106)</u>	<u>(919,725)</u>	<u>(1,127,248)</u>
Total other financing sources and uses	<u>178,929</u>	<u>25,090</u>	<u>47,689</u>	<u>251,708</u>
<b>Net change in fund balances</b>	(401,707)	-	(109,354)	(511,061)
Fund balances, beginning of year	<u>2,321,115</u>	<u>-</u>	<u>265,448</u>	<u>2,586,563</u>
<b>Fund balances, end of year</b>	<u>\$ 1,919,408</u>	<u>\$ -</u>	<u>\$ 156,094</u>	<u>\$ 2,075,502</u>

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

**Clinton County School District**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2012**

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**Total net change in fund balances - governmental funds** \$ (511,061)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$532,465) is exceeded by depreciation expense (\$1,125,333) in the period. (592,866)

Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for accrued sick leave. 137,979

The proceeds for the issuance of bonds provide current financial resources and are reported in the fund financial statements but they are presented as liabilities in the statement of net assets. (198,172)

Repayment of bond principal and other debt obligations are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 936,666

**Total change in net assets - governmental activities** **\$ (227,454)**

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

**Clinton County School District**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2012**

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	<u>Food Service Fund</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 19,515
Accounts Receivable	
Accounts	-
Intergovernmental - federal	14,147
Inventories	<u>24,108</u>
Total current assets	<u>57,770</u>
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>217,400</u>
Total noncurrent assets	<u>217,400</u>
<b>Total assets</b>	<u><u>275,170</u></u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	<u>5,340</u>
Total current liabilities	<u>5,340</u>
<b>Total liabilities</b>	<u>5,340</u>
<b>Net Assets</b>	
Invested in capital assets	245,782
Unrestricted	<u>24,048</u>
<b>Total net assets</b>	<u><u>\$ 269,830</u></u>

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

**Clinton County School District**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2012**

	Food Service Fund
<b>Operating revenues</b>	
Lunchroom sales	\$ 237,288
Other operating revenues	-
Total operating revenues	237,288
 <b>Operating expenses</b>	
Salaries and wages	384,294
Employee benefits	193,189
Materials and supplies	547,096
Depreciation	26,955
Other operating expenses	54,688
Total operating expenses	1,206,222
 Operating loss	(968,934)
 <b>Nonoperating revenues</b>	
Federal grants	805,406
Investment income	1,085
Donated commodities	55,464
State grants	11,127
Other state revenue	96,138
Total nonoperating revenue	969,220
 Net income before operating transfers	286
 <b>Operating transfers</b>	
Operating transfers in	-
Operating transfers out	(47,570)
Total operating transfers	(47,570)
 <b>Change in net assets</b>	(47,284)
 Net assets, beginning of year	317,114
 <b>Net assets, end of year</b>	\$ 269,830

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

**Clinton County School District**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2012**

	<u>Food Service Fund</u>
<b>Cash flows from operating activities</b>	
Cash received from lunchroom sales	\$ 236,712
Cash payments to suppliers and providers of goods and services	(491,418)
Cash payments to employees	(577,483)
Other cash payments	<u>(54,688)</u>
Net cash used by operating activities	<u>(886,877)</u>
 <b>Cash flows from noncapital financing activities</b>	
Nonoperating grants received	816,533
Other state revenue	96,138
Transfers to other funds	(47,570)
Transfers from other funds	<u>-</u>
Net cash provided by noncapital financing activities	<u>865,101</u>
 <b>Cash flows from capital and related financing activities</b>	
Purchases of capital assets	(15,544)
Loss (Gain) on retirement of fixed assets before fully depreciated	<u>2,664</u>
Net cash used by capital and related financing activities	<u>(12,880)</u>
 <b>Cash flows from investing activities</b>	
Interest received on investments	<u>1,085</u>
Net cash provided by investing activities	<u>1,085</u>
 <b>Net increase in cash and cash equivalents</b>	(33,571)
Cash and cash equivalents, beginning of year	<u>53,086</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 19,515</u>
 <b>Reconciliation of operating loss to net cash used by operating activities</b>	
Operating loss	(968,934)
Adjustments to reconcile operating income (loss) to net cash	
net cash provided by (used for) operating activities	
Depreciation	26,955
Commodities used	55,464
Changes in assets and liabilities	
Inventory	1,540
Accounts receivable	(576)
Accounts payable	<u>(1,326)</u>
Net cash used by operating activities	<u>\$ (886,877)</u>
 <b>Non-cash items</b>	
Donated commodities	<u>\$ 55,464</u>

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

**Clinton County School District**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2012**

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	<u>Agency Funds</u> <u>Activity Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 123,866
Accounts receivable	6,989
Due from other funds	<u>-</u>
Total assets	<u>\$ 130,855</u>
<b>Liabilities</b>	
Accounts payable	\$ 4,939
Due to other funds	-
Due to students	<u>125,916</u>
Total liabilities	<u>130,855</u>
<b>Net assets held in trust</b>	<u>\$ -</u>

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

**Clinton County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2012**

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**1. Reporting Entity**

The Clinton County 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 Clinton County 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 Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The Board, for financial reporting purposes, includes all of the funds and account groups relevant to the operation of the 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 Board itself such as Band Boosters, Parent-Teacher Associations, etc.

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

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements. Copies of component unit reports may be obtained from the District's Finance Office at Route 4, Box 100, Albany, Kentucky 42602.

Clinton County School District Finance Corporation

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

**Clinton County School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2012**

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**2. Summary of Significant Accounting Policies**

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

Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

**Government-wide statements**—provide information about the primary government (the District) as a whole. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and for each segment of its business-type activities. Direct expenses are those that are specifically associated with a service, program or function and, therefore, are 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, including internally dedicated resources and all taxes, are reported as general revenues, 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.

**Clinton County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2012**

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**2. Summary of Significant Accounting Policies, Continued**

**Fund financial statements**—provide information about the District’s funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and 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 statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

**Governmental Fund Types**

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.

The *Special Revenue Funds* account 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. This is a major fund of the District.

*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.

**Clinton County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2012**

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**2. Summary of Significant Accounting Policies, Continued**

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 expenditures.

