

FLOYD COUNTY SCHOOL DISTRICT
PRESTONSBURG, KENTUCKY

AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Wallen, Puckett, & Anderson, PSC

CERTIFIED PUBLIC ACCOUNTANTS
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FLOYD COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

State Committee for School District Audits
Board of Education of the Floyd County School District
Prestonsburg, Kentucky

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

We conducted our audit in accordance with auditing standards and the standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2012, on our consideration of the Floyd County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial

reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 3 through 8 be presented to supplement the financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Floyd County School District's financial statements as a whole. The introductory section, combining and individual non-major fund statements are presented for purposes of additional analysis and are not a required part of the 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.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The budgetary comparison information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurances on it.

WALLEN, PUCKETT, AND ANDERSON, P.S.C.

Wallen, Puckett and Anderson, P.C.

Certified Public Accountants
Pikeville, Kentucky

November 7, 2012

**FLOYD COUNTY PUBLIC SCHOOL DISTRICT
PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

As management of the Floyd County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- Finished the year with a General Fund balance of \$5.8 million.
- Provided \$200,000 to schools to assist with school trips.
- Substantially completed renovations at two high schools by installing artificial turf fields and improving one gymnasium at a cost of \$1.7 million.

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.

Refer to the table of contents to find the government-wide financial statements.

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

Refer to the table of contents to find the basic governmental fund financial statements.

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. To find the notes to the financial statements please refer to the table of contents.

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 \$46,301,683 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

The following is a comparison of fiscal year 2012 data with fiscal year 2011 in regard to changes in fixed assets.

	FY2011	FY2012	Change from 2011
ASSETS			
Current Assets	14,959,640.00	12,732,867.00	(2,226,773.00)
Noncurrent Assets	67,499,642.00	66,335,012.00	(1,164,630.00)
Total Assets	82,459,282.00	79,067,879.00	(3,391,403.00)
LIABILITIES			
Current Liabilities	9,940,354.00	7,305,910.00	(2,634,444.00)
Noncurrent Liabilities	28,288,501.00	25,460,286.00	(2,828,215.00)
Total Liabilities	38,228,855.00	32,766,196.00	(5,462,659.00)
NET ASSETS			
Investment in capital assets (net of debt)	36,268,996.00	37,903,662.00	1,634,666.00
Restricted	2,265,088.00	1,756,164.00	(508,924.00)
Unrestricted	5,696,343.00	6,641,857.00	945,514.00
Total Net Assets	44,230,427.00	46,301,683.00	2,071,256.00

*The district implemented GASB 34 and recorded fixed assets and debt for the first time in FY 2003.

Comments on Budget Comparisons

- General fund budget compared to actual revenue varied from line item to line item with the ending actual variance being \$10,147,159 more than the final budget. The primary reason for the variance is the booking of state on-behalf payments totaling \$8,568,637. The net (excluding state on-behalf) difference in actual revenue and final budget is a favorable variance of \$1,578,522.
- General fund budget to actual expenditures varied in all functions with the major variance being in those that have expenditures for salaries. This variance is primarily a result of state on-behalf payments of \$8,568,637 being allocated and booked to respective categories in compliance with standards set forth by the Kentucky Department of Education. The net (excluding state on-behalf) difference in actual expenses and final budget is a favorable \$4,319,031.

The following pages contain a table of General Fund Revenues by source and expenses by function. In addition to the table we are providing three charts that present a summary of General Fund revenues, expenses, and expenditures budget comparisons for the fiscal year ended June 30, 2012.

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Table 1. General Fund Revenues and Expenses for FY 2012

REVENUES					
	Original Budget	Final Budget	Difference Original vs Final Budget	Actual Transactions	Difference Final Budget vs Actual Expenditures
Beginning Balance	5,348,000.00	5,722,468.00	374,468.00	6,309,693.78	587,225.78
Local Sources	9,051,430.00	9,536,530.00	485,100.00	10,381,407.21	844,877.21
State Sources	26,528,791.00	26,907,674.00	378,883.00	35,558,207.94	8,650,533.94
Federal Sources	130,000.00	405,000.00	275,000.00	467,873.14	62,873.14
Sale or Compensation for Loss of Assets	1,000.00	576,230.00	575,230.00	577,880.53	1,650.53
TOTALS	41,059,221.00	43,147,902.00	2,088,681.00	53,295,062.60	10,147,160.60
EXPENDITURES					
Instruction	20,122,805.00	20,637,408.00	(514,603.00)	25,615,997.07	(4,978,589.07)
Student Support Services	1,214,448.00	1,219,831.00	(5,383.00)	1,489,039.58	(269,208.58)
Instructional Staff Support	1,226,741.00	1,071,851.00	154,890.00	669,366.60	402,484.40
District Administration	1,462,219.00	1,515,635.00	(53,416.00)	1,032,791.41	482,843.59
School Administration	3,096,549.00	3,135,318.00	(38,769.00)	4,499,496.79	(1,364,178.79)
Business Support	634,137.00	632,399.00	1,738.00	748,228.99	(115,829.99)
Plant Operation and Maintenance	6,066,641.00	6,692,992.00	(626,351.00)	6,552,639.61	140,352.39
Student Transportation	4,497,187.00	4,939,766.00	(442,579.00)	5,119,766.85	(180,000.85)
Community Services	-	-	-	765.91	(765.91)
Debt Service	70,896.00	70,896.00	-	70,896.00	-
Fund Transfers	-	640,000.00	(640,000.00)	1,598,520.00	(958,520.00)
Contingency	-	2,591,807.00	(2,591,807.00)	-	2,591,807.00
TOTALS	38,391,623.00	43,147,903.00	(4,756,280.00)	47,397,508.81	(4,249,605.81)

The table above includes \$8,568,637 in On Behalf Payments (which includes health insurance, retirement, life insurance, and administrative fees) made by the Commonwealth of Kentucky that are booked at the end of the fiscal year. The amounts are offset in revenues and expenses and have zero effect on the overall fund balance. It does however skew the budget vs. actual amounts. In addition the district utilized a reserve balance of \$587,225 that was set aside for high school football field renovations. This amount was booked into beginning balance and expensed out using fund transfers creating a budget to actual variance in those accounts.

