

JACKSON COUNTY SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012
WITH
REPORT OF INDEPENDENT AUDITORS**

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REPORT OF INDEPENDENT AUDITORS

Kentucky State Committee for
School District Audits
Members of the Board of Education
Jackson County School District
McKee, 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 Jackson 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 the Jackson County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of the *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request, and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 10, 2012, on our consideration of Jackson 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 per the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jackson County School District's basic financial statements. The supplementary information per the table of contents, including the 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 not a required part of the basic financial statements of the Jackson County School District. 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 aspects in relation to the basic financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
Corbin, Kentucky
November 10, 2012

JACKSON COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) Year ended June 30, 2012

As management of the Jackson 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 financial statements and notes.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$1,965,295 and the ending cash balance was \$7,382,008. This is an increase of \$5,416,713. The majority of this increase is due to the bonding proceeds for the new Jackson County High School. The District's goal was to insure a minimal two percent contingency which was the goal set as a District. We were successful in achieving that goal in our overall operation of the District.
- The District's plan was to save as much money as possible in all areas of operations, including reducing personnel. The budget committee has worked hard to eliminate all positions possible without hurting the integrity of the District.
- A concerted effort was focused on saving as much as possible when purchasing in the areas of supplies, food, maintenance items, and other materials. We had targeted our Food Service as a top priority for improvements. Continuation of working with local districts to purchase supplies with a three county cooperative approach has resulted in a savings in operations in food service. We have also been effective in saving some monies in other areas of purchasing. An increased focus on student participation rates will result in an increase in food service revenues along with implementation of the CEO (community eligibility program) for our food service program which will also provide additional revenue.
- The current major project for Jackson County is the new Jackson County High School. The first Phase of construction began during the 2009-2010 school year. The district received additional Category five funding which will enable us to continue to the next Phase of the new High School. The district had to commit to levy an additional five cent equivalent tax rate to qualify for the Category five funding. The total project cost is now estimated at \$20.8 million of which \$18.4 million is SFCC, and Category 5 funding and \$2.4 million consists of local funds. The next and final phase of the high school project is underway and should be completed in the 2013 fiscal year along with new athletic fields.
- Our District continues to look for outside funding streams as a way of enriching our efforts to be proficient by 2014. We are in the process of submitting an application for an Impact Aide grant which will offset our loss of revenue due to the loss of property tax revenues from the Daniel Boone National Forest.
- Our District remains committed to educational excellence by keeping teacher salaries high and the student-teacher ratio low.
- The General Fund had \$13.7 million in revenues, excluding on-behalf payments, which primarily consisted of the state program (SEEK), property and motor vehicle taxes, and Medicaid income.
- Implemented a 3% Utility tax effective August 2011, which will also increase our revenue base.

JACKSON COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED Year ended June 30, 2012

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic 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 primarily 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 asset acquisitions and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on the table of contents of this report.

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

The basic governmental fund financial statements can be found on the table of contents of this report.

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

JACKSON COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Year ended June 30, 2012

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, governmental assets exceeded liabilities by approximately \$18,601,719; proprietary assets exceeded liabilities by \$258,848 and total assets exceeded liabilities by \$18,860,567 at 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 used 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.

The School District as a Whole

	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 8,749,512	\$ 3,195,107
Capital assets	39,660,560	32,252,608
Total Assets	<u>48,410,072</u>	<u>35,447,715</u>
Current liabilities	2,742,232	2,214,860
Noncurrent liabilities	26,807,274	16,756,754
Total Liabilities	<u>29,549,505</u>	<u>18,971,614</u>
Investment in capital assets, net of related debt	4,739,584	9,089,953
Restricted net assets	6,486,477	422,649
Unrestricted net assets	7,634,504	6,963,499
Total Net Assets	<u>\$ 18,860,567</u>	<u>\$ 16,476,101</u>

There was an increase in the financial position of the District since the prior year. Unrestricted net assets increased by \$671,005 from the prior year. This was mainly due to recording of the SFCC receivable of bonds payable.