The *Debt Service Funds* are used to account for the accumulation of resources for and the payment of, general long-term debt principal and interest and related costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

**Proprietary Funds (Enterprise Fund)**

Enterprise Funds are used to account for any activity for which a fee is charged to external users for goods and services. The District's only Enterprise Fund is the School Food Service Fund. 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). The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**Fiduciary Fund Types (includes agency and trust funds)**

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

**Basis of Accounting**

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

**Clinton County School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2012**

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**2. Summary of Significant Accounting Policies, Continued**

Revenues – Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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. Revenue from property taxes is not recognized until there is an enforceable legal claim. This legal claim does not arise until the taxes become delinquent, which is the fiscal year after 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.

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.

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 assets as an expense with a like amount reported as donated commodities revenue.

**Clinton County School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2012**

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**2. Summary of Significant Accounting Policies, Continued**

Deferred Revenue (continued)

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditure) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District.

The tax rates assessed for the year ended June 30, 2012 to finance general fund operations were \$0.382 per \$100 valuation on real estate, \$0.395 per \$100 valuation on tangible property, \$0.53 per \$100 valuation on motor vehicles and 3% for utility tax.

Taxes are due on October 1 and become delinquent by February 1 following the October 1 levy date.

In-Kind

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal and state administered funding on various grants. The District also receives commodities from U.S.D.A. The amounts of such commodities are recorded in the accompanying financial statements at their estimated fair market values.

Cash and Cash Equivalents

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

Accounts Receivable

Receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include federal and state funding and taxes.

**Clinton County School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2012**

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**2. Summary of Significant Accounting Policies, Continued**

Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Fund, which records inventory using the accrual basis of accounting. Inventories are stated at the lower of cost or market, on the first-in, first-out basis.

Capital Assets

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings	50 years
Building improvements	25 years
Technology equipment	5 years
School buses	10 years
Vehicles	5 years
Food service equipment	5 years
Other general	7-10 years

**Clinton County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2012**

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**2. Summary of Significant Accounting Policies, Continued**

Interfund Balances

On 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 statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Budgetary Process

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

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

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

On-behalf payments made by the state for the District are not budgeted since amounts are not known at the time the budget is adopted.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

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

Accrued Liabilities and Long-Term Obligations

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

**Clinton County School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2012**

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**2. Summary of Significant Accounting Policies, Continued**

Accrued Liabilities and Long-Term Obligations (continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of debt obligations, 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, all 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.

Restricted Fund Balances

The District restricts those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unrestricted fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity restrictions have been established for inventories and fixed assets.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets 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 assets are reported as restricted when there are limitations imposed on their 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 fund. For the District, those revenues are primarily charges for meals provided by the various schools.

**Clinton County School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2012**

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**2. 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 after 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 preparation of 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, designated fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**3. Cash and Cash Equivalents**

At June 30, 2012, the carrying amount of the Board's cash and cash equivalents was \$1,096,740 and the bank balances totaled \$2,516,186. Of the total bank balances, \$330,799 was insured by the Federal Depository Insurance Corporation, with the remainder secured by collateral held in the name of the financial institution and pledged to the District. The securities cannot be moved or redeemed without the prior approval of the District.

Due to the nature of the accounts and certain limitations imposed on the use of funds, the portion of the cash balance within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK) Fund, Technology Fund (accounted for within the Special Revenue Fund), Special Revenue Fund, Debt Service Fund, School Construction Fund, School Food Service Funds, and School Activity Funds.

**Clinton County School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2012**

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**4. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Primary Government</b>				
<i><u>Governmental Activities</u></i>				
<b>Capital Assets, Not Depreciated</b>				
Land	\$ 6,217,854	\$ -	\$ -	\$ 6,217,854
Construction In Progress	-	-	-	-
<b>Capital Assets, Depreciated</b>				
Land Improvements	1,308,187	-	-	1,308,187
Building and Improvements	21,721,758	55,386	-	21,777,144
Technology Equipment	1,890,331	103,296	(440,034)	1,553,593
Vehicles	3,013,839	211,934	(863,703)	2,362,070
General Equipment	975,948	161,849	(35,469)	1,102,328
Totals	35,127,917	532,465	(1,339,206)	34,321,176
<b>Accumulated Depreciation</b>				
Land Improvements	(827,118)	(55,017)	-	(882,135)
Building and Improvements	(4,461,386)	(413,649)	-	(4,875,035)
Technology Equipment	(1,438,873)	(234,804)	440,034	(1,233,643)
Vehicles	(2,186,905)	(126,086)	796,314	(1,516,677)
General Equipment	(436,648)	(295,777)	35,469	(696,956)
Totals	(9,350,930)	(1,125,333)	1,271,817	(9,204,446)
<b>Governmental Activities,</b>				
<b>Capital Assets, Net</b>	<b>\$ 25,776,987</b>	<b>\$ (592,868)</b>	<b>\$ (67,389)</b>	<b>\$25,116,730</b>

**Clinton County School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2012**

**4. Capital Assets, Continued**

	Beginning Balance	Additions	Disposals	Ending Balance
<b><i>Business - Type Activities</i></b>				
<b>Capital Assets, Depreciated</b>				
Technology Equipment	\$ 2,086	\$ -	\$ (850)	\$ 1,236
General Equipment	\$ 662,300	15,544	(68,641)	609,203
Total Depreciable Cost	<u>664,386</u>	<u>15,544</u>	<u>(69,491)</u>	<u>610,439</u>
<b>Accumulated Depreciation</b>				
Technology Equipment	(1,489)	(247)	850	(886)
General Equipment	<u>(431,422)</u>	<u>(26,708)</u>	<u>65,976</u>	<u>(392,154)</u>
Totals	<u>(432,911)</u>	<u>(26,955)</u>	<u>66,826</u>	<u>(393,040)</u>
<b>Business - Type Activities, Capital Assets, Net</b>	<u>231,475</u>	<u>(11,411)</u>	<u>(2,665)</u>	<u>217,399</u>
<b>Primary Government Capital Assets, Net</b>	<u>\$ 26,008,462</u>	<u>\$ (604,279)</u>	<u>\$ (70,054)</u>	<u>\$25,334,129</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 586,002
Support services	
Student	669
Instruction staff	1,701
District administration	11,855
School administration	54,203
Business support	422
Plant operations and maintenance	344,410
Student transportation	<u>126,071</u>
<b>Total</b>	<b><u>\$ 1,125,333</u></b>

**Clinton County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2012**

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**5. Debt Obligations**

The amount shown in the accompanying financial statements as bond obligations represents the Board's future obligations to make debt payments relating to the bonds issued by the Clinton County Fiscal Court and the Clinton County School District Finance Corporation ("CCSDFC"), aggregating \$12,855,000 and by Kentucky Interlocal School Transportation Association, aggregating \$1,468,961.