**Chart 1
FY 2012 Revenues by Source**

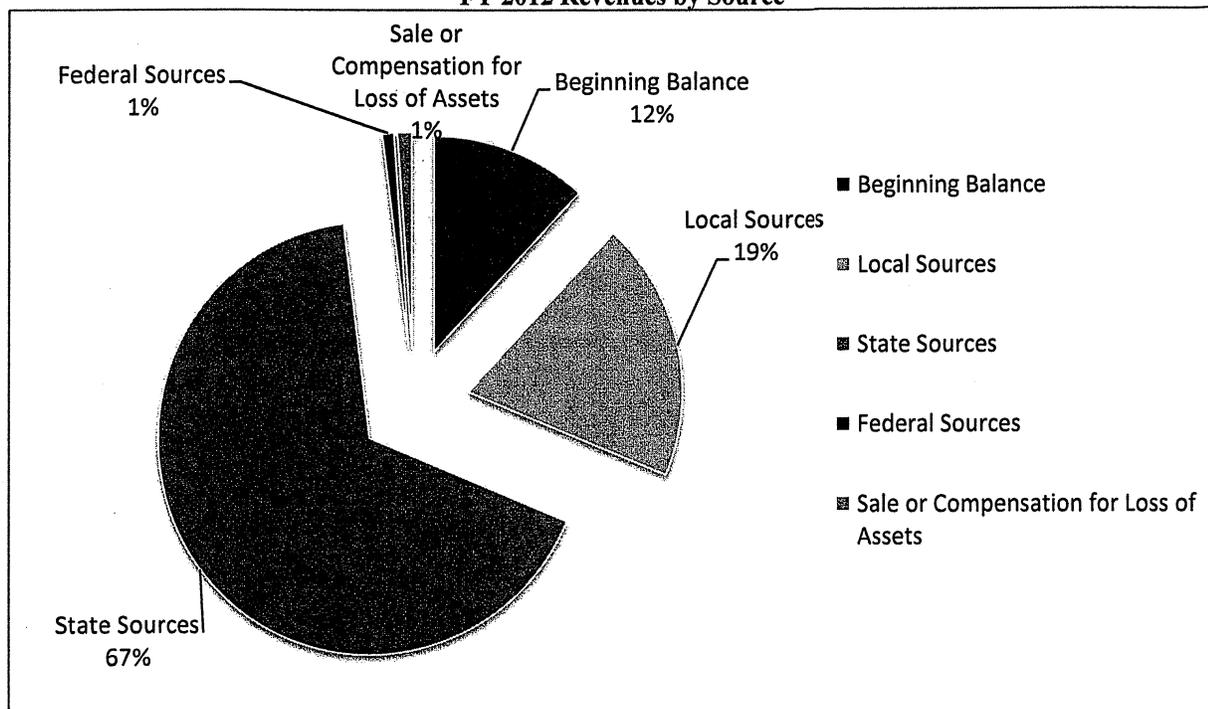


Chart 2 FY 2012 Expenditures by Function

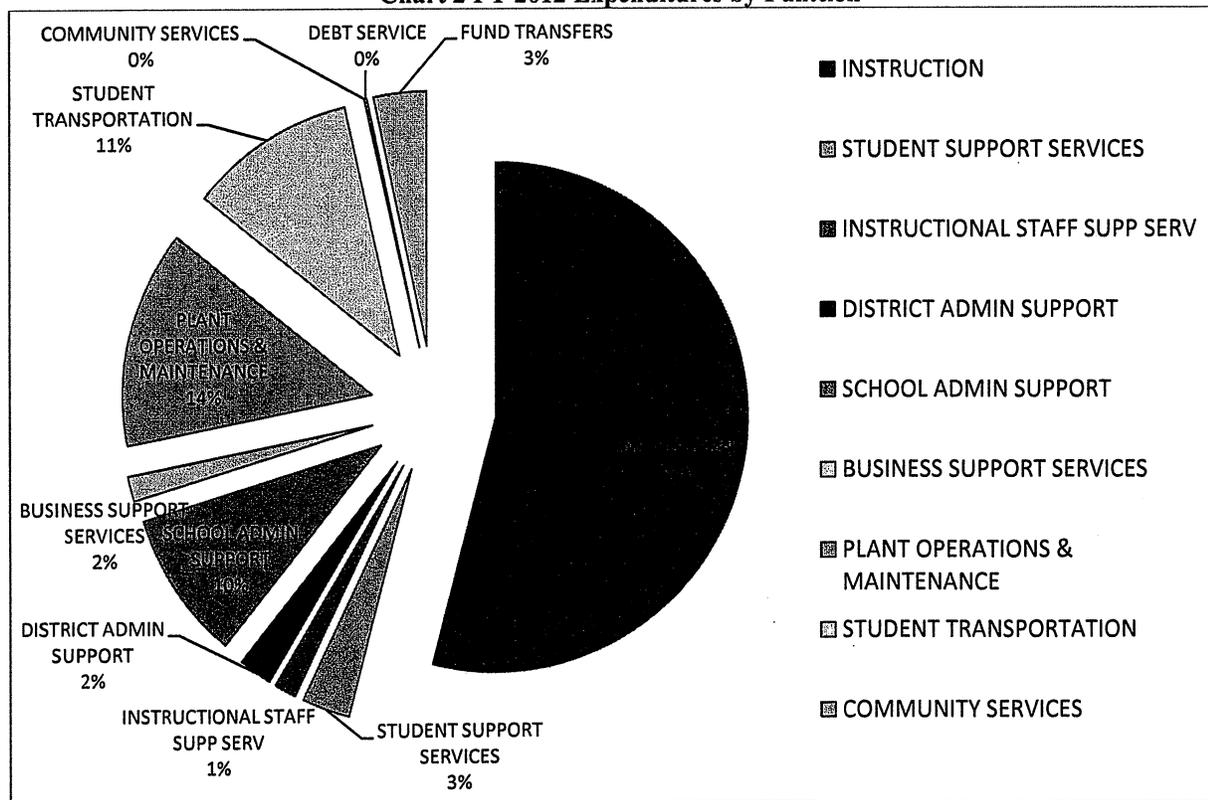
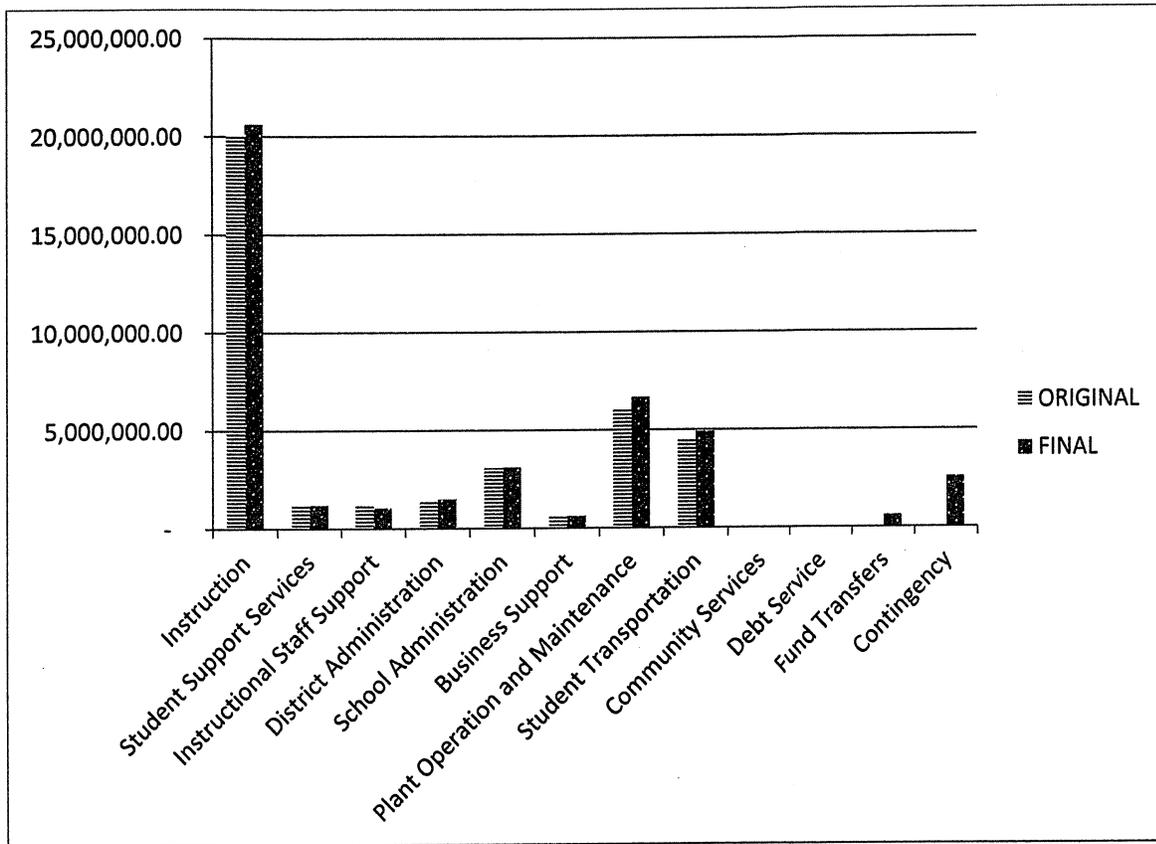


Chart 3 Original VS. Final Expenditure Budget FY 2012



BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district's overall budget. By law the budget must have a minimum 2.0% contingency in the Tentative Final Working budget. While it is not mandatory in the Final Working budget, the Kentucky Department of Education places district's with less than a 2% reserve on a financial watch list. The district maintained a budgeted contingency of \$2,662,510 or 5.56% based on the Kentucky Department of Education's formula for calculating contingency. The beginning cash (fund) balance for beginning the fiscal year was \$6,309,693.78 however \$587,225.64 was reserved for renovations to two high school athletic fields and one gymnasium.

Questions regarding this report should be directed to the Superintendent of Schools Henry Webb, or the Director of Finance and Board Treasurer Matthew C. Wireman at (606) 886-2354 or by mail at 106 North Front Avenue, Prestonsburg, KY 41653.

