

**CRITTENDEN COUNTY  
BOARD OF EDUCATION**

FINANCIAL REPORT

June 30, 2012

**E DENNIS DRIVER**  
Certified Public Accountant

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## INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Crittenden County Board of Education  
Marion, Kentucky

I have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Crittenden County Board of Education as of and for the year ended June 30, 2012, as listed in the table of contents. These basic statements are the responsibility of the Crittenden County Board of Education's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my 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, provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirement, and Appendix III to the Independent Auditor's Contract – Electronic Submission*. Those standards require that I 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Crittenden County Board of Education as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Major Special Revenue Fund, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued reports dated November 2, 2012, on my consideration of Crittenden County Board of Education's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read and considered in assessing the results of my 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 5 through 9 and 16 through 18 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standard generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide an assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Crittenden County Board of Education's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Crittenden County Board of Education. The combining and

individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, I express no opinion on it.



November 2, 2012  
Paducah, Kentucky



# Crittenden County Schools

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COMMUNITY EDUCATOR

## CRITTENDEN COUNTY PUBLIC SCHOOL DISTRICT – MARION, KY MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) YEAR ENDED JUNE 30, 2012

As management of the Crittenden County School 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 audit.

### **MISSION:**

The staff of Crittenden County School District pledges to provide resources and support to eliminate learning barriers in order to promote the highest possible academic achievement for all students.

### **“BIG SIX” DISTRICT GOALS**

1. Cultivate college and career readiness.
2. Improve attendance.
3. Increase student achievement
4. Maximize resource effectiveness.
5. Enhance internal and external connectivity.
6. Boost a “Rockin’” culture and climate.

### **“TOP TEN” COMMITMENTS FROM BOARD OF EDUCATION TO STAKEHOLDERS:**

1. Achieve a clear vision for educational excellence in Crittenden County.
2. Build a strong foundation between schools and the community.
3. Collaborate with our partners (Community/Industry/Colleges) to improve the overall quality of educational opportunities for the students.
4. Do “whatever it takes” for students of Crittenden County Schools.
5. Work as a team with an emphasis on relationship-building.
6. Listen closely to students, teachers, and community members to address needs of students.
7. Think “outside the box” for solutions and challenges.
8. Always focus on students graduating being prepared for life.
9. Stay focused on the positive improvement of educational services for children.
10. Promote lifelong learning.

**CRITTENDEN COUNTY PUBLIC SCHOOL DISTRICT – MARION, KY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2012**

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$1.299 million and the ending balance was \$1.719 million.
- Due to temporary investment of bond proceeds, interest income decreased \$2 thousand; that is a 33 percent decrease from the prior fiscal year.
- The General Fund had \$7.324 million in receipts (excluding on behalf payments), which primarily consisted of the state program (SEEK), property, local occupational license taxes, utilities, and motor vehicle taxes. There were \$6.774 million in General Fund expenditures (excluding on behalf payments). This resulted in receiving \$551 thousand dollars more than was expended, increasing the District's reserves.
- Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The district's total debt decreased by \$601 thousand due to scheduled payments on outstanding bonds and capital leases (buses).
- State law requires districts to update a priority list of construction and renovation needs, called a local facilities plan, every four years. The document guides the allocation of School Facilities Construction Commission dollars. Our plan was updated and approved in 2012.
- The district implements a resource efficiency team annually that determines how to maximize local state and federal funds on behalf of student learning.
- Crittenden County will be the first school district in the Commonwealth to pilot a propane-fueled school bus (December 2012). Capital Outlay funds will be utilized for this purchase.
- Bond refinancing in 2010 allowed the school district to spend less on debt service in fiscal year 2012.

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.

**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. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 10 and 11 of this report.

**CRITTENDEN COUNTY PUBLIC SCHOOL DISTRICT – MARION, KY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2012**

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our childcare 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 12 through 22 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 23 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 \$5.545 million as of June 30, 2012.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that 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**

Comparative information for the current and prior year is presented below.

	June 30, 2012	2011	Increase (Decrease)
Current Assets	\$ 1,948,425	\$ 1,952,734	\$ (4,309)
Noncurrent Assets, net of accumulated depreciation	<u>11,448,418</u>	<u>11,759,404</u>	<u>(310,986)</u>
<b>Total Assets</b>	<b><u>\$ 13,396,843</u></b>	<b><u>\$ 13,712,138</u></b>	<b><u>\$ (315,295)</u></b>
Current Liabilities	\$ 1,085,431	\$ 855,104	\$ 230,327
Noncurrent Liabilities	<u>6,766,617</u>	<u>7,510,103</u>	<u>(743,486)</u>
<b>Total Liabilities</b>	<b><u>\$ 7,852,048</u></b>	<b><u>\$ 8,365,207</u></b>	<b><u>\$ (513,159)</u></b>
Net Assets			
Investment in capital assets, net of debt	4,248,659	3,942,834	305,825
Restricted	434,849	533,809	(98,960)
Unreserved fund balance	<u>861,287</u>	<u>870,288</u>	<u>(9,001)</u>
<b>Total Net Assets</b>	<b><u>\$ 5,544,795</u></b>	<b><u>\$ 5,346,931</u></b>	<b><u>\$ 197,864</u></b>

**CRITTENDEN COUNTY PUBLIC SCHOOL DISTRICT – MARION, KY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2012**

**Comments on Budget Comparisons**

- The District's total revenues for the fiscal year ended June 30, 2012, net of interfund transfers, were \$9.059 million.
- General fund budget compared to actual revenue varied from line item to line item with the ending actual balance being \$1.121 million less than budgeted.
- The total cost of all programs and services, excluding depreciation, in-kind contributions and debt service was \$8.861 million net of debt service. This amount excludes in-kind contributions and food service operations.

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

	Year Ended June 30, 2012	2011	Increase (Decrease)
<b>Revenues:</b>			
Local revenue sources	\$ 2,372,695	\$ 2,291,193	\$ 81,502
State revenue sources	6,149,556	5,580,236	569,320
On-behalf payments	1,825,203	1,703,758	121,445
Federal revenue	1,352,002	1,684,490	(332,488)
Bond proceeds	-	956,715	(956,715)
Other Sources	<u>50,237</u>	<u>42,127</u>	<u>8,110</u>
Total Revenues	11,749,693	12,258,519	(508,826)
<b>Expenses:</b>			
Instruction	5,788,991	5,563,256	225,735
Student Support Services	791,285	822,974	(31,689)
Instructional Staff Support	781,471	635,371	146,100
District Administration	534,020	513,964	20,056
School Administration	850,235	750,764	99,471
Business Support	210,783	202,691	8,092
Plant Operations	1,044,208	1,076,256	(32,048)
Student Transportation	891,854	794,164	97,690
Other Instructional	-	605	(605)
Site Improvement	-	902,717	(902,717)
Community Activities	75,617	93,537	(17,920)
Debt Service	<u>781,599</u>	<u>548,974</u>	<u>232,625</u>
Total Expenses	<u>11,750,063</u>	<u>11,905,273</u>	<u>(155,210)</u>
<b>Expenses in Excess of Revenue</b>	<u>\$ (370)</u>	<u>\$ 353,246</u>	<u>\$ (353,616)</u>

Amounts for the year ended June 30, 2012 include \$1,825,203 in revenues and expenses for on-behalf payments made for medical insurance and pension contributions for certified staff by the Commonwealth of Kentucky. For the year ended June 30, 2011, on-behalf revenues and expenses totaled \$1,703,758.

**CRITTENDEN COUNTY PUBLIC SCHOOL DISTRICT – MARION, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2012**

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2012, for selected funds (this chart excludes on-behalf payments).

	<b>General Fund</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Food Service</b>	<b>Day Care</b>
<b>Revenues:</b>					
Local	\$ 2,169,912	\$ 39	\$ 202,783	\$ 241,218	\$ 52,849
State	5,096,886	418,894	635,186	6,822	-
Bond proceeds	-	-	-	-	-
Federal	8,882	1,343,120	-	446,649	-
Other	48,788	-	-	-	-
<b>Total</b>	<b>7,324,468</b>	<b>1,762,053</b>	<b>837,969</b>	<b>694,689</b>	<b>52,849</b>
<b>Expenses:</b>					
Instruction	3,740,685	928,898	-	-	-
Student Support	461,647	218,092	-	-	-
Instructional Support	282,096	365,206	-	-	-
District Administration	435,986	43,869	-	-	-
School Administration	690,097	-	-	-	-
Business Support	119,969	66,819	-	-	-
Plant Operations	922,570	-	-	-	-
Student Transportation	680,387	111,321	-	-	-
Other	-	-	-	-	-
Community Support	-	75,617	-	-	52,114
Debt Service	107,397	-	674,202	-	-
Building Renovation	-	-	-	-	-
Food Services	-	-	-	713,471	-
Transfers, net	44,960	(47,769)	-	-	-
<b>Total</b>	<b>7,485,794</b>	<b>1,762,053</b>	<b>674,202</b>	<b>713,471</b>	<b>52,114</b>
<b>Revenue (over/under) Expenses</b>	<b>\$ (161,326)</b>	<b>\$ -</b>	<b>\$ 163,767</b>	<b>\$ (18,782)</b>	<b>\$ 735</b>

**General Fund Revenue**

The majority of revenue was derived from state funding 69% with local taxes making up 30% of total revenue. Federal and other revenue contributed 1% of total revenue.