Bonds

The General Fund, Facilities Support Program (FSPK) Fund and the SEEK Capital Outlay Fund are obligated to make debt payments. The agreements provide among other things, for payments sufficient to satisfy debt service requirements on bonds issued by the Fiscal Court and the CCSDFC to construct school facilities.

The original amount of present outstanding issues, the issue dates, and interest rates are summarized below:

Issue	Original Amount	Interest Rates
Issue of 1999	720,000	4.40%
Issue of 2005E	1,360,000	3.00% to 4.20%
Issue of 2005A	1,860,000	2.80% to 3.60%
Issue of 2005B	1,485,000	2.90% to 4.10%
Issue of 2006A	935,000	3.50% to 3.75%
Issue of 2007	4,440,000	4.20%
Issue of 2010	2,055,000	3.85%
	<u>\$ 12,855,000</u>	

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue.

Defeasance of Debt

In prior years, the District issued refunding bonds to defease certain outstanding bonds, for the purpose of achieving debt savings. The proceeds were placed in an escrow account where the funds will remain to pay interest due and redeem the outstanding bonds maturing. Accordingly, the trust assets and liabilities for the defeased bonds are not included in the accompanying government-wide financial statements.

**Clinton County School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2012**

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**5. Debt Obligations, Continued**

Defeasance of Debt, Continued

Although defeased, the funded debt will not be actually retired until the call dates have come due and until maturity if they are not callable issues. As of June 30, 2012, the outstanding principal amount of indebtedness that is considered to be extinguished under "in substance defeasance" and therefore excluded from the financial statements was approximately \$2,623,486.

Capital Leases

The General Fund is obligated to make debt payments. The agreements provide among other things, for payments sufficient to satisfy debt service requirements on bonds issued by the Kentucky Interlocal School Transportation Association and the District to purchase school buses.

The original amount of present outstanding issues, the issue dates, and interest rates are summarized below:

Issue	Original Amount	Interest Rates
Issue of 2004	123,620	1.000% to 3.500%
Issue of 2005	125,070	3.000% to 3.625%
Issue of 2006B	207,077	3.300% to 4.000%
Issue of 2006C	295,271	3.500% to 3.875%
Issue of 2009A	169,242	2.000% to 3.900%
Issue of 2009B	174,690	2.000% to 3.600%
Issue of 2011	175,819	1.000% to 4.000%
Issue of 2012	198,172	2.000% to 2.625%
	<u>\$ 1,468,961</u>	

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue.

**Clinton County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2012**

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**5. Debt Obligations, Continued**

A summary of activity in bond obligations and other debts is as follows:

Description	Balance at beginning of year	Issued	Payments	Balance at end of year	Amounts Due Within One Year
General obligation bonds – \$12,855,000 originally issued with various interest rates	\$ 11,642,041	\$ -	\$ 842,041	\$10,800,000	\$ 530,000
KISTA bonds- \$1,468,961 originally issued with various interest rates	852,693	198,172	144,625	906,240	150,317
Accumulated unpaid Sick leave benefits	415,857	(50,061)	32,233	312,670	20,893
	<u>\$ 12,910,591</u>	<u>\$ 148,111</u>	<u>\$ 1,018,899</u>	<u>\$12,018,910</u>	<u>\$ 701,210</u>

In connection with all bond issues, the Board entered into a participation agreement with the Kentucky School Facilities Construction Commission, whereby the Commission has agreed to provide amounts on an annual basis (reflected in the following table) toward the payment of principal and interest requirements on the bonds. The agreement is in effect for a period of two years. The obligation of the Commission to make said payments shall automatically renew every two years, unless the Commission provides the Board notice of its intention not to participate within sixty days prior to the expiration of the two year period.

**Clinton County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2012**

**5. Debt Obligations, Continued**

Assuming no issues are called prior to scheduled maturity and that the Kentucky School Facilities Construction Commission continues to renew its agreement, the minimum obligations at June 30, 2012 for debt service (principal and interest) are as follows:

Year	Clinton County School District		Kentucky School Facilities Construction Commission		Total
	Principal	Interest	Principal	Interest	
2013	\$ 562,374	\$ 410,738	\$ 117,943	\$ 80,677	\$ 1,171,732
2014	572,450	391,743	122,114	76,507	1,162,814
2015	577,436	372,010	126,702	71,918	1,148,066
2016	578,380	351,613	131,730	66,887	1,128,610
2017	584,946	324,735	118,039	61,607	1,089,327
2018	568,582	302,683	118,514	56,717	1,046,496
2019	588,031	281,626	113,254	51,739	1,034,650
2020	589,193	256,251	84,126	46,725	976,295
2021	471,171	231,851	87,976	42,876	833,874
2022	471,174	212,150	92,105	38,747	814,176
2023	473,568	192,305	96,432	34,420	796,725
2024	493,954	172,021	101,046	29,804	796,825
2025	514,032	150,824	105,968	24,883	795,707
2026	532,081	128,829	102,919	19,886	783,715
2027	554,378	105,940	80,622	15,365	756,305
2028	579,301	82,011	75,699	11,364	748,375
2029	379,146	58,420	55,854	7,730	501,150
2030	380,691	35,625	59,309	4,275	479,900
2031	403,406	12,102	41,594	1,248	458,350
	<u>\$ 9,874,294</u>	<u>\$ 4,073,477</u>	<u>\$ 1,831,946</u>	<u>\$ 743,375</u>	<u>\$16,523,092</u>

Interest incurred on debt during the year ended June 30, 2012 totaled \$533,512.

**Clinton County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2012**

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**6. 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. At June 30, 2012, this amount totaled \$333,563. 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 District follows a policy of funding up to one-half of the total amount accrued as a reservation of the General Fund balance.

**7. Retirement Plans**

**A. Kentucky Teachers Retirement System:**

All certified employees are covered under the Kentucky Teachers Retirement System ("KTRS"). KTRS, a cost sharing, multiple-employer, public employee retirement system, provides retirement benefits based on an employee's final average salary and number of years service. Benefits are subject to certain reductions if the employee retires before reaching age sixty, unless the employee has twenty-seven or more years of participation in the plan. The plan also provides for disability retirement, death and survivor benefits and medical insurance.

KTRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Teachers Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601-3868 or by calling (502) 573-5120.

Funding for the plan is provided from eligible employees who contribute 9.855% of their salary through payroll deductions and by the Commonwealth of Kentucky through matching contributions at the rate of 13.105%. The matching contributions are paid by the Federal programs for any salaries paid by these programs. Kentucky-Revised Statute and the KTRS Board of Trustees establish contribution requirements of the plan members and the District.

Contributions to KTRS made on behalf of the District by the Commonwealth of Kentucky for the year ended June 30, 2012 were \$808,516 and the Board paid \$303,336 from federal grant monies to KTRS in matching contributions for federally funded employees for a total of \$1,111,852 paid to KTRS, equal to the required contribution for the year. Total contributions for June 30, 2011 and 2010 were \$1,074,563 and \$1,063,607, respectively.

**Clinton County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2012**

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**7. Retirement Plans, Continued**

**B. County Employee's Retirement System:**

The District contributes to the County Employee's Retirement System ("CERS"), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky Retirement System for non-certified employees. It covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the CERS. CERS provides for retirement, disability, and death benefits to plan members. Cost of living adjustments are provided at the discretion of the State legislature.

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

Plan members are required to contribute 5.000% of their annual creditable compensation, and the District is required to contribute 18.960% of the employee's total compensation. The contribution requirements of CERS members and the District are established and may be amended by the CERS Board of Trustees. The District's contributions to CERS for the year ending June 30, 2012 were \$591,039, equal to the required contribution for the year. Total contributions for June 30, 2011 and 2010 were \$471,877 and \$434,615, respectively.

**8. Contingencies**

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

**Clinton County School District**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2012**

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**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 is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include worker's compensation insurance.

**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 Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (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 notices. 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.

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

**11. Cobra**

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

**Clinton County School District  
Notes to Financial Statements  
For the Year Ended June 30, 2012**

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**12. On-Behalf Payments**

For fiscal year 2012, the Commonwealth of Kentucky contributed payments on behalf of the District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System	\$808,516
Health and Life Insurance, Flexible Spending Plan, and Administrative Fees	\$2,023,959
State Operated Vocational Education	\$61,116

These amounts are included in the District-Wide Statement of Activities as State Revenue and an expense allocated to the different functions in the same proportion as full-time employees.

**13. Transfer of Funds**

The following transfers were made during the year:

<b>Type</b>	<b>From Fund</b>	<b>To Fund</b>	<b>Purpose</b>	<b>Amount</b>
Operating	General	Debt Service	Debt Service	\$47,684
Operating	Capital Projects	Debt Service	Debt Service	\$758,875
Operating	Food Service	General	Indirect Costs	\$47,579
Operating	Special Revenue	General	Indirect Costs	\$129,639
Operating	General	Special Revenue	Matching Grants	\$154,733

**REQUIRED SUPPLEMENTAL INFORMATION**

**Clinton County School District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	<u>Variance with</u> Final Budget
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
From local sources				
Taxes				
Property	\$ 1,267,527	\$ 1,267,527	\$ 1,410,830	\$ 143,303
Motor vehicles	260,000	260,000	276,115	16,115
Utilities	600,000	600,000	786,317	186,317
Other	85,000	85,000	94,288	9,288
Transportation	60,000	60,000	59,734	(266)
Earnings on investments	100,000	100,000	70,644	(29,356)
Other local revenues	146,072	146,072	107,142	(38,930)
Intergovernmental - State	7,303,848	7,303,848	10,140,591	2,836,743
Total revenues	<u>9,822,447</u>	<u>9,822,447</u>	<u>12,945,661</u>	<u>3,123,214</u>
<b>Expenditures</b>				
Current				
Instruction	5,817,647	5,817,647	8,087,062	(2,269,415)
Support services				
Students	428,382	428,382	537,687	(109,305)
Instructional staff	160,140	160,140	189,893	(29,753)
District administration	898,411	898,411	639,046	259,365
School administration	751,330	751,330	965,471	(214,141)
Business and other support services	116,700	116,700	137,708	(21,008)
Plant operation and management	1,439,515	1,439,515	1,426,858	12,657
Student transportation	941,635	941,635	1,382,796	(441,161)
Community services	28,214	28,214	22,271	5,943
Debt service	137,505	137,505	137,505	-
Total expenditures	<u>10,719,479</u>	<u>10,719,479</u>	<u>13,526,297</u>	<u>(2,806,818)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(897,032)	(897,032)	(580,636)	316,396
<b>Other financing sources (uses)</b>				
Gain on sale of equipment	-	-	5,956	5,956
Bond principal proceeds	-	-	198,172	198,172
Transfers in	43,778	43,778	177,218	133,440
Transfers out	(217,536)	(217,536)	(202,417)	15,119
Total other financing sources and uses	<u>(173,758)</u>	<u>(173,758)</u>	<u>178,929</u>	<u>352,687</u>
<b>Net change in fund balances</b>	(1,070,790)	(1,070,790)	(401,707)	669,083
Fund balances, beginning of year	<u>1,070,790</u>	<u>1,070,790</u>	<u>2,321,115</u>	<u>1,250,325</u>
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,919,408</u>	<u>\$ 1,919,408</u>

**Clinton County School District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual**  
**Special Revenue Fund**  
**For the Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interest income	\$ 2,000	\$ 2,000	\$ 319	\$ (1,681)
Other local revenues	200	200	226	26
Intergovernmental - State	814,047	814,047	871,851	57,804
Intergovernmental - Federal	<u>2,519,417</u>	<u>2,519,417</u>	<u>3,751,318</u>	<u>1,231,901</u>
Total revenues	<u>3,335,664</u>	<u>3,335,664</u>	<u>4,623,714</u>	<u>1,288,050</u>
<b>Expenditures</b>				
Current				
Instruction	2,615,366	2,615,366	3,746,596	(1,131,230)
Support services				
Students	195,308	195,308	188,795	6,513
Instructional staff	260,633	260,633	411,155	(150,523)
School administration	-	-	-	-
Plant operation and management	-	-	-	-
Student transportation	95,612	95,612	93,303	2,309
Community services	<u>208,955</u>	<u>208,955</u>	<u>208,955</u>	<u>-</u>
Total expenditures	<u>3,375,873</u>	<u>3,375,873</u>	<u>4,648,804</u>	<u>(1,272,931)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(40,209)</u>	<u>(40,209)</u>	<u>(25,090)</u>	<u>15,119</u>
<b>Other financing sources (uses)</b>				
Transfers in	45,315	45,315	30,196	(15,119)
Transfers out	<u>(5,106)</u>	<u>(5,106)</u>	<u>(5,106)</u>	<u>-</u>
Total other financing sources and uses	<u>40,209</u>	<u>40,209</u>	<u>25,090</u>	<u>(15,119)</u>
<b>Net change in fund balances</b>	-	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SUPPLEMENTAL INFORMATION**