Floyd County School District
Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
<u>Current assets</u>			
Cash and Cash Equivalents	\$ 10,410,140	\$ 1,101,654	\$ 11,511,794
Receivables (net)	1,162,927	9,252	1,172,179
Bond Issue Cost			-
Inventories		48,894	48,894
Total current assets	11,573,067	1,159,800	12,732,867
<u>Noncurrent assets</u>			
<u>Capital assets</u>			
Land, improvements, and construction in progress	4,183,690		4,183,690
Other capital assets, net of depreciation	61,223,077	928,245	62,151,322
Total noncurrent assets	\$ 65,406,767	\$ 928,245	\$ 66,335,012
Total assets	\$ 76,979,834	\$ 2,088,045	\$ 79,067,879
LIABILITIES			
<u>Current liabilities</u>			
Accounts payable and accrued expenses	812,928	78,908	891,836
Accrued interest payable	271,318		271,318
Workers Comp payable	1,241,430		1,241,430
Judgments payable	21,300		21,300
Deferred Revenue	1,577,771		1,577,771
Current portion of accumulated sick leave	241,004		241,004
Current portion of bond obligations	2,925,000		2,925,000
Current portion of capital lease obligations	136,251		136,251
Total current liabilities	7,227,002	78,908	7,305,910
<u>Noncurrent liabilities</u>			
<u>Long-term liabilities</u>			
Noncurrent portion of accumulated sick leave	361,506		361,506
Noncurrent portion of bond obligations	24,325,000		24,325,000
Noncurrent portion of capital lease obligations	773,780		773,780
Total noncurrent liabilities	25,460,286	-	25,460,286
Total liabilities	32,687,288	78,908	32,766,196
NET ASSETS			
Invested in Capital Assets, net of related debt	36,975,417	928,245	37,903,662
Assigned for capital projects			
Restricted for capital projects	732,797		732,797
Unrestricted Net Assets		779,695	779,695
Nonspendable-Food Inventory		48,894	48,894
Assigned for purchase obligations	722,170	252,303	974,473
Unassigned	5,862,162		5,862,162
Total net assets	\$ 44,292,546	\$ 2,009,137	\$ 46,301,683

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Activities
Year Ended June 30, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	\$ 35,189,213	\$	\$ 8,901,301	\$	\$ (26,287,912)	\$	\$ (26,287,912)
Support Services							
Student	1,549,565		60,525		(1,489,040)		(1,489,040)
Instructional Staff	2,995,310		2,325,943		(669,367)		(669,367)
District Administration	1,282,655		20,000		(1,262,655)		(1,262,655)
School Administration	4,499,497				(4,499,497)		(4,499,497)
Business	766,820		18,591		(748,229)		(748,229)
Plant Operation & Maintenance	6,565,598		12,958		(6,552,640)		(6,552,640)
Student Transportation	5,207,931		88,164		(5,119,767)		(5,119,767)
Food Service Operations							
Community Services Operations	946,803		946,037		(766)		(766)
School Administration Support							
Total governmental activities	59,003,392	-	12,373,519	-	(46,629,873)	-	(46,629,873)
Business-type activities:							
Food service operations	4,602,730	589,449	4,608,724		595,443		595,443
Assets Purchased(net)	28,322				(28,322)		(28,322)
Community operation	120,226				(120,226)		(120,226)
Total business-type activities	4,751,278	589,449	4,608,724	-	446,895	-	446,895
Total primary government	\$ 63,754,670	\$ 589,449	\$ 16,982,243	\$ -	(46,629,873)	446,895	(46,182,978)
General revenues:							
Taxes:							
Property taxes					9,758,938		9,758,938
Motor vehicle taxes					1,441,309		1,441,309
State and formula grants					36,563,987		36,563,987
Unrestricted investment earnings					142,880	6,715	149,595
Sale of equipment					577,881		577,881
Miscellaneous					57,524		57,524
Total general revenues, special items, and transfers					48,542,519	6,715	48,549,234
Change in net assets					1,912,646	453,610	2,366,256
Net assets - beginning					42,379,900	1,555,527	43,935,427
Prior Period Adjustment							
Net Assets-beginning					42,379,900	1,555,527	43,935,427
Net assets - ending					\$ 44,292,546	\$ 2,009,137	\$ 46,301,683

See the accompanying notes to the financial statements.

Floyd County School District
 Balance Sheet
 Governmental Funds
 June 30, 2012

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,448,225	\$ 670,120	\$ 2,291,795	\$ 10,410,140
Receivables, net	180,659	982,268		1,162,927
Intergovernmental-federal				-
Total assets	<u>\$ 7,628,884</u>	<u>\$ 1,652,388</u>	<u>\$ 2,291,795</u>	<u>\$ 11,573,067</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 227,596	\$ 74,617	\$ 510,715	\$ 812,928
Workers Comp claims payable	1,241,430			1,241,430
Judgments payable	21,300			21,300
Current portion of accumulated sick leave	241,004			241,004
Deferred revenue		1,577,771		1,577,771
Total liabilities	<u>1,731,330</u>	<u>1,652,388</u>	<u>510,715</u>	<u>3,894,433</u>
Fund balances:				
Assigned Fund Balance-Purchase Obligations	146,622	175,701	399,847	722,170
Assigned Fund Balance				-
Unassigned Fund Balance	5,750,932	(175,701)	648,436	6,223,667
Restricted Fund Balance-SFCC Escrow			732,797	732,797
Capital projects funds				-
Total fund balances	<u>5,897,554</u>	<u>-</u>	<u>1,781,080</u>	<u>7,678,634</u>
Total liabilities and fund balances	<u>\$ 7,628,884</u>	<u>\$ 1,652,388</u>	<u>\$ 2,291,795</u>	<u>\$ 11,573,067</u>

See the accompanying notes to the financial statements.

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

Total fund balance per fund financial statements	\$	7,678,634
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.</p>		65,406,767
<p>Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets.</p>		
<p>Accrued interest payable</p>		(271,318)
<p>Bond obligations</p>		(27,250,000)
<p>Capital lease obligations</p>		(910,031)
<p>Noncurrent sick leave payable</p>		(361,506)
		(28,792,855)
Net assets of governmental activities	\$	44,292,546

See the accompanying notes to the financial statements.

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

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
REVENUES				
From Local Sources				
Taxes				
Omitted Property Tax	\$ 338,033			\$ 338,033
Property	7,850,439		963,160	8,813,599
Delinquent	607,307			607,307
Motor vehicle	1,441,309			1,441,309
Earnings on investments	121,261	3,631	17,988	142,880
Food Service	1,546			1,546
Other local revenue	21,512	34,466		55,978
Intergovernmental - state	35,558,208	2,005,779	1,558,965	39,122,952
Intergovernmental - indirect federal	467,873	10,326,589		10,794,462
Total revenues	<u>46,407,488</u>	<u>12,370,465</u>	<u>2,540,113</u>	<u>61,318,066</u>
EXPENDITURES				
Instruction	25,615,997	8,939,398		34,555,395
Support Services				
Student	1,489,040	60,525		1,549,565
Instructional Staff	669,367	2,325,943		2,995,310
District Administration	1,032,790	20,000		1,052,790
School Administration	4,499,497			4,499,497
Business	748,229	18,591		766,820
Plant Operation & Maintenance	6,552,640	12,958		6,565,598
Student Transportation	5,119,767	88,164		5,207,931
Community Services Operations	766	946,037		946,803
Facilities Acquisition and Construction				
Site Improvement		68,531		68,531
Building Construction				
Purchased Property & tech Services			1,609,322	1,609,322
Debt Service	70,696		2,039,796	2,110,692
Total expenditures	<u>45,798,989</u>	<u>12,480,147</u>	<u>3,649,118</u>	<u>61,928,254</u>
Excess (deficiency) of revenues over expenditures	<u>608,499</u>	<u>(109,682)</u>	<u>(1,109,005)</u>	<u>(610,188)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of refunding bonds				
Proceeds of bond issue				
Refunding payment to escrow				
Sale of land and equipment	577,881	109,682	1,488,838	577,881
Operating transfers in	(1,598,520)			(1,598,520)
Operating transfers out	(1,020,639)	109,682	1,488,838	577,881
Total other financing sources and (uses)				
SPECIAL ITEM				
Prior period adjustment				
Net change in fund balances	(412,140)	-	379,833	(32,307)
Fund balances-beginning	6,309,694	-	1,401,247	7,710,941
Fund balances-ending	<u>\$ 5,897,554</u>	<u>\$ -</u>	<u>\$ 1,781,080</u>	<u>\$ 7,678,634</u>

See the accompanying notes to the financial statements.