**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 complied with this requirement.

Questions regarding this report should be directed to Dr. Rachel Yarbrough, Superintendent (270) 965-2281 or by mail at 601 West Elm, Marion, KY 42064.

# CRITTENDEN COUNTY BOARD OF EDUCATION

## STATEMENT OF NET ASSETS June 30, 2012

ASSETS	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 1,718,606	\$ 115,358	\$ 1,833,964
Inventory	-	32,980	32,980
Accounts receivable			
Taxes - current	98,802	-	98,802
Taxes - delinquent	-	-	-
Accounts receivable	1,187	-	1,187
Prepaid expenses	17,023	-	17,023
Intergovernmental - State	-	-	-
Intergovernmental - Indirect Federal	<u>112,807</u>	<u>-</u>	<u>112,807</u>
<b>TOTAL CURRENT ASSETS</b>	<u>1,948,425</u>	<u>148,338</u>	<u>2,096,763</u>
<b>NONCURRENT ASSETS</b>			
Capital assets	21,513,855	158,955	21,672,810
Less accumulated depreciation, computed by the straight-line method	(10,238,515)	(133,495)	(10,372,010)
KISTA insurance reserve	16,176	-	16,176
Bond issue costs, net of amortization	<u>156,902</u>	<u>-</u>	<u>156,902</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>11,448,418</u>	<u>25,460</u>	<u>11,473,878</u>
<b>TOTAL ASSETS</b>	<u>\$ 13,396,843</u>	<u>\$ 173,798</u>	<u>\$ 13,570,641</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 193,962	\$ 1,125	\$ 195,087
Deferred revenue	129,818	-	129,818
Current portion of bond obligations	490,000	-	490,000
Current portion of capital lease obligations	84,795	-	84,795
Current portion of accrued sick leave	127,952	-	127,952
Interest payable	<u>58,904</u>	<u>-</u>	<u>58,904</u>
<b>TOTAL CURRENT LIABILITIES</b>	1,085,431	1,125	1,086,556
<b>NONCURRENT LIABILITIES</b>			
Noncurrent portion of bond obligations	6,145,000	-	6,145,000
Noncurrent portion of capital lease obligations	323,062	-	323,062
Noncurrent portion of accrued sick leave	<u>298,555</u>	<u>21,958</u>	<u>320,513</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>6,766,617</u>	<u>21,958</u>	<u>6,788,575</u>
<b>TOTAL LIABILITIES</b>	7,852,048	23,083	7,875,131
<b>Net Assets</b>			
Invested in capital assets, net of related debt	4,248,659	25,460	4,274,119
Restricted for:			
Capital projects	131,082	-	131,082
Debt service	163,767	-	163,767
Other purposes (nonexpendable)	140,000	-	140,000
Unrestricted	<u>861,287</u>	<u>125,255</u>	<u>986,542</u>
<b>TOTAL NET ASSETS</b>	<u>5,544,795</u>	<u>150,715</u>	<u>5,695,510</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 13,396,843</u>	<u>\$ 173,798</u>	<u>\$ 13,570,641</u>

The Notes to Financial Statements are an integral part of this statement.

**CRITTENDEN COUNTY BOARD OF EDUCATION**

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction	\$ 6,262,673	\$ 8,882	\$ 881,129	\$ -	\$ (5,372,662)	\$ -	\$ (5,372,662)
Support Services							
Student	786,459	-	218,092	-	(568,367)	-	(568,367)
Instruction Staff	775,800	-	365,206	-	(410,594)	-	(410,594)
District administrative	550,234	-	43,869	-	(506,365)	-	(506,365)
School administrative	850,987	-	-	-	(850,987)	-	(850,987)
Business	166,200	-	66,819	-	(99,381)	-	(99,381)
Plant operation and maintenance	1,124,601	-	-	-	(1,124,601)	-	(1,124,601)
Student transportation	837,136	-	111,321	-	(725,815)	-	(725,815)
Central office	-	-	-	-	-	-	-
Other instructional	-	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	324,124	324,124	-	324,124
Food Service	-	-	-	-	-	-	-
Community service activities	74,077	-	75,617	-	1,540	-	1,540
Interest on long-term debt	277,471	-	-	-	(277,471)	-	(277,471)
Amortization	15,415	-	-	-	(15,415)	-	(15,415)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>11,721,053</b>	<b>8,882</b>	<b>1,762,053</b>	<b>324,124</b>	<b>(9,625,994)</b>	<b>-</b>	<b>(9,625,994)</b>
BUSINESS-TYPE ACTIVITIES							
Food Service	797,557	241,085	409,709	-	-	(146,763)	(146,763)
Day care	65,283	52,849	-	-	-	(12,434)	(12,434)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>862,840</b>	<b>293,934</b>	<b>409,709</b>	<b>-</b>	<b>-</b>	<b>(159,197)</b>	<b>(159,197)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 12,583,893</b>	<b>\$ 302,816</b>	<b>\$ 2,171,762</b>	<b>\$ 324,124</b>	<b>\$ (9,625,994)</b>	<b>\$ (159,197)</b>	<b>\$ (9,785,191)</b>

GENERAL REVENUES

Taxes			
Property taxes	\$ 1,512,607	\$ -	\$ 1,512,607
Motor vehicle taxes	350,642	-	350,642
Utility taxes	509,445	-	509,445
Omitted, penalties and interest	-	-	-
Interest income	6,920	133	7,053
State and formula grants	7,231,703	141,017	7,372,720
Tuition	7,730	-	7,730
Gain (loss) on sales of fixed assets	1,265	-	1,265
Donated assets	163,140	-	163,140
Loss compensation	-	-	-
Contributions	2,010	-	2,010
Miscellaneous	38,396	-	38,396
<b>Total General and Special</b>	<b>9,823,858</b>	<b>141,150</b>	<b>9,965,008</b>
Change in net assets	197,864	(18,047)	179,817
Net assets - beginning	5,346,931	168,762	5,515,693
Net assets - ending	\$ 5,544,795	\$ 150,715	\$ 5,695,510

**CRITTENDEN COUNTY BOARD OF EDUCATION**

BALANCE SHEETS  
GOVERNMENTAL FUND  
June 30, 2012

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS AND RESOURCES</b>				
Cash and cash equivalents	\$ 1,373,243	\$ 50,514	\$ 294,849	\$ 1,718,606
Inventory	-	-	-	-
Accounts receivable				
Taxes - current	98,802	-	-	98,802
Taxes - delinquent	-	-	-	-
Accounts receivable	1,187	-	-	1,187
Intergovernmental - State	-	-	-	-
Intergovernmental - Indirect Federal	-	112,807	-	112,807
Prepaid Expenses	17,023	-	-	17,023
Due from other funds	-	-	-	-
Interest receivable	-	-	-	-
Investments	-	-	-	-
<b>TOTAL ASSETS AND RESOURCES</b>	<u>\$ 1,490,255</u>	<u>\$ 163,321</u>	<u>\$ 294,849</u>	<u>\$ 1,948,425</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 160,459	\$ 33,503	\$ -	\$ 193,962
Accrued payroll and related expenses	-	-	-	-
Current portion of accrued sick leave	-	-	-	-
Deferred revenue	-	129,818	-	129,818
Due to other funds	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>160,459</u>	<u>163,321</u>	<u>-</u>	<u>323,780</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted				
Accrued sick leave	140,000	-	-	140,000
Capital projects	-	-	294,849	294,849
Committed				
Site-based carry forward	84,566	-	-	84,566
Vehicle replacement	30,000	-	-	30,000
Property purchases	60,000	-	-	60,000
Insurance needs	149,024	-	-	149,024
Energy savings proposal	41,200	-	-	41,200
Assigned	-	-	-	-
Unassigned	825,006	-	-	825,006
<b>TOTAL FUND BALANCES</b>	<u>1,329,796</u>	<u>-</u>	<u>294,849</u>	<u>1,624,645</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,490,255</u>	<u>\$ 163,321</u>	<u>\$ 294,849</u>	<u>\$ 1,948,425</u>

The Notes to Financial Statements are an integral part of this statement.

# CRITTENDEN COUNTY BOARD OF EDUCATION

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS WITH THE DISTRICT-WIDE STATEMENTS OF NET ASSETS June 30, 2012

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
STATEMENTS OF NET ASSETS ARE DIFFERENT BECAUSE:

Total governmental fund balance \$ 1,624,645

Capital assets used in governmental activities are not financial  
resources and therefore are not reported as assets in the  
governmental funds.

Cost of capital assets	21,513,855	
Accumulated depreciation	(10,238,515)	
KISTA insurance reserve	16,177	
Bond issue costs, net of amortization	<u>156,902</u>	11,448,419

Long-term liabilities (including bonds payable) are not due and  
payable in the current period and therefore are not reported  
as liabilities in the governmental funds. Long-term liabilities,  
at year end, consist of:

Bonds payable	(6,635,000)	
Accrued interest on bonds	(58,904)	
Capital leases payable	(407,857)	
Accrued sick leave	<u>(426,508)</u>	<u>(7,528,269)</u>

TOTAL NET ASSETS, DISTRICT-WIDE \$ 5,544,795

The Notes to Financial Statements are an integral part of this statement.