JACKSON COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2012

The following table presents a fund accounting comparison and summary of revenue and expense for Government Funds only for the fiscal years 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Revenues and other financing sources		
Local revenue sources	\$ 2,888,584	\$ 2,262,786
State revenue sources	18,081,953	17,183,911
Federal revenue	<u>4,108,542</u>	<u>5,148,170</u>
Total Revenue	<u>25,079,079</u>	<u>24,594,867</u>
Expenditures and other financing uses		
Instruction	13,233,040	14,009,930
Student support services	1,113,266	1,210,158
Instructional support	1,596,651	1,827,921
District administration	707,864	630,591
School administration	613,525	600,657
Business operations	472,056	452,785
Plant operation and maintenance	1,606,630	1,705,185
Student transportation	2,083,349	1,960,346
Community services	265,860	360,741
Debt service	2,729,531	1,772,319
Architectural and engineering	21,741	9,987
Building acquisitions and construction	<u>7,654,641</u>	<u>6,013,408</u>
Total expenditures	<u>32,098,154</u>	<u>30,554,028</u>
Excess revenues (expenditures)	<u>(7,019,075)</u>	<u>(5,959,161)</u>
Other financing sources (uses)		
Bond proceeds	14,294,438	-
Payments to escrow agent - refunding	(1,918,850)	-
Transfers in	1,621,971	1,330,370
Transfers out	(1,634,302)	(1,509,302)
Proceeds from sale of assets	<u>25,236</u>	<u>-</u>
Total other financing sources (uses)	<u>12,388,493</u>	<u>(178,932)</u>
Net change in fund balance	<u>5,369,416</u>	<u>(6,138,094)</u>

JACKSON COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) Year ended June 30, 2012

On behalf payments are included in the above amounts. On-behalf, as defined by the KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, retirement, and administration fees. The on-behalf payments are allocated to expense as mandated by the KDE and are credited to revenues; therefore, have no effect on the District level fund balance.

BUDGETARY IMPLICATION

In Kentucky the public school fiscal year is July 1 through June 30; other programs, such as, some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a working budget with \$602,249 in contingency (approximately 2%). Significant variations in the actual results of operations and the final budget are primarily due to on-behalf payments that are included in the financial statements, but are not budgeted by the District.

Questions regarding this report should be directed to the Superintendent at (606) 287-7181, or to the Finance Officer, Roxann Coffey, at (606) 287-7181, or by mail at 526 South Main Street, PO Box 217, McKee, Kentucky, 40447.

JACKSON COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2012

ASSETS	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 7,446,420	\$ 1,056	\$ 7,447,476
Accounts receivable:			
Taxes	27,094	-	27,094
Other	8,288	10,469	18,757
Intergovernmental - State	119,113	-	119,113
Intergovernmental - Federal	315,271	90,551	405,822
SFCC current receivable of bonds payable	352,414	-	352,414
Inventory	132,776	22,234	155,010
Bond issue costs, net	223,826	-	223,826
SFCC long-term receivable of bonds payable	6,963,995	-	6,963,995
Capital Assets, net			
Nondepreciable	7,653,251	-	7,653,251
Depreciable	<u>24,817,565</u>	<u>225,750</u>	<u>25,043,315</u>
Total assets	<u>48,060,012</u>	<u>350,060</u>	<u>48,410,072</u>
LIABILITIES			
Accounts payable	771,308	25,744	797,052
Deferred revenue	111,022	-	111,022
Other current liabilities	153,278	-	153,278
Checks written in excess of cash balance	-	65,468	65,468
Current maturities of bond obligations	1,484,039	-	1,484,039
Interest payable	131,373	-	131,373
Noncurrent maturities of bond obligations	26,605,719	-	26,605,719
Noncurrent portion of accumulated sick leave	<u>201,555</u>	<u>-</u>	<u>201,555</u>
Total liabilities	<u>29,458,293</u>	<u>91,212</u>	<u>29,549,505</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,513,834	225,750	4,739,584
Restricted for:			
Capital expenditures	4,848,471	-	4,848,471
Capital expenditures/debt service	132,133	-	132,133
Other	1,472,776	33,098	1,505,874
Unrestricted	<u>7,634,504</u>	<u>-</u>	<u>7,634,504</u>
Total net assets	<u>\$ 18,601,719</u>	<u>\$ 258,848</u>	<u>\$ 18,860,567</u>