Floyd County School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
 Funds to the Statement of Activities
 For the year ended June 30, 2012

Net change in total fund balances per fund financial statements	\$	(32,307)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation exceeds capital outlay for the year.		(1,090,560)
Bond proceeds are recognized as revenues of current financial resources in the fund financial statements, but are increases in the statement of net assets.		
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets.		3,362,246
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		(326,733)
Change in net assets of governmental activities	\$	1,912,646

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From Local Sources				
Taxes				
Property	\$ 7,190,000	\$ 7,275,000	\$ 7,850,439	\$ 575,439
Delinquent	412,000	412,000	607,307	195,307
Motor vehicle	1,175,000	1,350,000	1,441,309	91,309
Earnings on investments	150,000	150,000	121,261	(28,739)
Food Service	2,500	2,500	1,546	(954)
Penalties & Interest	2,500	2,500	1,768	(732)
Omitted Property tax	75,000	300,000	338,033	38,033
Other local revenue	44,430	44,530	19,744	(24,786)
Intergovernmental - state	26,528,791	26,907,674	35,558,208	8,650,534
Intergovernmental - indirect federal	130,000	405,000	467,873	62,873
Total revenues	<u>35,710,221</u>	<u>36,849,204</u>	<u>46,407,488</u>	<u>9,558,284</u>
EXPENDITURES				
Instruction	20,122,805	20,637,409	25,615,997	(4,978,588)
Support Services				
Student	1,214,448	1,219,831	1,489,040	(269,209)
Instructional Staff	1,226,741	1,071,851	669,367	402,484
District Administration	1,462,218	1,515,634	1,032,790	482,844
School Administration	3,096,549	3,135,318	4,499,497	(1,364,179)
Business	634,137	632,399	748,229	(115,830)
Plant Operation & Maintenance	5,735,948	6,692,992	6,552,640	140,352
Student Transportation	4,501,692	4,939,766	5,119,767	(180,001)
Debt Service	70,896	70,896	70,896	-
Community Services Operations		-	766	(766)
Facilities Acquisition and Construction				
Building Addition				-
Total expenditures	<u>38,065,434</u>	<u>39,916,096</u>	<u>45,798,989</u>	<u>(5,882,893)</u>
Excess (deficiency) of revenues over expenditures	<u>(2,355,213)</u>	<u>(3,066,892)</u>	<u>608,499</u>	<u>3,675,391</u>
OTHER FINANCING SOURCES (USES)				
Sale of land and equipment	1,000	576,231	577,881	1,650
Transfer In				
Operating transfers out		(640,000)	(1,598,520)	(958,520)
Total other financing sources and (uses)	<u>1,000</u>	<u>(63,769)</u>	<u>(1,020,639)</u>	<u>(956,870)</u>
SPECIAL ITEM				
Prior period adjustment				
Contingency	(1,645,787)	(2,591,807)		2,591,807
Net change in fund balances	<u>(4,000,000)</u>	<u>(5,722,468)</u>	<u>(412,140)</u>	<u>5,310,328</u>
Fund balances-beginning	<u>4,000,000</u>	<u>5,722,468</u>	<u>6,309,694</u>	<u>587,226</u>
Fund balances-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,897,554</u>	<u>\$ 5,897,554</u>

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>with Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES				
From Local Sources				
Taxes				
Earnings on investments	\$	\$	\$	\$
Other local revenue	-	11,173	34,466	23,293
Intergovernmental - state	1,143,280	1,759,342	2,005,779	246,437
Intergovernmental - indirect federal	6,678,249	8,090,256	10,326,589	2,236,333
Total revenues	<u>7,821,529</u>	<u>9,860,771</u>	<u>12,370,465</u>	<u>2,509,694</u>
EXPENDITURES				
Instruction	5,500,013	7,076,929	8,939,398	(1,862,469)
Support Services				
Student	40,391	39,179	60,525	(21,346)
Instructional Staff	1,436,854	1,789,632	2,325,943	(536,311)
District Administration	20,000	-	20,000	(20,000)
Business	20,338	20,338	18,591	1,747
Student Transportation	5,000	5,000	88,164	(83,164)
Community Services Operations	798,933	994,693	946,037	48,656
Land Improvements		75,000	68,531	6,469
Plant Operations			12,958	(12,958)
Total expenditures	<u>7,821,529</u>	<u>10,000,771</u>	<u>12,480,147</u>	<u>(2,479,376)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(140,000)</u>	<u>(109,682)</u>	<u>30,318</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in		140,000	109,682	(30,318)
Total other financing sources and (uses)	<u>-</u>	<u>140,000</u>	<u>109,682</u>	<u>(30,318)</u>
SPECIAL ITEM				
Net change in fund balances	-	-	-	-
Fund balances-beginning				
Fund balances-ending	\$	\$	\$	\$
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

See the accompanying notes to the financial statements.

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

	Enterprise Funds		
	School Food Services	Other Business- type Activities	Total
ASSETS			
<u>Current assets</u>			
Cash and cash equivalents	\$ 1,015,311	\$ 86,343	\$ 1,101,654
Receivables (net)			
Intergovernmental - federal	9,252		9,252
Inventories	48,894		48,894
Total current assets	1,073,457	86,343	1,159,800
<u>Noncurrent assets</u>			
<u>Capital assets</u>			
Other capital assets, net of depreciation	928,245		928,245
Total noncurrent assets	928,245	-	928,245
Total assets	2,001,702	86,343	2,088,045
LIABILITIES			
<u>Current liabilities</u>			
Accounts payable and accrued expenses	78,681	227	78,908
Total current liabilities	78,681	227	78,908
<u>Noncurrent liabilities</u>			
<u>Long-term liabilities</u>			
Due more than one year			-
Total noncurrent liabilities	-	-	-
Total liabilities	78,681	227	78,908
NET ASSETS			
Invested in capital assets, net of related debt	928,245		928,245
Nonspendable Fund Balance-Inventory	48,894		48,894
Assigned Fund Balance-Purchase Obligations	251,503	800	252,303
Unrestricted Net Assets	694,379	85,316	779,695
Total net assets	\$ 1,923,021	\$ 86,116	\$ 2,009,137

See the accompanying notes to the financial statements.

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

Enterprise Funds			
	School Food Services	Other Business- type Activities	Total
OPERATING REVENUES			
Lunchroom sales	\$ 468,924		\$ 468,924
Childcare fees		\$ 120,525	120,525
Total operating revenues	468,924	120,525	589,449
OPERATING EXPENSES			
Community services		120,226	120,226
Depreciation	68,483		68,483
Food service operations	4,562,569		4,562,569
Total operating expenses	4,631,052	120,226	4,751,278
Operating income (loss)	(4,162,128)	299	(4,161,829)
NONOPERATING REVENUES (EXPENSES)			
Federal grants	4,112,567		4,112,567
State grants	50,575		50,575
On-Behalf	256,276	13,417	269,693
Donated commodities	175,889		175,889
Earnings from investments	6,715		6,715
Total nonoperating revenues	4,602,022	13,417	4,615,439
Income (loss) before transfers	439,894	13,716	453,610
TRANSFERS			-
Change in net assets	439,894	13,716	453,610
Net assets beginning	1,483,127	72,400	1,555,527
Total net assets-ending	\$ 1,923,021	\$ 86,116	\$ 2,009,137

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012

	<u>Enterprise Funds</u>		
	<u>School Food Services</u>	<u>Other Business- type Activities</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 468,924	\$ 120,525	\$ 589,449
Payments to suppliers	(2,823,071)	(8,857)	(2,831,928)
Payable to suppliers	78,681		78,681
Payments to employees	(1,805,196)	(111,369)	(1,916,565)
Net cash provided (used) by operating activities	<u>(4,080,662)</u>	<u>299</u>	<u>(4,080,363)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds			-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Intergovernmental revenue	4,419,418	13,417	4,432,835
Donated commodities	175,889		175,889
Purchases of capital assets			-
Net cash provided (used) by capital and related financing activities	<u>4,595,307</u>	<u>13,417</u>	<u>4,608,724</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	6,715		6,715
Net cash provided (used) by investing activities	<u>6,715</u>	<u>-</u>	<u>6,715</u>
Net increase (decrease) in cash and cash equivalents	521,360	13,716	535,076
Balances-beginning of the year	493,951	72,400	566,351
Balances-end of the year	<u>\$ 1,015,311</u>	<u>\$ 86,116</u>	<u>\$ 1,101,427</u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	415,764	13,716	429,480
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Depreciation	68,483		68,483
Changes in assets and liabilities:			
Receivables	702		702
Inventories	51,200		51,200
purchase of equipment	(16,031)		(16,031)
Accrued liabilities	1,242		1,242
Net cash provided by operating activities	<u>521,360</u>	<u>13,716</u>	<u>535,076</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year \$175,889.00 in commodities were received from the U. S. Department of Agriculture

See the accompanying notes to the financial statements.