**CRITTENDEN COUNTY BOARD OF EDUCATION**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2012

	General Fund	Special Revenue (Grant Funds)	Other Governmental Funds	Total Government Funds
<b>REVENUES</b>				
From local sources				
Taxes				
property	\$ 1,309,824	\$ -	\$ 202,783	\$ 1,512,607
motor vehicle	350,643	-	-	350,643
utility	509,445	-	-	509,445
omitted, penalties and interest	-	-	-	-
Tuition and fees	7,730	-	-	7,730
Earnings on investments	2,062	39	-	2,101
Food Service	-	-	-	-
Contributions	-	-	-	-
Other local revenues	38,996	-	-	38,996
Intergovernmental - intermediate	-	-	-	-
Intergovernmental - state	5,095,476	418,894	635,186	6,149,556
Intergovernmental - state on-behalf payments	1,825,203	-	-	1,825,203
Intergovernmental - indirect federal	-	1,304,354	-	1,304,354
Intergovernmental - direct federal	8,882	38,766	-	47,648
Other	<u>1,410</u>	<u>-</u>	<u>-</u>	<u>1,410</u>
<b>TOTAL REVENUES</b>	<b>9,149,671</b>	<b>1,762,053</b>	<b>837,969</b>	<b>11,749,693</b>
<b>EXPENDITURES</b>				
Current				
Instruction	4,860,093	928,898	-	5,788,991
Support services				
Student	573,193	218,092	-	791,285
Instructional staff	416,265	365,206	-	781,471
District administrative	490,151	43,869	-	534,020
School administrative	850,235	-	-	850,235
Business	143,964	66,819	-	210,783
Plant operation and maintenance	1,044,208	-	-	1,044,208
Student transportation	780,533	111,321	-	891,854
Central office	-	-	-	-
Other instructional	-	-	-	-
Facilities acquisition/site improvements	-	-	-	-
Food service operation	-	-	-	-
Community service activities	-	75,617	-	75,617
Student activities	-	-	-	-
Education specific	-	-	-	-
Other, debt service	<u>107,397</u>	<u>-</u>	<u>674,202</u>	<u>781,599</u>
	<u>9,266,039</u>	<u>1,809,822</u>	<u>674,202</u>	<u>11,750,063</u>
Excess of revenues over (under) expenditures	(116,368)	(47,769)	163,767	(370)
Other Financing Sources (Uses)				
Loss compensation, land and land improvements	-	-	-	-
Proceeds from sale of bonds	-	-	-	-
Proceeds from sale of fixed assets	2,809	-	-	2,809
Operating transfers in	-	47,769	363,140	410,909
Operating transfers out	<u>(47,769)</u>	<u>-</u>	<u>(363,140)</u>	<u>(410,909)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>(44,960)</u></b>	<b><u>47,769</u></b>	<b><u>-</u></b>	<b><u>2,809</u></b>
Excess (deficit) of revenues and other financing sources over expenditures and other financing sources	(161,328)	-	163,767	2,439
FUND BALANCES, beginning	<u>1,491,124</u>	<u>-</u>	<u>131,082</u>	<u>1,622,206</u>
FUND BALANCES, ending	<u>\$ 1,329,796</u>	<u>\$ -</u>	<u>\$ 294,849</u>	<u>\$ 1,624,645</u>

The Notes to Financial Statements are an integral part of this statement.

# CRITTENDEN COUNTY BOARD OF EDUCATION

## RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES Year Ended June 30, 2012

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

Net change in total fund balances per fund financial statements	\$	2,439
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Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceed depreciation for the year.

Capital outlays, net of non-cash acquisitions	322,306		
Depreciation	(779,474)		
Undepreciated basis of assets sold	<u>(1,544)</u>		(458,712)

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the statement of net assets

Bond payments	363,141		
Capital lease payments	<u>128,159</u>		491,300

In the statement of activities, certain operating expenses such as compensated absences are measured by the amounts earned or accrued during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This year, the differences between the amounts accrued and the financial resources used are:

Interest expense	(277,471)		
Amortization	(15,415)		
Sick leave	<u>(23,298)</u>		(316,184)

In the statement of activities, certain revenues are recognized when earned. In the governmental funds, revenues are recognized when financial resources are provided. This year, revenue earned exceeded financial resources by:

Donated assets recognized as a contribution	163,140		
Interest income on bond escrow account	4,819		
SFCC debt service contributions	<u>311,062</u>		<u>479,021</u>

Change in net assets of governmental activities	\$	<u>197,864</u>
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The Notes to Financial Statements are an integral part of this statement.

# CRITTENDEN COUNTY BOARD OF EDUCATION

## BUDGETARY COMPARISON SCHEDULE GENERAL FUND Year Ended June 30, 2012

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>RESOURCES (INFLOWS)</b>				
From local sources				
Taxes, property	\$ 1,171,600	\$ 1,173,288	\$ 1,309,824	\$ 136,536
motor vehicles	248,000	248,000	350,643	102,643
utility	385,000	385,000	509,445	124,445
omitted, penalties and interest	-	-	-	-
Tuition and fees	2,000	2,000	7,730	5,730
Earnings on investments	4,500	4,500	2,062	(2,438)
Food Service	-	-	-	-
Other	82,373	82,373	38,996	(43,377)
Intergovernmental, state	4,877,509	4,877,509	5,096,886	219,377
Intergovernmental, federal	-	-	8,882	8,882
<b>TOTAL REVENUES</b>	<b>6,770,982</b>	<b>6,772,670</b>	<b>7,324,468</b>	<b>551,798</b>
<b>USES (OUTFLOWS)</b>				
Current				
Instruction	3,812,192	3,825,368	3,740,685	84,683
Support services				
Student	436,971	437,257	461,647	(24,390)
Instructional staff	275,156	275,554	282,096	(6,542)
District administration	431,961	360,376	435,986	(75,610)
School administration	681,055	678,780	690,097	(11,317)
Business services	130,816	130,816	119,969	10,847
Plant operation and maintenance	994,708	1,008,708	922,570	86,138
Student transportation	654,550	731,534	680,387	51,147
Central office	-	-	-	-
Other instructional	1,171	1,171	-	1,171
Site improvement	-	-	-	-
Debt Service	110,717	110,717	107,397	3,320
Contingency	181,314	232,002	-	232,002
	<u>7,710,611</u>	<u>7,792,283</u>	<u>7,440,834</u>	<u>351,449</u>
Excess of sources of funds over (under) uses of funds	(939,629)	(1,019,613)	(116,366)	903,247
<b>Other Financing Sources (Uses)</b>				
Bond proceeds	-	-	-	-
Sale of assets	-	-	2,809	2,809
Operating transfers in	22,254	102,238	-	(102,238)
Operating transfers out	(5,000)	(5,000)	(47,769)	(42,769)
	<u>17,254</u>	<u>97,238</u>	<u>(44,960)</u>	<u>(142,198)</u>
Excess (deficit) of sources (inflows) and other financing sources over uses (outflows) and other financing sources	(922,375)	(922,375)	(161,326)	761,049
<b>FUND BALANCE, beginning</b>	<b>922,375</b>	<b>922,375</b>	<b>1,260,987</b>	<b>338,612</b>
<b>FUND BALANCE, ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,099,661</b>	<b>\$ 1,099,661</b>

The Notes to Financial Statements are an integral part of this statement.

# CRITTENDEN COUNTY BOARD OF EDUCATION

## BUDGETARY COMPARISON SCHEDULE (continued) GENERAL FUND Year Ended June 30, 2012

### Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

#### Sources/inflows of resources

Actual amounts (budgetary basis) available from the budgetary  
comparison schedule \$ 7,324,468

#### Differences - budget to GAAP

On-behalf payments made by the Commonwealth of Kentucky for  
medical insurance premiums and pension contributions for certified  
personnel are not budgeted 1,825,203

Total revenues as reported on the statement of revenues, expenditures,  
and changes in fund balance - governmental funds \$ 9,149,671

#### Uses/outflows of resources

Actual amounts (budgetary basis) "total uses/outflows" from the budgetary  
comparison schedule \$ 7,440,834

#### Differences - budget to GAAP

On-behalf payments made by the Commonwealth of Kentucky for  
medical insurance premiums and pension contributions for certified  
personnel are not budgeted 1,825,203

Total expenditures as reported on the statement of revenues, expenditures,  
and changes in fund balance - governmental funds \$ 9,266,037

The Notes to Financial Statements are an integral part of this statement.

# CRITTENDEN COUNTY BOARD OF EDUCATION

## BUDGETARY COMPARISON SCHEDULE SPECIAL REVENUE FUND Year Ended June 30, 2012

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES</b>				
From local sources				
Earnings on investments	\$ -	\$ 60	\$ 39	\$ (21)
Other local revenues	-	-	-	-
Intergovernmental - state	377,040	427,856	418,894	(8,962)
Intergovernmental - indirect federal	<u>1,086,723</u>	<u>1,099,053</u>	<u>1,343,120</u>	<u>244,067</u>
<b>TOTAL REVENUES</b>	<b>1,463,763</b>	<b>1,526,969</b>	<b>1,762,053</b>	<b>235,084</b>
<b>EXPENDITURES</b>				
Current				
Instruction	601,430	604,005	928,898	(324,893)
Support services				
Student	275,263	275,263	218,092	57,171
Instructional staff	337,893	380,405	365,206	15,199
District administration	41,141	43,883	43,869	14
Business support	18,275	77,822	66,819	11,003
Plant operations and maintenance	-	-	-	-
School administration	-	-	-	-
Student transportation	91,453	91,453	111,321	(19,868)
Central office	-	-	-	-
Community service activities	81,054	79,653	75,617	4,036
Building renovations	-	-	-	-
	<u>1,446,509</u>	<u>1,552,484</u>	<u>1,809,822</u>	<u>(257,338)</u>
Excess of revenues over (under) expenditures	17,254	(25,515)	(47,769)	(22,254)
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	5,000	47,769	47,769	-
Operating transfers out	<u>(22,254)</u>	<u>(22,254)</u>	<u>-</u>	<u>22,254</u>
	<u>(17,254)</u>	<u>25,515</u>	<u>47,769</u>	<u>22,254</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing sources	-	-	-	-
FUND BALANCE, beginning	-	-	-	-
FUND BALANCE, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of this statement.