**Clinton County School District  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2012**

	Capital Project Funds	Construction Fund	Debt Service Funds	Total Non-Major Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 1,148	\$ 154,794	\$ 152	\$ 156,094
Accounts receivable	-	-	-	-
Total assets	\$ 1,148	\$ 154,794	\$ 152	\$ 156,094
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
<b>Fund Balances</b>				
<b>Non Spendable</b>				
Debt Service	-	154,794	152	154,946
Other	1,148	-	-	1,148
Total Restricted Fund Balance	1,148	154,794	152	156,094
Total liabilities and fund balances	\$ 1,148	\$ 154,794	\$ 152	\$ 156,094

**Clinton County School District**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2012**

	Capital Project Funds	Construction Fund	Debt Service Funds	Total Non- Major Governmental Funds
<b>Revenues</b>				
From local sources				
Property taxes	\$ 236,256	\$ -	\$ -	\$ 236,256
Earnings on investments	-	-	-	-
Intergovernmental - State	<u>460,267</u>	<u>-</u>	<u>526,120</u>	<u>986,387</u>
Total revenues	<u>696,523</u>	<u>-</u>	<u>526,120</u>	<u>1,222,643</u>
<b>Expenditures</b>				
Current				
Plant operation and management	-	-	-	-
Site acquisition	-	-	-	-
New construction	-	-	-	-
Building improvements	-	47,015	-	47,015
Debt Service				
Bond issuance costs	-	-	-	-
Principal paid	-	-	884,625	884,625
Interest paid	-	-	448,046	448,046
Total expenditures	<u>-</u>	<u>47,015</u>	<u>1,332,671</u>	<u>1,379,686</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>696,523</u>	<u>(47,015)</u>	<u>(806,551)</u>	<u>(157,043)</u>
<b>Other Financing Sources (Uses)</b>				
Bond sale proceeds	-	-	-	-
Operating transfers in	-	160,855	806,559	967,414
Operating transfers out	<u>(758,875)</u>	<u>(160,855)</u>	<u>5</u>	<u>(919,725)</u>
Total other financing sources (uses)	<u>(758,875)</u>	<u>-</u>	<u>806,564</u>	<u>47,689</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	(62,352)	(47,015)	13	(109,354)
Fund Balance, beginning of year	<u>63,500</u>	<u>201,809</u>	<u>139</u>	<u>265,448</u>
<b>Fund Balance, end of year</b>	<u>\$ 1,148</u>	<u>\$ 154,794</u>	<u>\$ 152</u>	<u>\$ 156,094</u>

**Clinton County School District  
Combining Balance Sheet  
Non-Major Capital Project Funds  
June 30, 2012**

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	<u>FSPK Fund</u>	<u>SEEK Fund</u>	<u>Total Non-Major Capital Project Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 1,148	\$ 1,148
Accounts receivable	-	-	-
<b>Total assets</b>	<u>\$ -</u>	<u>\$ 1,148</u>	<u>\$ 1,148</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>			
Nonspendable	-	63,500	63,500
Other	-	(62,352)	(62,352)
<b>Total Restricted Fund Balance</b>	<u>-</u>	<u>1,148</u>	<u>1,148</u>
<b>Total liabilities and fund balances</b>	<u>\$ -</u>	<u>\$ 1,148</u>	<u>\$ 1,148</u>

**Clinton County School District**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Non-Major Capital Project Funds**  
**For the Year Ended June 30, 2012**

	FSPK	SEEK	Total Non-Major Capital Project Funds
	<u>Fund</u>	<u>Fund</u>	<u>Project Funds</u>
<b>Revenues</b>			
From local sources			
Property taxes	\$ 236,256	\$ -	\$ 236,256
Earnings on investments	-	-	-
Intergovernmental - State	<u>307,319</u>	<u>152,948</u>	<u>460,267</u>
Total revenues	<u>543,575</u>	<u>152,948</u>	<u>696,523</u>
<b>Expenditures</b>			
Current			
Plant operation and management	-	-	-
Site acquisition	-	-	-
Site improvement	-	-	-
New building construction	-	-	-
Debt service	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>543,575</u>	<u>152,948</u>	<u>696,523</u>
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	-	-	-
Operating transfers out	<u>(543,575)</u>	<u>(215,300)</u>	<u>(758,875)</u>
Total other financing sources (uses)	<u>(543,575)</u>	<u>(215,300)</u>	<u>(758,875)</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	-	(62,352)	(62,352)
Fund Balance, beginning of year	<u>-</u>	<u>63,500</u>	<u>63,500</u>
<b>Fund Balance, end of year</b>	<u>\$ -</u>	<u>\$ 1,148</u>	<u>\$ 1,148</u>

Clinton County School District  
 Combining Balance Sheet  
 Non-Major Debt Service Funds  
 June 30, 2012

	1998A	1999	2000A	2000B	2001	2004	2005E	2005K	2005A	2005B	2006A	2006B	2006C	2007	2009A	2009B	Bond Fund	Bond Fund	Total Debt Service Fund
<b>Assets</b>																			
Cash and cash equivalents	\$ -	\$ 49	\$ -	\$ -	\$ -	\$ -	\$ 14	\$ -	\$ 82	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 152
Total assets	\$ -	\$ 49	\$ -	\$ -	\$ -	\$ -	\$ 14	\$ -	\$ 82	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 152
<b>Liabilities and Fund Balances</b>																			
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balances	-	49	-	-	-	-	14	-	82	7	-	-	-	-	-	-	-	-	152
Reserved for debt service	-	49	-	-	-	-	14	-	82	7	-	-	-	-	-	-	-	-	152
Total fund balance	-	49	-	-	-	-	14	-	82	7	-	-	-	-	-	-	-	-	152
Total liabilities and fund balances	\$ -	\$ 49	\$ -	\$ -	\$ -	\$ -	\$ 14	\$ -	\$ 82	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 152