Floyd County School District
Balance Sheet
Agency Fund
June 30, 2012

ASSETS

Cash and cash equivalents	\$	(1,646)
Receivables, net		2,153
Total assets	\$	<u>507</u>

LIABILITIES AND FUND BALANCES

Fund balances:		
Unassigned	\$	<u>507</u>
Total fund balances		<u>507</u>
Total liabilities and fund balances	\$	<u>507</u>

See the accompanying notes to the financial statements.

FLOYD COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The District, for financial purposes, includes all of the funds relevant to the operation of the Floyd 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 District itself such as Band Boosters, Parent-Teacher Associations, etc.

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

Floyd County Board of Education Finance Corporation

The Board authorized establishment of the Floyd County Board of Education Finance Corporation a non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the “Corporation”) to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Floyd County Board of Education.

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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of 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 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) General Fund

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

(B) Special Revenue (Grant) Fund

The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trust funds or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. KDE requires this fund to be a major fund.

(C) Capital Project Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).

1. SEEK Capital Outlay Fund

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 as identified in the District's facility plan.

2. Building (FSPK) Fund

The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy that is required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.

3. Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling.

(D) Debt Service Fund

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

II. Proprietary Funds (Enterprise Funds)

(A) Food Service Fund

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

(B) Child Care Fund accounts for the funds raised at schools providing after school care for children.

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 Types

Agency Funds

The Agency Fund is an account for activities of student groups and other types of activities requiring clearing accounts. The school funds are accounted for in accordance with "Accounting Procedures for Kentucky School Activity Funds." The Yearbook Fund is maintained within the centralized fund system MUNIS as a separate fund.

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

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 resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange 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 the 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, 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 in 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 \$.52 per \$100 valuation of real property, \$.52 per \$100 valuation for business personal property and \$.554 per \$100 valuation for motor vehicles.

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 government funds. These assets are reported in the government activities column of the government-wide financial 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.

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 assets life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
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, a certified and classified 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 District's past experience of making termination payments.

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

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the 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).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

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

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 expended 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.

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 expenditure/expense is reported in the year in which services are consumed.

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

The Board has elected to adopt GASB statement 54 for financial statement reporting. This changes the terminology used to describe components of the fund balance:

Nonspendable	permanently nonspendable by the decree of the donor or items Which may not be used for another purpose.
Restricted	legally restricted under federal or state law, bond authority, or grantor contract.
Committed	commitments passed by the board.
Assigned	funds assigned to management priority-encumbrances
Unassigned	funds available for future operations.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in 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 and 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.

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.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating 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.

NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS

The District’s cash and cash equivalents of amounts deposited in checking accounts include both interest and non-interest bearing accounts. The carrying amount of the District’s deposits with financial institutions was \$17,401,978.

<u>Bank Balance</u>			
<u>COMMUNITY TRUST BANK</u>	<u>Demand</u>	<u>Time</u>	<u>Totals</u>
FDIC	\$ 250,000	\$ -	\$ 250,000
Securities pledged to district	22,577,111		22,577,111
Uncollateralized balance	<u>0</u>		<u>0</u>
Bank balance	<u>\$ 22,827,111</u>	<u>\$ -</u>	<u>\$ 22,827,111</u>
 <u>Book Balance</u>			
<u>Cash equivalents</u>			
Governmental Activities		\$ 10,410,140	
Business-type Activities		1,101,653	
Agency funds		<u>287,258</u>	
Total Book Balance		<u>\$ 11,799,051</u>	

NOTE D – CAPITAL ASSETS

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

Governmental Activities	July 1, 2011	Additions	Deductions	June 30, 2012
Land	\$ 2,574,369	\$ -	\$ -	\$ 2,574,369
Land improvements	411,521	-	-	411,521
Buildings	85,008,617	12,395	185,426	84,835,586
Technology equipment	8,004,846	577,788	297,257	8,285,377
Vehicles	6,478,435	97,561	-	6,575,996
General equipment	2,980,177	120,918	34,273	3,066,822
Infrastructure	6,810,029	-	20,768	6,789,261
Construction in progress	-	1,609,321	-	1,609,321
Total at historical cost	\$ 112,267,994	2,417,983	\$ 537,724	\$ 114,148,253
Less: Accumulated depreciation				
Land improvements	\$ 107,979	\$ 23,165	\$ -	\$ 131,144
Buildings	28,764,984	1,340,678	155,757	29,949,905
Technology equipment	6,476,210	1,165,331	281,178	7,360,363
Vehicles	5,238,702	508,015	-	5,746,717
General equipment	2,129,202	155,272	34,273	2,250,201
Infrastructure	3,007,842	316,082	20,768	3,303,156
Total accumulated depreciation	\$ 45,724,919	3,508,543	\$ 491,976	\$ 48,741,486
Governmental Activities				
Capital Assets-net	\$ 66,543,075	\$ (1,090,560)	\$ 45,748	\$ 65,406,767
Business-Type Activities				
Buildings	\$ 1,561,354	\$ -	\$ 4,508	\$ 1,556,846
Technology equipment	44,950	2,356	1,081	46,225
General equipment	1,495,996	39,238	13,936	1,521,298
Total at historical cost	\$ 3,102,300	\$ 41,594	\$ 19,525	\$ 3,124,369
Less: Accumulated depreciation				
Buildings	745,216	30,730	3,877	772,069
Technology equipment	44,804	2,199	2,247	44,756
General equipment	1,355,712	35,554	11,967	1,379,299
Total accumulated depreciation	\$ 2,145,732	\$ 68,483	\$ 18,091	\$ 2,196,124
Business-Type Activities				
Capital Assets-net	\$ 956,568	\$ (26,889)	\$ 1,434	\$ 928,245

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as “unallocated”.

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as bonded debt and lease obligations represent the District’s future obligations to make payments relating to the bonds issued by the Fiscal Court of Floyd County and the Floyd County School District Finance Corporation aggregating \$27,250,000.

The District, through the General Fund (including utility taxes), Building (FSPK) Fund, and the SEEK Capital Outlay Fund is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Fiscal Court to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The original amount of outstanding issues, the issue dates, interest rates, and outstanding balances, at June 30, 2012 are summarized below:

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>
2008	2,115,000	2.8-3.75%	\$ 1,890,000
2003R	2,715,000	1.45-3.75%	545,000
2002R	3,150,000	1.5-3.15%	820,000
2004	1,565,000	2.15-4.9%	1,165,000
2005R	4,400,000	2-3.5%	1,250,000
2005	3,710,000	2.5-4%	1,565,000
2004	2,485,000	2.55-4.4%	2,025,000
2005	3,610,000	3.25-4.5%	3,370,000
2005R	3,075,000	3.125-4%	1,550,000
2006	10,540,000	3.84-4%	8,295,000
2010R	5,320,000	.06-2.90%	<u>4,775,000</u>
Totals			<u>\$ 27,250,000</u>

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

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

Fiscal Year Ended 30-Jun	Principal		Interest		Principal
	Local	Sfcc	Local	Sfcc	Total
2013	1,493,709	1,431,291	542,635	460,260	2,925,000
2014	1,540,761	1,454,239	490,958	413,505	2,995,000
2015	1,364,217	1,225,783	438,406	365,953	2,590,000
2016	1,220,301	984,699	389,512	324,853	2,205,000
2017	991,953	903,047	343,992	290,841	1,895,000
2018	841,336	823,664	306,513	259,145	1,665,000
2019	867,093	852,907	275,441	229,901	1,720,000
2020	896,706	883,294	243,017	199,513	1,780,000
2021	929,387	915,613	208,216	167,194	1,845,000
2022	963,493	636,507	171,574	133,349	1,600,000
2023	824,920	635,080	132,244	107,535	1,460,000
2024	863,708	661,292	96,914	81,322	1,525,000
2025	904,747	560,253	59,473	53,376	1,465,000
2026	681,794	583,206	25,800	30,578	1,265,000
2027	65,426	89,574	4,969	6,844	155,000
2028	67,067	92,933	2,516	3,485	160,000
	\$ 14,516,618	\$ 12,733,382	\$ 3,731,380	\$ 3,127,654	\$27,250,000