# CRITTENDEN COUNTY BOARD OF EDUCATION

## COMBINED STATEMENTS OF NET ASSETS PROPRIETARY FUNDS June 30, 2012

	<u>Food Service Fund</u>	<u>FYRSC Day Care</u>	<u>Total</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 104,006	\$ 11,352	\$ 115,358
Inventory	<u>32,980</u>	<u>-</u>	<u>32,980</u>
<b>TOTAL CURRENT ASSETS</b>	<u>136,986</u>	<u>11,352</u>	<u>148,338</u>
<b>NONCURRENT ASSETS</b>			
Furniture and equipment	158,955	-	158,955
Less accumulated depreciation, computed by the straight-line method	<u>(133,495)</u>	<u>-</u>	<u>(133,495)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>25,460</u>	<u>-</u>	<u>25,460</u>
<b>TOTAL ASSETS</b>	<u>\$ 162,446</u>	<u>\$ 11,352</u>	<u>\$ 173,798</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 971	\$ 154	\$ 1,125
<b>TOTAL CURRENT LIABILITIES</b>	971	154	1,125
<b>NON-CURRENT LIABILITIES</b>			
Non-current portion of accrued sick leave	<u>18,170</u>	<u>3,788</u>	<u>21,958</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>	18,170	3,788	21,958
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	25,460	-	25,460
Unrestricted	<u>117,845</u>	<u>7,410</u>	<u>125,255</u>
<b>TOTAL NET ASSETS</b>	<u>143,305</u>	<u>7,410</u>	<u>150,715</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 162,446</u>	<u>\$ 11,352</u>	<u>\$ 173,798</u>

The Notes to Financial Statements are an integral part of this statement.

# CRITTENDEN COUNTY BOARD OF EDUCATION

## COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS Year Ended June 30, 2012

	<u>Food Service Fund</u>	<u>FYRSC Day Care</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Lunchroom sales	\$ 241,085	\$ -	\$ 241,085
Other operating revenues	<u>-</u>	<u>52,849</u>	<u>52,849</u>
 Total operating revenues	 241,085	 52,849	 293,934
<b>OPERATING EXPENSES</b>			
Salaries and Wages	260,980	38,736	299,716
Employee benefits	157,735	20,610	178,345
Purchased professional and technical services	962	230	1,192
Purchased property services	17,791	31	17,822
Other purchased services	7,986	428	8,414
Materials and supplies	343,609	4,920	348,529
Property	1,945	278	2,223
Depreciation	3,607	-	3,607
Other operating expenses	<u>2,942</u>	<u>50</u>	<u>2,992</u>
 Total operating expenses	 <u>797,557</u>	 <u>65,283</u>	 <u>862,840</u>
 OPERATING INCOME (LOSS)	 (556,472)	 (12,434)	 (568,906)
<b>NON-OPERATING REVENUES</b>			
Federal grants	409,709	-	409,709
Donations and donated commodities	36,940	-	36,940
State grants	90,908	13,169	104,077
Interest income	<u>133</u>	<u>-</u>	<u>133</u>
 Total non-operating revenues	 537,690	 13,169	 550,859
<b>Other financing sources (uses)</b>			
Loss on disposition of assets	-	-	-
Operating transfers in	-	-	-
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
 NET INCOME (LOSS)	 (18,782)	 735	 (18,047)
RETAINED EARNINGS, beginning	<u>162,087</u>	<u>6,675</u>	<u>168,762</u>
 RETAINED EARNINGS, ending	 <u>\$ 143,305</u>	 <u>\$ 7,410</u>	 <u>\$ 150,715</u>

The Notes to Financial Statements are an integral part of this statement.

# CRITTENDEN COUNTY BOARD OF EDUCATION

## COMBINED STATEMENTS OF CASH FLOWS PROPRIETARY FUNDS Year Ended June 30, 2012

	<u>Food Service Fund</u>	<u>FYRSC Day Care</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from:			
Lunchroom sales	\$ 241,085	\$ -	\$ 241,085
Government grants	416,530	-	416,530
Other activities	-	52,849	52,849
Cash paid to/for:			
Employees	(335,913)	(44,117)	(380,030)
Suppliers	(346,149)	(5,934)	(352,083)
Fixed assets	(3,969)	-	(3,969)
Other activities	(400)	-	(400)
Net cash provided (used) by operating activities	(28,816)	2,798	(26,018)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	133	-	133
Net increase (decrease) in cash and cash equivalents	(28,683)	2,798	(25,885)
CASH AND CASH EQUIVALENTS, July 1, 2011	132,689	8,554	141,243
CASH AND CASH EQUIVALENTS, June 30, 2012	\$ 104,006	\$ 11,352	\$ 115,358
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (18,915)	\$ 735	\$ (18,180)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	3,607	-	3,607
Change in assets and liabilities			
Inventory	(5,730)	-	(5,730)
Fixed assets	(3,969)	-	(3,969)
Accounts payable	(2,524)	3	(2,521)
Accrued sick leave	(1,285)	2,060	775
Net cash provided (used) by operating activities	\$ (28,816)	\$ 2,798	\$ (26,018)
Schedule of non-cash transactions:			
Donated commodities received from the U.S. Department of Agriculture	\$ 36,940	\$ -	\$ 36,940
Payments made on-behalf of the Board by the Commonwealth of Kentucky	\$ -	\$ -	\$ -

The Notes to Financial Statements are an integral part of this statement.

# CRITTENDEN COUNTY BOARD OF EDUCATION

## STATEMENTS OF FIDUCIARY NET ASSETS AGENCY FUNDS June 30, 2012

	<u>Activity Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>203,424</u>
TOTAL ASSETS	<u>\$ 203,424</u>
LIABILITIES	
Due to student groups	\$ <u>-</u>
TOTAL LIABILITIES	<u>-</u>
NET ASSETS HELD IN TRUST	<u>\$ 203,424</u>

The Notes to Financial Statements are an integral part of this statement.

# CRITTENDEN COUNTY BOARD OF EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS Year ended June 30, 2012

### NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

The Crittenden 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 Crittenden County School District (District). The Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding 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, and the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Crittenden County Board of Education. 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-Teachers Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or are 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:

Crittenden County School District Finance Corporation: In a prior year, the Board formed the Crittenden 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 Crittenden County Board of Education also comprise the Corporation's Board of Directors.

#### Basis of Presentation

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

The 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 reconciliations with brief explanations to better identify the relationships between government-wide statements and the statements for governmental funds.

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

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

The 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

# CRITTENDEN COUNTY BOARD OF EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS, continued Year ended June 30, 2012

### NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

The District has the following funds:

#### I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) 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 the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 43 through 44. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by the Proprietary Fund).
  - a. 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.
  - b. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
  - c. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction
- D. Debt Service Funds – 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 statute.

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

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

#### II. Proprietary Fund Types (Enterprise Fund), continued

- B. The FYRSC Day Care Fund is used to account for the operation of the after-school child care services.

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

#### III. Fiduciary Fund Type (Agency Funds)

- A. The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Accounting Procedures for Kentucky School Activity Funds (the "Redbook").

# CRITTENDEN COUNTY BOARD OF EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS, continued Year ended June 30, 2012

### NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

#### Basis of Accounting

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

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

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

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

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

#### Property Taxes

Property Tax Revenues — Property taxes are levied each September on the assessed value listed as of the prior January 1<sup>st</sup> for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2012, to finance the General Fund operations were \$.456 per \$100 of valuation for real property and business personal property and \$.541 per \$100 of valuation for motor vehicles.

The District levies a 3% gross utility receipts license tax for receipts derived from furnishing, within the county, telephone and telegraph communications services, cable television services, electric power, water, and natural, artificial and mixed gas.

#### Capital Assets

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

# CRITTENDEN COUNTY BOARD OF EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS, continued Year ended June 30, 2012

### NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

Description	Government Activities Estimated Lives
Buildings and improvements	25 - 50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5 - 10 years
Audio-visual equipment	15 years
Food service equipment	10 - 12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

#### 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.

#### Accumulated Unpaid Sick Leave Benefits

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

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

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

#### Budgetary Process

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

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

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

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.

# CRITTENDEN COUNTY BOARD OF EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS, continued Year ended June 30, 2012

### NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

#### Cash and Cash Equivalents

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

#### Inventories

On government-wide financial statements, inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as expenditure in the governmental fund types when purchased. The food service fund uses the specific identification method.

#### Prepaid Assets

Payments made that will benefit periods beyond June 30, 2012 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

#### Investments

The permanent funds record investments at their quoted market value prices for purposes of the Statement of Net Assets. All realized gains and losses and changes in fair value are recorded in the Statement of Activities. Long-term investments are not recorded on the fund financial statements nor are unrealized gains and losses.