**Clinton County School District**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Non-Major Debt Service Funds**  
**For the Year Ended June 30, 2012**

	1998	1999	2001	2004	2005E	2005K	2005A	2005B	2006A	2006B	2006C	2006W	2007	2009A	2009B	2010	2011	Total	
	Bond	Bond	Bond	Bond	Bond	Bond	Bond	Bond	Bond	Bond	Bond	Bond	Bond	Bond	Bond	Bond	Bond	Debt	
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Service	
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	
<b>Revenues</b>																			
From local sources																			
Earnings on investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Intergovernmental - State	327,502	34,143	-	-	-	-	20,141	34,864	13,483	-	-	-	32,404	-	-	63,583	-	526,120	
Total revenues	327,502	34,143	-	-	-	-	20,141	34,864	13,483	-	-	-	32,404	-	-	63,583	-	526,120	
<b>Expenditures</b>																			
Debt service																			
Bond issuance costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Principal paid	500,000	40,000	13,995	13,172	-	13,053	85,000	45,000	20,000	21,093	29,295	-	20,000	15,732	19,270	30,000	19,015	884,625	
Interest paid	20,500	14,300	658	1,206	-	1,752	46,730	50,005	31,430	3,910	6,772	-	183,750	4,282	4,336	73,734	4,681	448,046	
Total expenditures	520,500	54,300	14,653	14,378	-	14,805	131,730	95,005	51,430	25,003	36,067	-	203,750	20,014	23,606	103,734	23,696	1,332,671	
<b>Deficiency of Revenues Under Expenditures</b>	<b>(192,998)</b>	<b>(20,157)</b>	<b>(14,653)</b>	<b>(14,378)</b>	<b>-</b>	<b>(14,805)</b>	<b>(11,594)</b>	<b>(60,141)</b>	<b>(37,947)</b>	<b>(25,003)</b>	<b>(36,067)</b>	<b>-</b>	<b>(171,346)</b>	<b>(20,014)</b>	<b>(23,606)</b>	<b>(40,151)</b>	<b>(23,696)</b>	<b>(806,551)</b>	
<b>Other Financing Sources (Uses)</b>																			
Operating transfers in	192,998	20,157	14,653	14,378	-	14,805	111,594	60,144	37,947	25,003	36,067	-	171,346	20,014	23,606	40,151	23,696	806,559	
Operating transfers out	-	-	-	-	5	-	-	-	-	-	-	-	-	-	-	-	-	-	5
Total other financing sources (uses)	192,998	20,157	14,653	14,378	5	14,805	111,594	60,144	37,947	25,003	36,067	-	171,346	20,014	23,606	40,151	23,696	806,564	
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13</b>	
Fund Balance, beginning of year	-	49	-	-	9	-	77	4	-	-	-	-	-	-	-	-	-	-	139
<b>Fund Balance, end of year</b>	<b>\$ -</b>	<b>\$ 49</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14</b>	<b>\$ -</b>	<b>\$ 82</b>	<b>\$ 7</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 152</b>

**Clinton County School District**  
**Statement of Changes in Assets and Liabilities**  
**School Activity Funds**  
**For the Year Ended June 30, 2012**

	Clinton County High School	Clinton County Middle School	Albany Elementary	Early Childhood Center	Total Activity Funds
<b>Cash Balance, beginning of year</b>	\$ 40,693	\$ 60,499	\$ 15,092	\$ 19,922	\$ 136,206
Receipts	391,432	112,427	127,008	51,616	682,483
Disbursements	<u>(407,158)</u>	<u>(104,682)</u>	<u>(133,175)</u>	<u>(49,808)</u>	<u>(694,823)</u>
<b>Cash Balance, end of year</b>	<u>24,967</u>	<u>68,244</u>	<u>8,925</u>	<u>21,730</u>	<u>123,866</u>
Receivables	5,705	1,284	-	-	6,989
Payables	<u>(1,598)</u>	<u>(346)</u>	<u>(1,176)</u>	<u>(1,819)</u>	<u>(4,939)</u>
<b>Deposits Held in Custody for Students, end of year</b>	<u>\$ 29,074</u>	<u>\$ 69,182</u>	<u>\$ 7,749</u>	<u>\$ 19,911</u>	<u>\$ 125,916</u>

**Clinton County School District**  
**Statement of Changes in Assets and Liabilities**  
**School Activity Funds**  
**Clinton County High School**  
**For the Year Ended June 30, 2012**

	Cash			Cash			Deposits Held
	Balance,			Balance,			in Custody for
	Beginning	Receipts	Disbursements	End of Year	Receivables	Payables	Students, End
	of Year						of Year
General Fund	\$ 648	\$ 53,358	\$ 51,748	\$ 2,258	\$ -	\$ -	\$ 2,258
Textbooks	-	1,205	1,205	-	-	-	-
Faculty	-	2,921	2,921	-	-	-	-
Interest Acct.	-	84	84	-	-	-	-
Lockers	-	2,080	2,080	-	-	-	-
Parking Permits	-	1,045	1,045	-	-	-	-
School Day Pictures	-	5,129	5,129	-	-	-	-
Athletic Fund	-	13,859	13,859	-	-	-	-
Athletic Concessions	977	26,765	27,742	-	-	-	-
Athletic Tournaments	-	-	-	-	-	-	-
Concessions-Break	-	13,840	13,840	-	-	-	-
Boys Basketball	143	49,829	47,649	2,323	-	-	2,323
Girls Basketball	-	19,752	16,986	2,766	-	-	2,766
Baseball	-	6,454	6,454	-	-	-	-
Softball	-	7,848	7,848	-	-	-	-
Football	-	13,002	13,002	-	-	-	-
Cheerleaders	-	18,407	18,407	-	-	-	-
Cross Country	-	1,609	1,609	-	-	-	-
Girls Golf	-	1,363	1,363	-	-	-	-
Boys Golf	60	1,363	1,423	-	-	-	-
Tennis	90	1,662	1,752	-	-	-	-
Girls Volleyball	1,413	20,450	21,094	769	-	-	769
Boys Soccer	-	2,775	2,328	447	-	-	447
Girls Soccer	-	2,775	2,775	-	-	-	-
Chess Club	89	540	629	-	-	-	-
Spirit Club	314	1,391	1,705	-	-	-	-
Class of 2012	-	22,764	22,727	37	-	-	37
Media	-	3,115	2,115	1,000	-	-	1,000
Senior Trip 2012	2,376	20,835	23,211	-	-	-	-
FFA	-	12,680	12,680	-	-	-	-
FCCLA	528	983	1,309	202	-	-	202
JROTC	885	11,224	11,536	573	-	-	573
Art Fund	320	300	-	620	-	-	620
English Club	478	1,150	1,392	236	-	-	236
Beta Club	1,340	1,517	1,544	1,313	-	-	1,313
FCA	149	-	30	119	-	-	119
KY Jr Historical	16	24	24	16	-	-	16
History Club	477	220	113	584	-	-	584
Biology	873	-	830	43	-	-	43
Chemistry	453	260	713	-	-	-	-
Spanish	299	-	171	128	-	-	128
Best Buddies Club	120	1,153	859	414	-	-	414
KYA/KUNA	72	-	-	72	-	-	72
Lunch Obligations	-	1,163	1,163	-	-	-	-
N T H S	-	622	622	-	-	-	-
F E A	-	135	84	51	-	-	51
Math Club	-	100	-	100	-	-	100
Bulldog Ranking	-	25	25	-	-	-	-
Yearbook	21,409	30,900	43,344	8,966	-	-	8,966
Library	-	1,008	236	772	-	-	772
Band	-	38	38	-	-	-	-
Student Council	127	-	-	127	-	-	127
180 Club	440	700	1,140	-	-	-	-
SADD	114	10	75	49	-	-	49
Scholarship Fund	6,483	11,000	16,500	983	-	-	983
	<u>\$ 40,693</u>	<u>\$ 391,432</u>	<u>\$ 407,158</u>	<u>\$ 24,968</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,968</u>