NOTE F – CAPITAL LEASE PAYABLE

The following is an analysis of the leased property under capital lease by class:

<u>Classes of Property</u>	<u>Book Value as of June 30, 2012</u>
Technology Equipment	\$,805
Transportation Equipment	,245

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2012

	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2013	109,748	26,503	136,251
2014	112,726	23,485	136,211
2015	116,554	20,103	136,657
2016-2020	459,411	41,501	500,912
	<u>\$ 798,439</u>	<u>\$ 111,592</u>	<u>\$ 910,031</u>

Total minimum lease payments	\$ 910,031
Less: Amount representing interest	<u>(111,592)</u>
Present Value of Net Minimum	<u>\$ 798,439</u>

NOTE G– RETIREMENT PLANS

Kentucky Teachers' Retirement System

Plan Description – The Floyd County School District 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 requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by the Kentucky department of education.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes 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, Kentucky 40601 or from the KTRS web site at <http://ktrs.ky.gov/>.

Funding Policy – Contribution rates are established by KRS. Members that were employed on or before June 30, 2008 are required to contribute 10.355% of their salaries to KTRS. Members whose employment began on July 1, 2008 or after, are required to contribute

10.855%. The Commonwealth of Kentucky is required to contribute 13.605% and 14.105% respectively of their salaries. The federal program for any salaries paid by that program pays the matching contributions.

The Floyd County Schools' total payroll for the year was \$36,411,384. The payroll for employees covered under KTRS was \$26,871,047. For the year ended June 30, 2012, the Commonwealth contributed \$2,825,776 for the benefit of participating employees. The School District's contributions to KTRS for the year ending June 30, 2012 were \$741,023 which represents those employees covered by federal programs.

County Employees Retirement System

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

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

Participating employees contribute 5% of the creditable compensation. Employer contribution rates are intended to fund the normal cost on a current basis plus one percent (1%) of un-funded past service costs per annum plus interest at the actuarial assumed rate. The Board of Trustees of the Kentucky Retirement Systems determines such contribution rates each biennium. The current District contribution rate is 18.96%. The District contributed \$1,722,797 to the employee's retirement plan in the form of matching contributions during the fiscal year ended June 30, 2012.

The District's required contributions (both withholding and match) for pension obligations to CERS for the fiscal year ended June 30, 2012 was \$2,193,401; 100% has been contributed (paid and accrued) for the fiscal year.

NOTE H – COMMITMENTS

There are no major commitments at this time for the District.

NOTE I - CONTINGENCIES

The District receives funding from Federal, State and Local governmental 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 District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction the funds provided are being spent as intended and the grantors' intent to continue their program.

NOTE J - LITIGATION

The District is subject to various other legal actions in various stages of litigation, the outcome of which has been quantified and shown as a liability in the general fund.

NOTE K – INSURANCE AND RELATED ACTIVITIES

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

NOTE L – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft/damage/destruction of assets, errors and omissions, injuries to employees, and natural disasters. To obtain insurance for workers' compensation, errors and omission, and general liability coverage, the District participates in the Kentucky School Districts Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all School Districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contribution to the Workers' Compensation Fund is based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months (24) after expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety days notices. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

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

NOTE M - COBRA

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

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Construction Fund	Construction	\$1,488,838
General Fund	Special Revenue	KETS Match	109,682
Capital Outlay	Construction Fund	Construction	489,228
FSPK	Construction Fund	Construction	668,450

Floyd County School District
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2012

Other Governmental Funds				
	Capital Outlay	FSPK	Construction Fund	Total
Assets				
Cash and Cash Equivalents	\$ 598,586	138,842	1,554,367	\$ 2,291,795
Total Assets and Resources	<u>598,586</u>	<u>138,842</u>	<u>1,554,367</u>	<u>2,291,795</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable			510,715	510,715
Total Liabilities	-	-	<u>510,715</u>	<u>510,715</u>
Fund Balances				
Fund Balances				
Assigned Purchase Obligation			399,847	399,847
Restricted SFCC-escrow-prior	593,955	138,842		732,797
Unassigned Fund Balance	<u>4,631</u>		<u>643,805</u>	<u>648,436</u>
Total Fund Balances	<u>598,586</u>	<u>138,842</u>	<u>1,043,652</u>	<u>1,781,080</u>
Total Liabilities and Fund Balances	<u>\$ 598,586</u>	<u>\$ 138,842</u>	<u>\$ 1,554,367</u>	<u>\$ 2,291,795</u>

See the accompanying notes to the financial statements.

Floyd County School District
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
 For the year ended June 30, 2012

	Governmental Fund Types				Totals (Memorandum Only)
	Capital Outlay	FSPK	Construction Fund		
Revenues					
From Local Sources					
Taxes					
Property		\$ 963,160		\$	963,160
Earnings on Investments	4,708	6,822	6,458		17,988
Intergovernmental - State	552,403	1,006,562			1,558,965
Total Revenues	557,111	1,976,544	6,458		2,540,113
Expenditures					
Current					
Debt Service	63,252	1,976,544			2,039,796
Purchased Prof & Tech Services			228,038		228,038
Purchased Property Services			1,381,284		1,381,284
Total Expenditures	63,252	1,976,544	1,609,322		3,649,118
Excess (Deficit) of Revenues Over Expenditures	493,859	-	(1,602,864)		(1,109,005)
Other Financing Sources (Uses)					
Transfers in					-
Transfers out					-
Proceeds of refunding					-
Refunding proceeds to escrow					-
Transfers In/(Out) for Debt Service	(489,228)	(668,450)	2,646,516		1,488,838
Total Other Financing Sources (Uses)	(489,228)	(668,450)	2,646,516		1,488,838
Net change in Fund Balances	4,631	(668,450)	1,043,652		379,833
Fund Balance beginning	593,955	807,292	-		1,401,247
Fund Balance ending	\$ 598,586	\$ 138,842	\$ 1,043,652	\$	\$ 1,781,080

*see prior period adjustment note

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	FIDUCIARY FUND TOTAL <hr style="border: 0.5px solid black;"/>
ASSETS	
Cash and cash equivalents	\$ 317,072
Accounts receivable	5,333
TOTAL ASSETS	<hr style="border: 0.5px solid black;"/> \$ 322,405 <hr style="border: 0.5px solid black;"/>
 LIABILITIES	
Accounts payable	\$ 24,287
Due to student groups	<hr style="border: 0.5px solid black;"/> 298,118
TOTAL LIABILITIES	<hr style="border: 0.5px solid black;"/> 322,405 <hr style="border: 0.5px solid black;"/>
 NET ASSETS HELD IN TRUST	\$ <hr style="border: 0.5px solid black;"/> - <hr style="border: 0.5px solid black;"/>

See the accompanying notes to the financial statements.

Floyd County School District
 Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2012

	ALLEN ELEMENTARY	BETSY LAYNE ELEMENTARY	JAMES A. DUFF ELEMENTARY	MAY VALLEY ELEMENTARY	McDOWELL ELEMENTARY	PRESTONSBURG ELEMENTARY	STUMBO ELEMENTARY	WD OSBORNE ELEMENTARY	ADAMS MIDDLE
ASSETS									
Cash and cash equivalents	\$ 7,118	\$ 37,451	\$ 13,281	\$ 40,388	\$ 10,579	\$ 25,146	\$ 12,392	\$ 21,260	\$ 8,497
Accounts receivable									45
Investments									
TOTAL ASSETS	<u>7,118</u>	<u>37,451</u>	<u>13,281</u>	<u>40,388</u>	<u>10,579</u>	<u>25,146</u>	<u>12,392</u>	<u>21,260</u>	<u>8,542</u>
LIABILITIES									
Accounts payable	7,118	7,795	13,281	8,325	10,579	565	812	21,260	8,542
Due to student groups		29,656		32,063		24,581	11,580		
TOTAL LIABILITIES	<u>7,118</u>	<u>37,451</u>	<u>13,281</u>	<u>40,388</u>	<u>10,579</u>	<u>25,146</u>	<u>12,392</u>	<u>21,260</u>	<u>8,542</u>
NET ASSETS HELD IN TRUST	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying notes to the financial statements.