The accompanying notes are an integral part of these financial statements

JACKSON 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		Governmental Activities	Business-Type Activities		Total
			Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-Type Activities	
Governmental activities								
Instruction	\$ 13,478,020	\$ -	\$ 7,721,549	\$ -	\$ (5,756,471)	\$ -	\$ -	\$ (5,756,471)
Student	1,150,389	-	422,272	-	(728,117)	-	-	(728,117)
Instructional support	1,637,357	-	1,508,115	-	(129,242)	-	-	(129,242)
District administration	727,326	-	241,298	-	(486,028)	-	-	(486,028)
School administration	616,013	-	241,298	-	(374,715)	-	-	(374,715)
Business operations	474,338	-	180,974	-	(293,364)	-	-	(293,364)
Plant operations and maintenance	1,788,438	3,600	542,921	-	(1,241,917)	-	-	(1,241,917)
Student transportation	2,050,396	-	844,544	-	(1,205,852)	-	-	(1,205,852)
Community services	266,462	-	361,948	-	95,486	-	-	95,486
Interest on long-term debt	1,297,052	-	-	-	(1,297,052)	-	-	(1,297,052)
Total governmental activities	23,485,791	3,600	12,064,920	-	(11,417,270)	-	-	(11,417,270)
Business-type activities								
Food service	1,649,863	118,834	1,490,002	-	-	(41,027)	-	(41,027)
Day care	947	947	-	-	-	-	-	-
Adult education	9,916	18,380	-	-	-	8,464	-	8,464
Total business-type activities	1,660,726	138,161	1,490,002	-	-	(32,563)	-	(32,563)
Total primary government	25,146,517	141,761	13,554,922	-	(11,417,270)	(32,563)	-	(11,449,833)
			General revenues					
			Taxes:					
			Property	1,816,151	-	-	-	1,816,151
			Motor vehicle	343,169	-	-	-	343,169
			Utilities	506,741	-	-	-	506,741
			Other	103,318	-	-	-	103,318
			Earnings on investments	60,282	-	-	-	60,282
			State grants	11,007,199	-	-	-	11,007,199
			Other local amounts	55,323	-	-	-	55,323
			Gain/ (Loss) on disposal of assets	(73,774)	891	-	-	(72,883)
			Transfers	(12,332)	12,332	-	-	-
			Total general revenues	13,806,077	13,223	-	-	13,819,300
			Change in net assets	2,388,806	(19,341)	-	-	2,369,467
			Net assets as of June 30, 2011	16,197,913	278,188	-	-	16,476,101
			Prior period adjustment	15,000	-	-	-	15,000
			Net assets as of June 30, 2012	\$ 18,601,719	\$ 258,848	\$ -	\$ -	\$ 18,860,567

The accompanying notes are an integral part of these financial statements

JACKSON COUNTY SCHOOL DISTRICT

**BALANCE SHEET -
GOVERNMENTAL FUNDS
Year ended June 30, 2012**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>School Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 2,071,723	\$ -	\$ 5,486,058	\$ 132,133	\$ 7,689,915
Accounts receivable:					
Taxes	27,094	-	-	-	27,094
Other	8,288	-	-	-	8,288
Intergovernmental - State	-	119,113	-	-	119,113
Intergovernmental - Federal	54,322	260,949	-	-	315,271
Inventory	132,776	-	-	-	132,776
Total assets	<u>2,294,203</u>	<u>380,062</u>	<u>5,486,058</u>	<u>132,133</u>	<u>8,292,457</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Checks written in excess of account balance	-	243,495	-	-	243,495
Accounts payable	108,177	25,544	637,587	-	771,308
Accrued payroll payables	153,278	-	-	-	153,278
Deferred revenue	-	111,022	-	-	111,022
Total liabilities	<u>261,455</u>	<u>380,062</u>	<u>637,587</u>	<u>-</u>	<u>1,279,104</u>
Fund balances					
Nonspendable	132,776	-	-	-	132,776
Committed	15,000	-	-	-	15,000
Restricted	-	-	4,848,471	132,133	4,980,604
Unassigned	1,884,972	-	-	-	1,884,972
Total fund balances	<u>2,032,748</u>	<u>-</u>	<u>4,848,471</u>	<u>132,133</u>	<u>7,013,352</u>
Total liabilities and fund balances	<u>\$ 2,294,203</u>	<u>\$ 380,062</u>	<u>\$ 5,486,058</u>	<u>\$ 132,133</u>	<u>\$ 8,292,457</u>