#### Accrued Liabilities and Long-Term Obligations

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

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

#### Fund Balance Reserves

The District reserves 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. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves 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 School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

#### Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

# CRITTENDEN COUNTY BOARD OF EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS, continued Year ended June 30, 2012

### NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

#### Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. There were no contributions to capital during the fiscal year.

#### 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 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.

#### Fund Balance

The Board adopted GASB Statement Number 54 in the prior reporting period. This statement substantially changes the terminology used to describe different components of fund balance. Under this statement, fund balance is separated into five categories as follows:

Nonspendable fund balances are amounts that cannot be spent either because they are not in spendable form, such as Inventories, or because they are legally or contractually required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors, such as through debt covenants, grantors, contributors, or laws or regulations of other government or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes, such as future constructions projections, pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment and modification and rescinding of fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purpose, such as encumbrances, but are neither restricted nor committed. Assigned fund balance also includes (1) all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted or committed and (2) amounts in the general fund that are intended to be used for a specific purpose.

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

### NOTE B: ESTIMATES

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

### NOTE C: BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the Board's future obligations to make lease payments relating to the bonds issued by the Crittenden County School District Finance Corporation, aggregating \$8,536,812.

# CRITTENDEN COUNTY BOARD OF EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS, continued Year ended June 30, 2012

### NOTE C: BONDED DEBT AND LEASE OBLIGATIONS, continued

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

October, 2001	\$ 4,290,000	2.500% - 4.750%
February, 2003	\$ 415,000	3.100%
March, 2009	\$ 1,160,000	2.000% - 3.500%
August, 2009	\$ 1,135,000	2.000% - 4.400%
July, 2010	\$ 990,000	1.000% - 4.000%
September, 2010	\$ 3,865,000	0.500% - 2.600%

The Board, through the General Fund, the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) and the Facility Support Program Levy Fund (FSPK) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Crittenden County School District Finance Corporation to construct school facilities. The Board has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The Board has entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the Board, including amounts to be paid by the Commission, at June 30, 2012 for debt service (principal and interest) are as follows:

Year Ended June 30,	Board Obligations		SFCC Obligations		Total
	Principal	Interest	Principal	Interest	
2013	278,146	81,920	206,854	91,524	658,444
2014	282,751	77,010	192,249	87,800	639,810
2015	291,127	71,717	193,873	84,219	640,936
2016	299,177	65,624	200,823	80,095	645,719
2017	301,811	58,651	203,189	75,287	638,938
2018	309,106	50,716	210,894	69,856	640,572
2019	293,305	41,382	186,695	63,959	585,341
2020	296,148	34,528	193,852	58,561	583,089
2021	303,867	27,328	201,133	52,741	585,069
2022	309,681	19,811	185,319	46,671	561,482
2023	310,000	12,065	115,000	41,440	478,505
2024	315,000	4,095	115,000	37,000	471,095
2025	-	-	120,000	32,308	152,308
2026	-	-	125,000	27,261	152,261
2027	-	-	130,000	21,951	151,951
2028	-	-	135,000	16,433	151,433
2029	-	-	145,000	10,600	155,600
2030	-	-	130,000	4,890	134,890
2031	-	-	55,000	1,100	56,100
	<u>\$ 3,590,119</u>	<u>\$ 544,847</u>	<u>\$ 3,044,881</u>	<u>\$ 903,696</u>	<u>\$ 8,083,543</u>

# CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued  
Year ended June 30, 2012

NOTE C: BONDED DEBT AND LEASE OBLIGATIONS, continued

Kentucky Interlocal School Transportation Association (KISTA)

The Board has entered into the following capital lease agreements with the Kentucky Interlocal School Transportation Association (KISTA) for the lease of school buses.

Series	Description	Capital Lease Amount
2006 2nd	2 buses	\$ 127,471
2007	3 buses	\$ 193,596
2009	2 buses	\$ 168,321
2011	1 bus	\$ 86,635

The minimum future rental payments as of June 30, 2012 are as follows:

Year Ended June 30,	Buses		Total Lease Payments
	Principal	Interest	
2013	84,795	13,845	98,640
2014	83,648	11,178	94,826
2015	70,627	8,415	79,042
2016	57,080	6,023	63,103
2017	46,213	4,037	50,250
2018	24,386	2,412	26,798
2019	25,211	1,563	26,774
2020	7,815	616	8,431
2021	8,082	323	8,405
	<u>\$ 407,857</u>	<u>\$ 48,412</u>	<u>\$ 456,269</u>

Changes in long-term debt for the year ended June 30, 2012 are:

	Beginning Balance	New Debt Issued	Principal Retired	Ending Balance
Bonds payable	\$ 7,125,000	\$ -	\$ (490,000)	\$ 6,635,000
New Market Tax Credit Bonds	20,762	-	(20,762)	-
Bus leases payable	498,491	-	(90,634)	407,857
	<u>\$ 7,644,253</u>	<u>\$ -</u>	<u>\$ (601,396)</u>	<u>\$ 7,042,857</u>

# CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued  
Year ended June 30, 2012

**NOTE D: CASH AND CASH EQUIVALENTS**

At year-end, the carrying amount of the Board's cash and cash equivalents was \$2,037,388. The bank balance for cash and cash equivalents was \$2,262,599. Deposits were held in two financial institutions located in Crittenden County, Kentucky. Of the total cash balance, \$453,424 was covered by Federal depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the Board's name.

The Board's deposits are subject to custodial credit risk. Custodial risk for deposits is the risk that in the event of a bank failure, the Board's deposits may not be returned or the Board will not be able to recover collateral securities in the possession of an outside party.

Cash is shown in the financial statements as:

Government funds	\$	1,718,606
Proprietary funds		115,358
Agency funds		<u>203,424</u>
		<u>\$ 2,037,388</u>

**NOTE E: RETIREMENT PLANS**

**Pension Plan**

Plan Description – The Crittenden County Board of Education contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost sharing, multiple-employer, defined benefit pension plan. KTRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 164 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601.

Funding Policy – Contribution rates are established by KRS. Members are required to contribute 9.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries. The federal program that pays for salaries also pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either a four-year college degree or certification by the Kentucky Department of Education (KDE).

Information relating to KTRS contributions is shown below.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Payroll subject to KTRS	<u>\$ 5,891,244</u>	<u>\$ 5,928,833</u>	<u>\$ 6,411,184</u>
Contributions by the Commonwealth of Kentucky	<u>\$ 600,184</u>	<u>\$ 603,400</u>	<u>\$ 630,679</u>
District's contributions for employees under federal programs	<u>\$ 118,921</u>	<u>\$ 90,186</u>	<u>\$ 109,379</u>

Substantially all other employees (classified personnel) are covered under the County Employees Retirement System (CERS). Funding for the Plan is provided through payroll withholdings of 5% and a Board contribution of 18.96% of the employee's total compensation subject to the contribution. Information relating to CERS contributions is shown below.

# CRITTENDEN COUNTY BOARD OF EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS, continued Year ended June 30, 2012

NOTE E: RETIREMENT PLANS, continued

Pension Plan, continued

	2012	2011	2010
Payroll subject to CERS	\$ 1,580,574	\$ 1,541,078	\$ 1,571,267
Employees' contributions	\$ 79,926	\$ 77,275	\$ 78,418
District's contributions	299,640	260,808	254,268
Total contributions	\$ 379,566	\$ 338,083	\$ 332,686

Benefits under both plans will vary based on final compensation, year of service and other factors as fully described in the Plan documents.

In addition, KRS 161.555 requires that school districts employing members whose positions were established by the federal government to contribute an amount equal to the member's contribution. Matching contributions paid by the Board are shown above.

Additional information and historical trend information can be obtained from the separately issued Teacher Retirement System of Kentucky Comprehensive Annual Report.

Medical Insurance Plan

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

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 55 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding Policy – The post-retirement health care provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement health care benefit, one and five tenths percent (1.5%) of the gross annual payroll of all active members is contributed. One-half of this amount is derived from member contributions and one-half from state appropriation. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

NOTE F: DEFERRED COMPENSATION PLANS

The Board offers deferred compensation plans, which were created in accordance with Internal Revenue Code Sections 401(k), 403(b) and 457 and traditional IRAs, to its employees. The plans, which are available to all Board employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The Board funds all amounts of compensation deferred under the plan, at the direction of the covered employees, through commercial administrators.

NOTE G: CONTINGENCIES

The Board 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 the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the Board for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Board's grant programs is predicated upon the grantors' satisfaction that the funds provided are being used as intended and the grantor's intent to continue their programs.

# CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued  
Year ended June 30, 2012

**NOTE H: INSURANCE AND RELATED ACTIVITIES**

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

**NOTE I: ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon retirement from the school system, a certified employee with over 27 years of service or a classified employee with over 20 years of service will receive from the Board an amount equal to 30% of the value of accumulated sick leave.

**NOTE J: RISK MANAGEMENT**

The Board 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 Board 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 Boards and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association.

The Board pays an annual premium to each fund for coverage. Contributions to the Worker's 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 for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a prorata basis.

The Board purchases unemployment insurance through commercial carriers. In addition, the Board 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 years.