Floyd County School District
 Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2012

	ALLEN CENTRAL MIDDLE	SOUTH FLOYD MIDDLE	ALLEN CENTRAL HIGH	BETSY LAYNE HIGH	PRESTONSBURG HIGH	SOUTH FLOYD HIGH	REMAISSANCE LEARNING	AGENCY FUNDS TOTALS
ASSETS								
Cash and cash equivalents	\$ 14,915	\$ 7,063	\$ 33,989	\$ 26,855	\$ 28,913	\$ 27,546	\$ 1,679	\$ 317,072
Accounts receivable					5,288			5,333
Investments								
TOTAL ASSETS	<u>14,915</u>	<u>7,063</u>	<u>33,989</u>	<u>26,855</u>	<u>34,201</u>	<u>27,546</u>	<u>1,679</u>	<u>322,405</u>
LIABILITIES								
Accounts payable	1,200		700	2,675	1,315	900		24,287
Due to student groups	13,715	7,063	33,289	24,180	32,886	26,646	1,679	298,118
TOTAL LIABILITIES	<u>14,915</u>	<u>7,063</u>	<u>33,989</u>	<u>26,855</u>	<u>34,201</u>	<u>27,546</u>	<u>1,679</u>	<u>322,405</u>
NET ASSETS HELD IN TRUST	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying notes to the financial statements.

Floyd County School District - Prestonsburg High School
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	CASH BALANCE ENDING	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE	DUE TO STUDENT GROUPS
General Fund	\$ 2,003	\$ 5,288	\$ 167	\$ 7,124
Athletic	12,401		75	12,326
Junior Class	1,055			1,055
Academic Team	1,776			1,776
Concession	2,116			2,116
Faculty Vending	2,337		428	1,909
TAG	139			139
National Honor Society	818			818
FBLA	4,380		645	3,735
Senior Class	5			5
Band and Vocal	1,124			1,124
Project Prom	501			501
Youth Service Center	119			119
KYA	139			139
Totals	\$ 28,913	\$ 5,288	\$ 1,315	\$ 32,886

See the accompanying notes to the financial statements.

Floyd County School District - South Floyd High School
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	CASH & INVESTMENT BALANCE ENDING	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE	DUE TO STUDENT GROUPS
General Fund	\$ 205			205
Athletics	525			525
Library	1,714			1,714
Misc.	86			86
Student Vending	4,243			4,243
Teacher Vending	1,363			1,363
Freshmen	393			393
Football	990			990
Seniors	359			359
Juniors	537			537
Band	107			107
Archery	308			308
Talented & Gifted	-			-
Volleyball	1,534			1,534
Student Council	-			-
CADD	51			51
Mollett Sch Interest	197			197
Mollett Sch CD	10,008			10,008
Textbook	60			60
Beta club	903			903
Counselor	798			798
Photo Studio	6			6
Greenhouse	3,159			3,159
Totals	\$ 27,546	\$ -	\$ -	\$ 27,546

See the accompanying notes to the financial statements.

Floyd County School District - Betsy Layne High School
 Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2012

	CASH BALANCE ENDING	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE	DUE TO STUDENT GROUPS
General Fund	\$ 48	\$		48
Student Vending	81			81
Teacher Vending	75			75
Staff Flower Fund	28			28
Dance Team	13			13
BLHS Champions	272			272
Athletic	13,858		1,875	11,983
Girl's Cheerleading	-			-
KYA	345			345
Art	80			80
Journalism	102			102
Beta Club	77			77
Forensics	188			188
Library	71			71
Senior Class	119			119
Junior Class	2,531			2,531
Counselor	643			643
Science Club	88			88
Laura Bush Foundation	6			6
Student Council	14			14
PEP	1			1
Volleyball	3,540		800	2,740
Honor Society	50			50
Academic	120			120
Dollar General Grant	35			35
New Horizon YSC	1,165			1,165
Golf Team	62			62
Science Olympiad	84			84
Girls Softball	1,754			1,754
TAG	7			7
Special Ed	325			325
Music and Band	115			115
Girls BB Boosters	268			268
Track Team	2			2
Unidentified	100			100
Boy's Baseball	588			588
Totals	\$ 26,855	\$ -	\$ 2,675	\$ 24,180

See the accompanying notes to the financial statements.

Floyd County School District - Allen Central High School
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	CASH BALANCE ENDING	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE	DUE TO STUDENT GROUPS
General Fund	\$ -	\$		
Children's Inc	90			-
STLP	418			90
Annual	275			418
Student Vending	718		45	275
Library Fund	63			673
Teacher Vending	2,633			63
Rebel Against Drugs	473			2,633
Football	94			473
Math Club	4			94
Guidance	613			4
Senior Account	-			613
Cheerleading	-			-
Interest	272			-
Academics	708			272
Athletics	1,079		263	708
Softball Boosters	877			816
Golf	59			877
Juniors	3,076		392	59
Band	542			2,684
art	30			542
volleyball	1,710			30
Archery	595			1,710
Good Sam's Club	198			595
Rebel Rousers	17			198
Beta Club	4,607			17
TAG	219			4,607
Eastern Home Run	623			219
Eastern Volleyball	3,007			623
Girl's Basketball	1,685			3,007
Boys Basketball	2,734			1,685
Boys Concession	1,921			2,734
Girls Concession	2,077			1,921
All Star Tournament	87			2,077
Rebel Hoops	1,316			87
History Club	49			1,316
District Tournament	1,120			49
Totals	\$ 33,989	\$ -	\$ 700	\$ 1,120
				\$ 33,289

See the accompanying notes to the financial statements.

Notes to the Schedule of Expenditures of Federal Awards

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Floyd County School District 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 – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. At June 30, 2012, the District had food commodities totaling \$175,889 in Food Receipts.

FLOYD COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Pass-Through Grantors Number	Program or Award Amount	Total Expenditures
U.S. Department of Agriculture				
Passed through State Department of Agriculture				
Food Donation (H) (Food Distribution)	10.555			
Fiscal Year 07		51	N/A	\$ 175,889
Child Nutrition Cluster				
Passed through State Department of Education				
National School Lunch Program (NSLP)	10.555			
Fiscal Year 11		7750002	N/A	541,951
Fiscal Year 12		7750002	N/A	1,875,151
School Breakfast Program (SBP)	10.553			
Fiscal Year 11		7760005	N/A	355,616
Fiscal Year 10		7760005	N/A	1,204,991
Summer Food Service Program for Children (SFSPC) (Summer Feeding)	10.559			
Fiscal Year 11		7690024	N/A	904
Fiscal Year 11		7740023	N/A	8,718
Fresh Fruit and Vegetable Program	10.582			
Fiscal Year 12		7720012	N/A	30,096
Fiscal Year 11		7720012	N/A	99,446
Total U.S. Department of Agriculture				\$ 4,292,762
U.S. Department of Education				
Passed through State Department of Education				
Special Education Cluster				
Special Education - Grants to States (IDEA, Part B)	84.027			
Fiscal Year 12		3810002	1,390,717	\$ 342,568
Fiscal Year 11		3810002	1,366,903	1,240,383
Fiscal Year 10		3810002	1,415,536	26,877
Special Education Preschool Grants (IDEA Preschool)	84.173			
Fiscal Year 12		3800002	68,236	54,052
Fiscal Year 11		3800002	68,170	20,990
IDEA B - School Age ARRA 50%	84.391	4810002	1,516,840	295,658
IDEA B - Preschool ARRA 50%	84.392	4800002	102,017	114
Total Special Education Cluster				\$ 1,980,642
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies (LEAs)	84.010			
Fiscal Year 12		3100002	3,999,495	\$ 3,217,556
Fiscal Year 11		3100002	4,039,047	995,501
Fiscal Year 10		3100002	4,065,476	57,766
Title I Grants to Local Educational Agencies (LEAs) - School Improvement Part A	84.010			
Fiscal Year 12		3100202	84,485	27,830
Fiscal Year 11		3100202	132,409	90,026
Fiscal Year 10		3100202	268,939	85,447
Title I Part A ARRA 50%	84.389	4100002	3,480,952	244,541
Total Title I, Part A Cluster				\$ 4,718,667
School Improvement Cluster Grants				
Title I School Improvement (ARRA - Programs & Instructional Equity)	84.388A	4100302	500,000	\$ 77,316
Title I School Improvement (ARRA - Programs & Instructional Equity)	84.388A	4100302	325,000	210,219
Total School Improvement Cluster Grants				\$ 287,535
Education Technology State Grants Cluster				
Education Technology State Grants (Title II D Education Technology)	84.318			
Fiscal Year 11		3210002	13,465	\$ 1,773
Fiscal Year 10		3210002	37,752	14,423
Fiscal Year 10		3210002	62,245	41,436
Fiscal Year 09		3210002	31,128	951
Enhancing Education Thru Tech ARRA BOSS-Education Technology	84.386	4210002	106,502	32,352
Total Education Technology State Grants Cluster				\$ 90,935