**Clinton County School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2012**

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
<b>U.S. Department of Agriculture</b>				
Passed through State Department of Education				
<i>Child Nutrition Cluster</i>				
National School Breakfast Program	10.553	7760005 11	\$ 235,719	\$ 54,203
National School Breakfast Program	10.553	7760005 12	\$ 192,366	188,102
CFDA Number Subtotal				<u>242,305</u>
National School Lunch Program	10.555	7750002 11	\$ 228,608	122,399
National School Lunch Program	10.555	7750002 12	\$ 393,126	426,884
Food Donated	10.555			55,464
CFDA Number Subtotal				<u>604,747</u>
National School Summer Meal Reimbursement	10.559	7740023 11	\$ 13,242	13,242
				<u>13,242</u>
Total Child Nutrition Cluster				<u>860,294</u>
<b>U.S. Department of Defense</b>				
Direct Program				
ROTC Language and Culture Training Grants	12.357	5042	\$ 60,341	60,341
Total U.S. Department of Justice				<u>60,341</u>
<b>U.S. Department of Education</b>				
Direct				
Twenty-First Century Community Learning Centers	84.287	5500H	\$ 14,200	14,200
Twenty-First Century Community Learning Centers	84.287	5500Q	\$ 1,347	1,347
Twenty-First Century Community Learning Centers	84.287	5500Z	\$ 17,004	17,004
Twenty-First Century Community Learning Centers	84.287	5501	\$ 30,646	73,392
Twenty-First Century Community Learning Centers	84.287	5501H	\$ 45,765	150,000
Twenty-First Century Community Learning Centers	84.287	5501J	\$ -	4,000
Twenty-First Century Community Learning Centers	84.287	5502	\$ -	14,845
Twenty-First Century Community Learning Centers	84.287	5502H	\$ -	8,764
Twenty-First Century Community Learning Centers	84.287	5502S	\$ -	10,000
CFDA Number Subtotal				<u>293,552</u>
Passed through State Workforce Cabinet				
Adult Education - Basic Grants to States	84.002	3732	\$ 38,932	42,868
Adult Education - Basic Grants to States	84.002	3732S	\$ 308	308
Adult Education - Basic Grants to States	84.002	3652	\$ 8,812	10,000
CFDA Number Subtotal				<u>53,176</u>

**Clinton County School District**  
**Schedule of Expenditures of Federal Awards, Continued**  
**For the Year Ended June 30, 2012**

Pass-Through Grantor Program Title	CFDA Number	Grantor's Number	or Award Amount	Expenditures
<b>U.S. Department of Education, continued</b>				
Passed through State Department of Education				
<i><b>Title I Cluster</b></i>				
Title I Grants to Local Educational Agencies	84.010	3101	\$ 115,329	\$ 115,329
Title I Grants to Local Educational Agencies	84.010	3101D	\$ 35,948	35,948
Title I Grants to Local Educational Agencies	84.010	3101M	\$ 57,209	57,209
Title I Grants to Local Educational Agencies	84.010	3102	\$ 305,838	456,797
Title I Grants to Local Educational Agencies	84.010	3102D	\$ 42,986	68,594
Title I Grants to Local Educational Agencies	84.010	3102M	\$ 11,450	35,183
Title I Grants to Local Educational Agencies	84.010	3142	\$ 51,973	68,494
CFDA Number Subtotal				<u>837,554</u>
Total Title I Cluster				<u>837,554</u>
Migrant Education State Grant Program	84.011	3111	\$ 1,759	1,758
Migrant Education State Grant Program	84.011	3112	\$ 78,400	93,514
CFDA Number Subtotal				<u>95,272</u>
Title I State Agency Program for Neglected and Delinquent Children	84.013	3141	\$ 3,584	3,584
CFDA Number Subtotal				<u>3,584</u>
<i><b>Special Education Cluster</b></i>				
Special Education Grants to States	84.027	3371	\$ 97,011	97,010
Special Education Grants to States	84.027	3372	\$ 174,398	249,044
CFDA Number Subtotal				<u>346,054</u>
Special Education Preschool Grants	84.173	3431	\$ 2,000	2,254
Special Education Preschool Grants	84.173	3432	\$ 15,787	21,238
CFDA Number Subtotal				<u>23,492</u>
Total Special Education Cluster				<u>369,546</u>
Career and Technical Education - Basic Grants to States	84.048	3480A	\$ 277	277
Career and Technical Education - Basic Grants to States	84.048	3481A	\$ 8,198	667
Career and Technical Education - Basic Grants to States	84.048	3482	\$ 4,114	10,188
CFDA Number Subtotal				<u>11,132</u>

**Clinton County School District**  
**Schedule of Expenditures of Federal Awards, Concluded**  
**For the Year Ended June 30, 2012**