**NOTE K: COBRA**

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

**NOTE L: OPERATING/FUND BALANCES OR RETAINED EARNINGS**

There are no funds of the Board that currently have a deficit fund balance. However; the following funds had operations that resulted in a current year deficit of revenues and other financing sources over expenditures and other financing uses resulting in a corresponding reduction in fund balance or retained earnings:

General fund	\$ 136,935
Food service	\$ 18,782
Elementary school activity funds	\$ 3,454

**NOTE M: INTERFUND TRANSFERS**

The following interfund transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	Capital Projects	Debt Service	Debt Service	\$ 115,384
Operating	General Fund	Special Revenue	Program support	47,769
Operating	Capital Projects	Debt Service	Debt Service	247,756
				\$ 410,909

# CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued  
Year ended June 30, 2012

**NOTE N: INTERFUND RECEIVABLES AND PAYABLES**

There were no interfund receivables or payables at June 30, 2012.

**NOTE P: ON-BEHALF PAYMENTS**

The Commonwealth of Kentucky contributes funds on behalf of the Crittenden County Board of Education for medical insurance and pension contributions. The School Facilities Construction Commission contributes funds for the retirement of bonds and payment of interest on behalf of the Board. These amounts are reported as additional expenses and revenues in the district-wide statements. Insurance and related payments and pension contributions are included in the fund statements; contributions by the School Facilities Construction Commission are not recorded in the fund statements. Contributions made on behalf of the Board for the year ended June 30, 2012 were:

	Government- Wide	Proprietary	Total
<b>Commonwealth of Kentucky</b>			
Insurance and related payments	\$ 1,164,136	\$ 95,846	\$ 1,259,982
Pension contributions	600,184	-	600,184
Technology	44,885	-	44,885
Vocational education	15,998	-	15,998
Total Commonwealth of Kentucky	1,825,203	95,846	1,921,049
<b>School Facilities Construction Commission</b>			
Contributed for bond retirement	215,056	-	215,056
Contributed for interest payments	96,006	-	96,006
Total School Facilities Construction Commission	311,062	-	311,062
<b>Total on-behalf payments</b>	<b>\$ 2,136,265</b>	<b>\$ 95,846</b>	<b>\$ 2,232,111</b>

# CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued  
Year ended June 30, 2012

**NOTE Q: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 is:

	Beginning Balance	Additions	Deductions	Ending Balance
Land	\$ 126,752	\$ -	\$ -	\$ 126,752
Land improvements	28,347	-	-	28,347
Buildings and improvements	16,993,385	48,500	-	17,041,885
Technology equipment	1,599,978	273,886	(26,471)	1,847,393
Vehicles	1,892,255	138,962	(36,072)	1,995,145
Furniture, fixtures and equipment	458,616	24,098	(8,381)	474,333
 Totals, at historical cost	 21,099,333	 485,446	 (70,924)	 21,513,855
 Less accumulated depreciation				
Land improvements	2,390	308	-	2,698
Buildings and improvements	6,546,366	460,784	-	7,007,150
Technology equipment	1,206,006	198,540	(26,221)	1,378,325
Vehicles	1,440,819	96,376	(36,072)	1,501,123
Furniture, fixtures and equipment	332,841	23,466	(7,088)	349,219
 Total accumulated depreciation	 9,528,422	 779,474	 (69,381)	 10,238,515
 Governmental Activities, Net Capital Assets	 \$ 11,570,911	 \$ (294,028)	 \$ (1,543)	 \$ 11,275,340

Business-Type Activities

	Beginning Balance	Additions	Deductions	Ending Balance
Food service equipment	\$ 131,030	\$ 3,970	\$ -	\$ 135,000
Building and improvements	4,373	-	-	4,373
Vehicles	3,635	-	-	3,635
Technology equipment	15,947	-	-	15,947
 Totals, at historical cost	 154,985	 3,970	 -	 158,955
 Less accumulated depreciation				
Food service equipment	110,433	2,628	-	113,061
Building and improvements	1,385	175	-	1,560
Vehicles	3,635	-	-	3,635
Technology equipment	14,434	805	-	15,239
 Total accumulated depreciation	 129,887	 3,608	 -	 133,495
 Business-Type Activities, Net Capital Assets	 \$ 25,098	 \$ 362	 \$ -	 \$ 25,460

# CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued  
Year ended June 30, 2012

## NOTE Q: CAPITAL ASSETS, continued

Depreciation expense by function as follows:

Instruction	\$ 468,089
Student support services	14,454
Instructional staff	3,292
District administration	18,509
School administration	23,948
Business office	2,074
Plant operations	141,707
Student transportation	107,315
Community services	<u>87</u>
	<u>\$ 779,475</u>
Food Service	<u>\$ 3,608</u>
Total depreciation	<u>\$ 783,083</u>

## Donated Assets

During the fiscal year ended June 30, 2012, the Board received donated assets, primarily technology equipment. The estimated value of the assets at the dates of contribution was \$163,140. This amount has been reported in the government-wide statements as a contribution and the assets capitalized in accordance with the Board's capitalization policies.

## NOTE R: LITIGATION

The Board is a defendant in two civil actions, one brought by an employee and the second brought by the parent of a student.

The employee is appealing the Board's decision to demote the employee, which resulted in a reduction pay reduction. The employee contends the demotion violated her constitutional statutory rights and was without substantial support and characterized by an abuse of discretion. The issues have been presented and the parties are awaiting a decision by the Crittenden Circuit Court. The Board's counsel has stated that the outcome cannot be predicted and the range of loss, if any, is unknown.

The parent of a student has filed an action against the Board for injuries incurred by the student on Board property. The parent has alleged that unnamed Board employees failed to properly monitor and direct the activities of students on the playground. The parent is requesting a judgment against the Board for all sums the parent is determined to owe to a medical group that provided services to the student. The Board has answered the complaint. The Board's counsel has stated that the outcome cannot be predicted and the range of loss, if any, is unknown.

## NOTE S: DETERMINATION DATE FOR SUBSEQUENT EVENTS

Subsequent events have been considered for disclosure through November 2, 2012, which is the date the financial statements were available to be issued.

ACCOMPANYING INFORMATION

**CRITTENDEN COUNTY BOARD OF EDUCATION**

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2012

	<u>Technology Fund</u>	<u>FSPK Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS AND RESOURCES</b>						
Cash and cash equivalents	\$ -	\$ 163,767	\$ 20,653	\$ 110,429	\$ -	\$ 294,849
Inventory	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Taxes - current	-	-	-	-	-	-
Taxes - delinquent	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Intergovernmental - State	-	-	-	-	-	-
Intergovernmental - Indirect Federal	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Furniture and equipment, net	-	-	-	-	-	-
<b>TOTAL ASSETS AND RESOURCES</b>	<u>\$ -</u>	<u>\$ 163,767</u>	<u>\$ 20,653</u>	<u>\$ 110,429</u>	<u>\$ -</u>	<u>\$ 294,849</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related expenses	-	-	-	-	-	-
Current portion of accumulated sick leave	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	163,767	20,653	110,429	-	294,849
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>-</u>	<u>163,767</u>	<u>20,653</u>	<u>110,429</u>	<u>-</u>	<u>294,849</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ 163,767</u>	<u>\$ 20,653</u>	<u>\$ 110,429</u>	<u>\$ -</u>	<u>\$ 294,849</u>

**CRITTENDEN COUNTY BOARD OF EDUCATION**

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2012

	<u>Technology Fund</u>	<u>FSPK Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>						
From local sources						
Taxes						
Property	\$ -	\$ 202,783	\$ -	\$ -	\$ -	\$ 202,783
Motor vehicle	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Tuition and fees	-	-	-	-	-	-
Earnings on investments	-	-	-	-	-	-
Contributions						
Other local revenues	-	-	-	-	-	-
Intergovernmental - intermediate	-	-	-	-	-	-
Intergovernmental - state	-	208,740	115,384	-	311,062	635,186
Intergovernmental - indirect federal	-	-	-	-	-	-
Intergovernmental - direct federal	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>-</b>	<b>411,523</b>	<b>115,384</b>	<b>-</b>	<b>311,062</b>	<b>837,969</b>
<b>EXPENDITURES</b>						
Instruction	-	-	-	-	-	-
Support Services	-	-	-	-	-	-
Student	-	-	-	-	-	-
Instructions staff	-	-	-	-	-	-
Direct administrative	-	-	-	-	-	-
School administrative	-	-	-	-	-	-
Business	-	-	-	-	-	-
Plant operation and maintenance	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-
Central office	-	-	-	-	-	-
Facilities and construction	-	-	-	-	-	-
Community service activities	-	-	-	-	-	-
Other	-	-	-	-	674,202	674,202
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>674,202</b>	<b>674,202</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>411,523</b>	<b>115,384</b>	<b>-</b>	<b>(363,140)</b>	<b>163,767</b>
Other Financing Sources (Uses)						
Proceeds from sale of bonds	-	-	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-	-
Realized gains and losses and changes in market value	-	-	-	-	-	-
Operating transfers in	-	-	-	-	363,140	363,140
Operating transfers out	-	(247,756)	(115,384)	-	-	(363,140)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(247,756)</b>	<b>(115,384)</b>	<b>-</b>	<b>363,140</b>	<b>-</b>
<b>EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>-</b>	<b>163,767</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>163,767</b>
FUND BALANCE, beginning	-	-	20,653	110,429	-	131,082
FUND BALANCE, ending	\$ -	\$ 163,767	\$ 20,653	\$ 110,429	\$ -	\$ 294,849