FLOYD COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Pass-Through Grantors Number	Program or Award Amount	Total Expenditures
Other Programs				
SIS Federal Programs & Instructional Equity Education for Homeless Children	84.387	4990002 09	17,724	3,782
Vocational Education--Basic Grants to States Vocational Education (Vocation Education - Basic)	84.048			
Fiscal Year 12		4621232	72,190	58,984
Fiscal Year 11		4621132	66,359	3,186
Fiscal Year 10		4621032	76,460	2,141
Rural Education - Achievement Program NCLB	84.358			
Fiscal Year 11		3140002 10	167,995	72,138
Fiscal Year 10		3140002 09	162,156	55,453
Improving Teacher Quality State Grants (Title II A Dwight D. Eisenhower)	84.367			
Fiscal Year 12		3230002	635,274	645,812
Fiscal Year 11		3230002	745,472	207,848
Title II Educational Jobs Fund				
Fiscal Year 12	84.410	EJOB00	1,545,802	813,974
Twenty-First Century Community Learning Centers				
Fiscal Year 11	84.287	3400000	151,000	74,163
Passed Through Morehead State University				
Gaining Early Awareness and Readiness for Undergraduate Programs (Gear Up Grant)				
Fiscal Year 12G	84.334A	P334A080059	203,050	33,023
Fiscal Year 11G	84.334A	P334A080059	191,050	112,130
Fiscal Year 10G	84.334A	P334A080059	203,050	21,298
Fiscal Year 09G	84.334A	P334A080059	191,050	7,280
Total U.S. Department of Education				\$ <u>9,188,991</u>
U.S. Department of Health and Human Services				
Passed through Big Sandy CAP Head Start	93.600			
Fiscal Year 12		42 USC 9801 ET SEQ	1,139,605	\$ 810,483
Fiscal Year 11		42 USC 9801 ET SEQ	1,189,335	258,996
Fiscal Year 10		42 USC 9801 ET SEQ	1,298,385	15,129
Total U.S. Department of Health and Human Service				\$ <u>1,084,608</u>
U.S. Department of Defense				
Passed directly from the U.S. Department of the Army ROTC	12.000			
Fiscal Year 12		5042	81,546	\$ 53,384
Total U.S. Department of Defense				\$ <u>53,384</u>
Appalachian Regional Commission (ARC)				
Passed through State Department of Education Appalachian Higher Education	23.001	6881	15,000	\$ 2,532
Appalachian Higher Education	23.001	6882	8,536	8,536
Total Appalachian Regional Commission (ARC)				\$ <u>11,068</u>
U. S. Department of Justice				
Passed through State Department of Education The Center For Rural Development U.N.I.T.E.	16.580	3001	45,431	\$ 8,529
Total U. S. Department of Justice				\$ <u>8,529</u>
U. S. Department of Energy				
Passed through State Department of Education State Energy Program School Energy Manager's Project	81.041	5691	35,750	\$ 12,958
Total U. S. Department of Energy				\$ <u>12,958</u>
Grand Totals of All Federal Programs				\$ <u>14,652,300</u>

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

State Committee for School District Audits
Floyd County School District
Prestonsburg, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Floyd County School District, as of and for the year ended June 30, 2012, which collectively comprise the Floyd County School District's basic financial statements and have issued our report thereon dated November 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Electronic Submission.

Internal Control Over Financial Reporting

Management of Floyd County School District is responsible establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Floyd County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Floyd County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Floyd County School District'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 combination of deficiencies, in internal control such that there is reasonable possibility that there is a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the district in a separate letter dated November 3, 2012.

This report is intended solely for the information and use of management, the Kentucky State Committee for School District Audits, the Members of the Board of Education, the Kentucky Department of Education, others within the entity, 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.

WALLEN, PUCKETT AND ANDERSON, P.S.C.

Wallen, Puckett and Anderson, P.C.

Certified Public Accountants

Pikeville, Kentucky

November 3, 2012

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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**

State Committee for School District Audits
Floyd County School District
Prestonsburg, Kentucky

Compliance

We have audited Floyd County School District's compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Floyd County School District's major federal programs for the year ended June 30, 2012. Floyd County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Floyd County School District's management. Our responsibility is to express an opinion on Floyd County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the Independent Auditor's Contract-General Audit Requirements, Appendix II of the Independent Auditor's Contract- State Requirements, and Appendix III of the Independent Auditor's Contract- Electronic Submission. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Floyd County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Floyd County School District's compliance with those requirements.

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

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. In addition, the results of our tests disclosed no instances of material noncompliance of 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 management, the Kentucky State Committee for School District Audits, the Members of the Board of Education, the Kentucky Department of Education, others within the entity, 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.

WALLEN, PUCKETT, AND ANDERSON, P.S.C.

Wallen, Puckett and Anderson, P.S.C.

Certified Public Accountants

Pikeville, Kentucky

November 3, 2012

FLOYD COUNTY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2012

SECTION I – SUMMARY OF AUDITORS’ RESULTS

1. The auditor’s report expresses an unqualified opinion on the financial statements of Floyd County School District.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Floyd County School District were disclosed during the audit.
4. No significant deficiency in internal control over major federal award programs disclosed during the audit.
5. The auditor’s report on compliance for the major federal award programs for Floyd County School District expresses an unqualified opinion on all major federal award programs.
6. No Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs included:

Name	CFDA #
Child Nutrition Cluster	10.553
	10.555
	10.556
	10.559
Fresh Fruit and Vegetable Program	10.582
School Improvement Grants Cluster	84.377
	84.388A
Title II Part A - Improving Teacher Quality	84.367
Education Jobs Fund	84.410

8. The threshold for distinguishing Types A and B programs was \$439,291.
9. Floyd County School District was determined to be a low risk auditee.

SECTION II – FINANCIAL STATEMENT AND FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs.

FLOYD COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2012

There were no findings from the prior year.

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MANAGEMENT LETTER

Floyd County School District
Prestonsburg, Kentucky

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Floyd County School District for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal controls over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the district's internal control. Accordingly, we do not express an opinion on the effectiveness of those controls. There were no management letter points in the previous year management letter.

A deficiency in internal controls 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, detected or corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain immaterial items and these matters are identified on the accompanying schedule.

This communication is intended solely for the information and use of the management of the Floyd County Board of Education, and others within the district, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

WALLEN, PUCKETT AND ANDERSON, P. S. C.

Wallen, Puckett and Anderson, PSC

Certified Public Accountants
Pikeville, Kentucky

November 4, 2012

FLOYD COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
Year Ended June 30, 2012

Condition #1 – School Activity Funds

South Floyd Middle School incurred a deficit in the Girls Basketball Fund as of June 30, 2012.

Recommendation

School accounting personnel should review the funds prior to year end and when necessary obtain permission to transfer the amount required to avoid a deficit balance.

Response received from Superintendent

District administrative staff will make certain the school principal and those with bookkeeping duties receive intentional focused oversight regarding the school's bookkeeping procedures. Further, district administrative staff will develop a corrective plan for the school principals implementation, that at a minimum include supplemental school activity fund training for the school principal and those with bookkeeping duties. This training will be in addition to the annual school activity fund training already being provided by the district to all school principals, assistant principals and those with bookkeeping duties.