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
<b>U.S. Department of Education, continued</b>				
Passed through State Department of Education				
Safe & Drug-Free Schools and Communities	84.184B	5340H	\$ 82,622	82,622
Safe & Drug-Free Schools and Communities	84.184B	5341H	\$ 81,303	122,396
Safe & Drug-Free Schools and Communities	84.184B	5341L	\$ 294,958	389,903
CFDA Number Subtotal				594,921
Educational Technology State Grants	84.318	4251C	\$ 68,125	78,512
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	3791G	\$ 166,388	192,388
Rural & Low Income Schools	84.358	3501	\$ 10,788	10,788
Rural & Low Income Schools	84.358	3502	\$ 1,459	27,213
CFDA Number Subtotal				38,001
Improving Teacher Quality State Grants	84.367	4012	\$ 101,119	134,119
Passed through the Fund for the Improvement of Education				
Physical Education Project	84.215E	5321F	\$ 99,962	99,962
Physical Education Project	84.215E	5322F	\$ 128,120	156,958
Elementary School Counseling	84.215E	5321	\$ 85,097	85,097
Elementary School Counseling	84.215E	5322	\$ 157,250	228,131
CFDA Number Subtotal				570,148
Education Jobs Fund	84.410	4411	\$ 343,196	415,713
Total U.S. Department of Education				3,687,618
<b>Total Federal Assistance</b>				<b>\$ 4,608,253</b>

**Clinton County School District**  
**Schedule of Expenditures of Federal Awards, Concluded**  
**For the Year Ended June 30, 2012**

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**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Note A - Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards is a summary of the activity of the District's federal award programs presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

**Note B - Food Distribution**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At the end of the year, commodities on hand are included in the total inventory of \$24,108.



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**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  
Members of the Board of Education  
Clinton County School District  
Albany, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Clinton County School District (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 1, 2012. 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 *Office of Management and Budget 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 - Instructions for Completion and Electronic Submission of the Audit Contract, and Appendix IV to the Independent Auditor's Contract - Instructions for Submission of the Audit Report*.

**Internal Control Over Financial Reporting**

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting 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 financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting we consider to be a material weakness. schedule of findings and questioned costs that we consider to be a material weakness in internal control over financial reporting: 2012-01.

Members:  
Kentucky Society of Certified Public Accountants  
American Institute of Certified Public Accountants

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Clinton County School District

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness. 2012-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of material noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulation identified 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 - Instructions for Completion and Electronic Submission of the Audit Contract*, and *Appendix IV to the Independent Auditor's Contract - Instructions for Submission of the Audit Report*.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Kentucky State Committee for School District Audit, the members of the Board of Education of Clinton County, the Kentucky Board of Education, management, federal awarding agencies, pass-through entities and specified legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.



Somerset, Kentucky  
November 1, 2012



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**Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

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Kentucky State Committee for School District Audits  
Members of the Board of Education  
Clinton County School District  
Albany, Kentucky

Compliance

We have audited Clinton County School District's (the "District") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (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, 2012. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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; the provisions of *Office of Management and Budget 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 - Instructions for Completion and Electronic Submission of the Audit Contract, 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Clinton County School District

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly we express no opinion on the response.

This report is intended solely for the information and use of the Kentucky State Committee for School Board Audits, the members of the Board of Education of Clinton County, the Kentucky Board of Education, management, federal awarding agencies, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Somerset, Kentucky  
November 1, 2012

**Clinton County School District**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2012**

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**(A) Summary of Auditors' Results**

1. An unqualified opinion was issued on the basic financial statements.
2. The audit of the basic financial statements of Clinton County School District as of and for the year ended June 30, 2012, disclosed a material weakness in internal control.
3. The audit did not disclose any noncompliance which is material to the basic financial statements of Clinton County School District as of and for the year ended June 30, 2012.
4. No significant deficiencies or material weaknesses in internal control over major programs were noted.
5. An unqualified opinion was issued on compliance over major programs.
6. The audit did not disclose any findings that are required to be reported in accordance with section 510(a) of Circular A-133.
7. The Clinton County School District had the following major programs for the year ended June 30, 2012:

Program Title	CFDA Number
Child Nutrition Cluster	
National School Lunch Program	10.555
National School Summer Meal Reimbursement	10.559
National School Breakfast Program	10.553
Title I Grants to Local Educational Agencies	84.010
Safe & Drug-Free Schools and Communities	84.184B
Special Education Grants to States	84.027A
Education Jobs Fund	84.410
Safe & Drug-Free Schools and Communities	84.215

8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The Clinton County School District qualified as a low-risk auditee under OMB Circular A-133 *Audits of States, Local Governments and Non-profit Organizations*.

**Clinton County School District**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2012**

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**(B) Findings Related to Financial Statements in Accordance with Generally Accepted Governmental Auditing Standards**

**Reference Number 2012-01 Financial Statement Preparation**

**Criteria:** The District's management is responsible for establishing and maintaining internal controls over the preparation of financial statements.

**Condition:** We found that the organization had a lack of personnel with experience in financial reporting necessary to prepare the annual financial statements. This control deficiency could result in a misstatement in the financial statements and disclosures that would result in a material misstatement that would not be prevented or detected.

**Cause:** The District has a limited number of personnel with limited financial reporting experience.

**Effect:** The design of the internal controls over financial reporting limits the ability of the District to prepare the annual financial statements in accordance with generally accepted accounting principles.

**Recommendation:** We recommend that the District consider contracting with an experienced accountant to prepare draft financial statements on an annual basis.

**Management Response:** Management will evaluate the cost/benefit of contracting with an experienced accountant.

**(C) Findings and Questioned Costs Related to Federal Awards**

There were no findings in the current year.

**Clinton County School District**  
**Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2012**

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*Condition:* We found that the organization had a lack of personnel with experience in financial reporting necessary to prepare the annual financial statements. This control deficiency could result in a misstatement in the financial statements and disclosures that would result in a material misstatement that would not be prevented or detected.

*Recommendation:* We recommend District management and financial personnel continue to increase their awareness and knowledge of all procedures and processes involved in preparing financial statements and develop internal control policies to ensure proper financial statement presentation.

*Current Status:* Management has evaluated the cost/benefit of rectifying the condition and has determined that at this time the cost outweighs the benefit and that the condition will continue.

**Clinton County School District  
Corrective Action Plan  
For the Year Ended June 30, 2012**

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No corrective action plan needed in the current year.