**CRITTENDEN COUNTY BOARD OF EDUCATION**

STATEMENTS OF REVENUES, EXPENDITURES AND FUND BALANCE  
EXPENDABLE TRUST FUNDS  
CRITTENDEN COUNTY HIGH SCHOOL ACTIVITY FUNDS  
Year Ended June 30, 2012

Name of Fund	Cash Balance July 1, 2011	Receipts	Disburse- ments	Cash Balance June 30, 2012	Accounts Receivable	Accounts Payable	Fund Balance
Academic Award Banquet	\$ 951	\$ 500	\$ 691	\$ 760	\$ -	\$ -	\$ 760
Academic Team	396	-	75	321	-	-	321
Act Class 2011	844	-	-	844	-	-	844
AG Grant	1,800	-	-	1,800	-	-	1,800
Agenda Books	243	90	68	265	-	-	265
Art	40	24	9	55	-	-	55
Athletic Department	5,740	26,683	23,708	8,715	-	-	8,715
Band	350	1,973	678	1,645	-	-	1,645
Baseball	1,141	20,321	19,696	1,766	-	-	1,766
Basketball Gate Season Pass	-	1,015	1,015	-	-	-	-
Beta Club	589	175	165	599	-	-	599
Biology Club	19	-	-	19	-	-	19
Boys' Basketball	8,431	23,177	20,029	11,579	-	-	11,579
Boy's Season Pass	-	1,813	1,813	-	-	-	-
Cheerleaders	315	-	185	130	-	-	130
Chess	382	2,401	2,406	377	-	-	377
Chorus	1,657	664	409	1,912	-	-	1,912
Classroom Project	-	448	448	-	-	-	-
Concession	-	35,821	35,821	-	-	-	-
Cross Country / Track	21	1,265	1,108	178	-	-	178
District Games	41	-	-	41	-	-	41
Donation from Joey Warner	65	-	-	65	-	-	65
Equipment	2	-	-	2	-	-	2
Faculty Fund	807	1,084	628	1,263	-	-	1,263
Family Career Community Leader	122	2,286	1,662	746	-	-	746
Fellowship of Christian Athletes	759	-	-	759	-	-	759
Football	1,292	39,726	31,233	9,785	-	-	9,785
Football Bowl Game	-	21,053	21,053	-	-	-	-
Football Coaches' Outfits	47	2,950	2,970	27	-	-	27
Football Sign	100	850	950	-	-	-	-
Football Uniforms	10,930	6,278	17,208	-	-	-	-
Foreign Language Club	5	-	-	5	-	-	5
Future Business Leaders	1,964	11,002	9,396	3,570	-	-	3,570
Future Educators of America	964	132	380	716	-	-	716
Future Farmers of America	265	17,162	16,631	796	-	-	796
General Fund	10,734	1,354	1,188	10,900	-	-	10,900
Girls' Basketball	7,151	17,048	19,712	4,487	-	-	4,487
Girls' Basketball Banners	-	930	880	50	-	-	50
Girl's Season Pass	-	1,723	1,693	30	-	-	30
Golf	10	-	-	10	-	-	10
Graduation	374	-	296	78	-	-	78
Grand March	2,053	1,162	1,425	1,790	-	-	1,790
Guidance	303	1,406	1,301	408	-	-	408
Jenkins Scholarship	4,000	3,000	4,000	3,000	-	-	3,000
JR Sportsman	283	395	373	305	-	-	305
Junior Class Trip	379	1,532	1,420	491	-	-	491
Library	3,234	1,449	2,791	1,892	-	-	1,892
Mac Lab Copies	5	-	-	5	-	-	5
Mascot Heads	108	2,991	1,192	1,907	-	-	1,907
Office Operations	1,595	-	-	1,595	-	-	1,595
Pep Club	258	520	761	17	-	-	17
Play	1,004	2,860	2,373	1,491	-	-	1,491
Poster Machine	34	-	-	34	-	-	34
Prom	4,809	1,980	3,101	3,688	-	-	3,688
S.A.D.D.	907	-	258	649	-	-	649
School Grants	566	1,070	1,050	586	-	-	586
School Jacket	484	-	-	484	-	-	484
School Store	16	-	-	16	-	-	16
School Trips	611	1,884	1,780	715	-	-	715
Security/Parking	830	220	-	1,050	-	-	1,050
Senior Class Trip	1,504	12,048	11,820	1,732	-	-	1,732
Soccer	708	2,249	50	2,907	-	-	2,907
Soccer Concessions	-	3,367	3,367	-	-	-	-
Soccer Sign	950	250	1,200	-	-	-	-
Softball	1,038	190	-	1,228	-	-	1,228
Special Olympics	1,623	848	735	1,736	-	-	1,736
Speech	1,053	495	696	852	-	-	852
Student Concessions	239	-	-	239	-	-	239
Student Council	2,233	2,760	2,084	2,909	-	-	2,909
Student Technology Leadership	963	1,060	1,426	597	-	-	597
Technology Students Association	19	-	-	19	-	-	19
Tex Book Rental	2,730	2,680	-	5,410	-	-	5,410
Text Book	2,128	158	-	2,286	-	-	2,286
Volleyball	268	121	85	304	-	-	304
Yearbook	23,594	12,910	12,193	24,311	-	-	24,311
Young Politicians	788	-	-	788	-	-	788
<b>TOTALS</b>	<b>\$ 119,868</b>	<b>\$ 299,553</b>	<b>\$ 289,685</b>	<b>\$ 129,736</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 129,736</b>

**CRITTENDEN COUNTY BOARD OF EDUCATION**

STATEMENTS OF REVENUES, EXPENDITURES AND FUND BALANCE  
 EXPENDABLE TRUST FUNDS  
 CRITTENDEN COUNTY MIDDLE SCHOOL AND ELEMENTARY SCHOOL ACTIVITY FUNDS  
 Year Ended June 30, 2012

School	Cash Balance July 1, 2011	Receipts	Disburse- ments	Cash Balance June 30, 2012	Accounts Receivable	Accounts Payable	Fund Balance
Crittenden County Middle	\$ 40,169	\$ 40,914	\$ 38,776	\$ 42,307	\$ -	\$ -	\$ 42,307
Crittenden County Elementary	\$ 28,472	\$ 52,314	\$ 55,768	\$ 25,018	\$ -	\$ -	\$ 25,018

# CRITTENDEN COUNTY BOARD OF EDUCATION

## STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE FIDUCIARY FUND - CHILD CARE Year Ended June 30, 2012

REVENUES	
Child care revenues	\$ 6,363
EXPENSES	
Supplies	<u>5,189</u>
NET INCOME	1,174
NET ASSETS HELD IN TRUST, beginning of the year	<u>2,827</u>
NET ASSETS HELD IN TRUST, end of the year	<u>\$ 4,001</u>

**CRITTENDEN COUNTY BOARD OF EDUCATION**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Award	Federal Expenditures
<b>U. S. DEPARTMENT OF EDUCATION</b>				
Passed through the Kentucky Department of Education				
Title I Grants to Local Educational Agencies	84.010	3100002 10	\$ 528,703	\$ 32,517
Title I Grants to Local Educational Agencies	84.010	3100002 11	\$ 506,198	\$ 433,903
Title I Grants to Local Educational Agencies, Recovery Act	84.389	4100002 09	397,253	9,560
Total Title I Grants to Local Educational Agencies			<u>1,432,154</u>	<u>475,980</u>
Career and Technical Education - Basic Grants to States	84.048	4621032 09	639	639
Career and Technical Education - Basic Grants to States	84.048	4621132 10	19,633	6,977
Career and Technical Education - Basic Grants to States	84.048	4621232 11	16,633	12,536
Total Career and Technical Education - Basic Grants to States			<u>36,905</u>	<u>20,152</u>
Special Education Cluster, IDEA				
Special Education, Grants to States	84.027	3810002 10	310,488	14,045
Special Education, Grants to States	84.027	3810002 11	307,239	298,972
Special Education, Grants to States, Recovery Act	84.391	4810002 09	306,872	5,060
Special Education, Preschool Grants	84.173	3800002 10	15,303	7,330
Special Education, Preschool Grants	84.173	3800002 11	15,300	15,300
Total Special Education Cluster			<u>955,202</u>	<u>340,707</u>
Twenty-First Century Community Learning Centers	84.287	3400002 10	150,000	98,266
Twenty-First Century Community Learning Centers	84.287	3400002 10	10,000	935
Twenty-First Century Community Learning Centers	84.287	3400002 09	1,000	649
Total Twenty-First Century Community Learning Centers			<u>161,000</u>	<u>99,850</u>
Educational Technology State Grants	84.318	3210002 10	1,763	1,526
Educational Technology State Grants	84.318	3210002 11	2,227	410
Education Technology State Grants, Recovery Act	84.386	4210002 09	57,370	10,847
Total Title II-D Cluster			<u>61,360</u>	<u>12,783</u>
Rural Education	84.358	3140002 10	34,757	8,533
Rural Education	84.358	3140002 11	27,804	23,506
Total Rural Education			<u>62,561</u>	<u>32,039</u>
Improving Teacher Quality State Grants	84.367	3230003 09	112,118	(19)
Improving Teacher Quality State Grants	84.367	3230002 10	110,876	11,858
Improving Teacher Quality State Grants	84.367	3230002 11	93,129	66,714
Total Teacher Quality Enhancement Grants			<u>316,123</u>	<u>78,553</u>
Education Jobs Fund	84.410	EJOB00 10	295,354	185,625
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b> , passed through the Kentucky Department of Education			3,320,659	1,245,689
<b>U.S. DEPARTMENT OF ENERGY</b>				
Conservation Research and Development	81.086	9310002 09	59,314	59,314
<b>TOTAL U.S. DEPARTMENT OF ENERGY</b> , passed through the Kentucky Department of Education			59,314	59,314
<b>Passed through the Lyon County, KY Board of Education</b>				
Special Education, Grants to States	84.027	4500-3370R	46,658	29,731
<b>Passed through the West Educational Cooperative</b>				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	4500-3791	28,000	8,386
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>\$ 3,454,631</u>	<u>\$ 1,343,120</u>
<b>U. S. DEPARTMENT OF AGRICULTURE</b>				
Passed through the Kentucky Department of Agriculture				
Child Nutrition Cluster				
Non-Cash Assistance (Commodities)				
National School Lunch Program	10.555	Fund 51	36,940	\$ 36,940
Cash Assistance				
School Breakfast Program	10.553	7760005 11	22,627	22,627
School Breakfast Program	10.553	7760005 12	89,284	89,284
National School Lunch Program	10.555	7760005 11	235,526	235,526
National School Lunch Program	10.555	7760005 12	61,046	61,046
Summer Food Service Program for Children	10.559	7690024 11	115	115
Summer Food Service Program for Children	10.559	7740023 11	1,111	1,111
Total Cash Assistance			<u>409,709</u>	<u>409,709</u>
<b>TOTAL CHILD NUTRITION CLUSTER</b>			<u>\$ 446,649</u>	<u>\$ 446,649</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<u>\$ 3,901,280</u>	<u>\$ 1,789,769</u>

# CRITTENDEN COUNTY BOARD OF EDUCATION

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year ended June 30, 2012

### NOTE A: BASIS OF PRESENTATION

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

### NOTE B: COMMODITIES

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and used.

### NOTE C: RECONCILIATION OF FEDERAL AWARDS TO THE FINANCIAL STATEMENTS

Federal awards presented in the financial statements, by fund:	
Special revenue	\$ 1,343,120
Proprietary fund (food service)	<u>446,649</u>
 Total federal awards reported in the Schedule of Expenditures of Federal Awards	 <u>\$ 1,789,769</u>

**CRITTENDEN COUNTY BOARD OF EDUCATION**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012

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**Section I -- Summary of Auditor's Results**

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*Financial Statements*

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weaknesses identified? \_\_\_\_\_ yes  X  no

Significant deficiencies identified that are not considered to be material weaknesses  X  yes \_\_\_\_\_ no

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

*Federal Awards*

Internal control over major programs:

Material weaknesses identified? \_\_\_\_\_ yes  X  no

Significant deficiencies identified that are not considered to be material weaknesses \_\_\_\_\_ yes  X

Type of auditor's report issued on compliance for major programs: unqualified

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
<u>84.010, 84.389</u>	<u>Title I Grants to Local Educational Agencies</u>
<u> </u>	<u> </u>

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

Auditee qualified as low-risk auditee?  X  yes \_\_\_\_\_ no

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**Section II -- Financial Statement Findings**

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See the following two pages.

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

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There are no matters to be reported.

# CRITTENDEN COUNTY BOARD OF EDUCATION

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2011

Finding 2012-01

### **Payroll and Benefits**

#### Criteria:

Employees should only receive pay and benefits to which they are entitled under employment agreements with the District.

#### Condition:

The time sheet of a substitute teacher was signed on behalf of the employee by school administrative personnel.

#### Cause:

The cause could not be readily determined.

#### Effect:

Although there is no indication that an employee received pay to which he was not entitled, the potential existed.

#### Recommendation:

All employees should be required to sign their timesheets before a pay check is issued.

#### Management's Response:

All employees will be required to sign timesheets and substitute signatures will not be allowed.

Finding 2012-02

### **Annual Financial Report (AFR)**

#### *Criteria:*

The Kentucky Department of Education routinely distributes instructions for making necessary year-end adjustments and instructions for making required transfers for program support and matching funds. Some adjustments that were required to be included in the first AFR submitted to KDE were not made until the audit was in progress.

#### *Condition:*

Not all required year-end adjustments were recorded in the first AFR submitted to KDE.

#### *Cause:*

The cause could not be determined.

#### *Effect:*

Some required year-end closing adjustments were not made timely.

#### *Recommendation:*

The treasurer should continue attending MUNIS training as it becomes available and to continue using other school district finance officers as an important resource.

#### *Management's Response:*

The treasurer will be afforded every opportunity to attend training courses. Management believes that as the treasurer gains experience, any issues in this area will be eliminated.

# CRITTENDEN COUNTY BOARD OF EDUCATION

## SCHEDULE OF PRIOR YEAR FINDINGS Year Ended June 30, 2012

Finding 2011-01

### **Segregation of Duties**

#### Criteria:

Duties should be segregated among employees so that no one employee controls a transaction from beginning to end.

#### Condition:

Duties involving check writing, posting to the general ledger, check signing and bank account reconciliation have been concentrated in one employee.

#### Status:

Management has reassigned some duties of the treasurer in order to improve controls in place.

Finding 2011-02

### **Payroll and Benefits**

#### Criteria:

Employees should only receive pay and benefits to which they are entitled under employment agreements with the District.

#### Condition:

An administrative employee was able to temporarily override controls in place in the payroll system for a short time to obtain a benefit he was no longer authorized to receive.

#### Status:

Management considers the control in place to be adequate because the management override of internal control was properly reported to responsible authorities.

### **Annual Financial Report (AFR)**

#### Criteria:

The Kentucky Department of Education routinely distributes instructions for making necessary year-end adjustments and instructions for making required transfers for program support and matching funds. Some adjustments that were required to be included in the first AFR submitted to KDE were not made until the audit was in progress.

#### Condition:

Not all required year-end adjustments were recorded in the first AFR submitted to KDE.

#### Status:

The treasurer has gotten additional training as it became available during the year continues to avail herself of training and frequently consults with other finance officers and KDE as necessary. The finding is repeated, in part, in the current year.

# E DENNIS DRIVER

Certified Public Accountant

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## 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  
Crittenden County Board of Education  
Marion, Kentucky

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Crittenden County Board of Education as of and for the year ended June 30, 2012, which collectively comprise the Crittenden County Board of Education's basic financial statements and have issued my report thereon dated November 2, 2012. I conducted my 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, *Government Auditing Standards*, issued by the Comptroller General of the United States, provisions of *Office of Management and Budget Circular A-133, Audits of states, Local Governments and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirement, and Appendix III to the Independent Auditor's Contract – Electronic Submission*.

### Internal Control Over Financial Reporting

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

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.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies in internal control over financial reporting.

Finding 2011-01 and 2011-02

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Crittenden County Board of Education's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are

Kentucky State Committee for School District Audits  
Members of the Board of Education  
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November 2, 2012  
Page 2

required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no instances of material noncompliance with specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

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

A handwritten signature in black ink, appearing to read "E. Dennis Jones". The signature is written in a cursive style with a large initial "E" and a long, sweeping underline.

November 2, 2012  
Paducah, Kentucky

# E DENNIS DRIVER

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## INDEPENDENT AUDITOR'S 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

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Crittenden County Board of Education  
Marion, Kentucky

### Compliance

I have audited the compliance of the Crittenden County Board of Education with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Crittenden County Board of Education's major federal programs for the year ended June 30, 2012. The Crittenden County Board of Education's major federal programs are identified in the summary of auditor's 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 Crittenden County Board of Education's management. My responsibility is to express an opinion on the Board's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirement, and Appendix III to the Independent Auditor's Contract – Electronic Submission*. Those standards and OMB Circular A-133 require that I 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 Crittenden County Board of Education's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Crittenden County Board of Education's compliance with those requirements.

In my opinion, the Crittenden County Board of Education complied, in all material respects, with the 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 Crittenden County Board of Education 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 my audit, I considered the Crittenden County Board of Education'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 my 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, I do not express an opinion on the effectiveness of Crittenden County Board of Education's internal control over compliance.

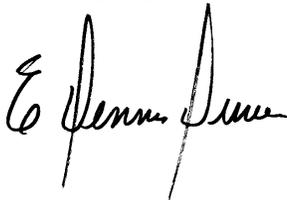
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement 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.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weakness, as defined above.

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Crittenden County Board of Education's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit Crittenden County Board of Education's responses and, accordingly, I express no opinion on the responses.

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

A handwritten signature in black ink, appearing to read "E. Dennis Jones". The signature is written in a cursive style with a large initial "E" and a long, sweeping underline.

Paducah, Kentucky  
November 2, 2012

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November 2, 2012

To the Members of the Board of Education  
Crittenden County Board of Education  
Marion, Kentucky

I have examined the financial statements of Crittenden County Board of Education for the year ended June 30, 2012 and have issued my report thereon dated November 2, 2012. As part of my examination, I made a study and evaluation of the Crittenden County Board of Education's system of internal accounting control to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of my study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Crittenden County Board of Education's financial statements. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Crittenden County Board of Education is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the system to dispatch its duties.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Crittenden County Board of Education taken as a whole. I noted no matters involving internal control over financial reporting and its operation that I considered to be material weaknesses.

However, during my audit, I became aware of some matters that are opportunities for strengthening internal controls and operating efficiency. Those comments, management's responses and the status of prior year's recommendations are contained in other letters in this report.

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

Yours very truly,



E. Dennis Driver  
Certified Public Accountant