The accompanying notes are an integral part of these financial statements

JACKSON COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS**

Year ended June 30, 2012

Total fund balances - governmental funds	\$ 7,013,352
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources; therefore, are not reported as assets in governmental funds.	32,470,816
Capitalized the bond issue costs for the sale/refunding of bonds less amortization over the life of the bonds.	223,826
Certain assets are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net assets.	7,316,409
Bonds payable are not reported in the governmental fund balance sheet since they are not due or payable in the current period, but they are presented in the statement of net assets.	(28,089,757)
Long-term portion of accumulated sick leave is not reported in the governmental fund balance sheet because it is not due or payable in the current period, but it is presented in the statement of net assets.	(201,555)
Interest payable is not reported in the governmental fund balance sheet because it is not due or payable in the current period, but it is presented in the statement of net assets.	<u>(131,373)</u>
Total net assets - governmental activities	<u>\$ 18,601,719</u>

The accompanying notes are an integral part of these financial statements

JACKSON COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended June 30, 2012**

	General Fund	Special Revenue Funds	School Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	\$ 1,448,553	\$ -	\$ -	\$ 367,598	\$ 1,816,151
Motor vehicle	343,169	-	-	-	343,169
Utility	506,741	-	-	-	506,741
Other	103,318	-	-	-	103,318
Earnings on investments	59,754	528	-	-	60,282
Other local	50,383	8,541	-	-	58,924
Intergovernmental - State	14,821,280	1,436,124	-	1,824,549	18,081,953
Intergovernmental - Federal	87,959	3,365,113	-	655,470	4,108,542
Total revenues	17,421,157	4,810,305	-	2,847,617	25,079,079
Expenditures					
Current:					
Instruction	9,902,305	3,330,735	-	-	13,233,040
Student	1,035,869	77,397	-	-	1,113,266
Instructional support	599,330	997,321	-	-	1,596,651
District administration	707,864	-	-	-	707,864
School administration	608,825	4,701	-	-	613,525
Business operations	472,056	-	-	-	472,056
Plant operations and maintenance	1,606,630	-	-	-	1,606,630
Student transportation	1,931,441	151,908	-	-	2,083,349
Community services	-	265,860	-	-	265,860
Architectural and engineering	-	-	21,741	-	21,741
Building acquisitions and construction	-	-	7,654,641	-	7,654,641
Debt service	-	-	-	2,729,533	2,729,533
Total expenditures	16,864,319	4,827,921	7,676,381	2,729,533	32,098,154
Excess (deficit) of revenues over (under) expenditures	556,838	(17,616)	(7,676,381)	118,084	(7,019,075)
Other financing sources (uses)					
Proceeds from sale of assets	25,111	126	-	-	25,236
Proceeds from bonds	82,368	-	12,262,070	1,950,000	14,294,438
Payment to escrow agent -refunding	-	-	-	(1,918,850)	(1,918,850)
Transfers in	175,633	37,990	-	1,408,348	1,621,971
Transfers out	(161,264)	(20,500)	-	(1,452,538)	(1,634,302)
Total other financing sources (uses)	121,847	17,616	12,262,070	(13,040)	12,388,493
Net change in fund balance	678,685	-	4,585,688	105,043	5,369,416
Fund balance as of June 30, 2011	1,339,063	-	262,783	27,090	1,628,936
Prior period adjustment	15,000	-	-	-	15,000
Fund balance as of June 30, 2012	\$ 2,032,748	\$ -	\$ 4,848,471	\$ 132,133	\$ 7,013,352

The accompanying notes are an integral part of these financial statements

JACKSON COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2012**

Net change in total fund balances - governmental funds	\$ 5,369,416
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in the governmental fund financial statements, since they use current financial resources; however, they are treated as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlay exceeds depreciation expense for the year.	6,624,891
Bond issuance costs are reported as expenditures in the fund financial statements because they use current resources, but they are presented as assets in the statement of activities and amortized over the life of the bond.	223,826
The proceeds of receipts of accounts receivable provide current financial resources and are reported in this fund financial statement; however, they are presented as an increase of assets in the statement of net assets.	881,624
Bond and capital lease payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions of liabilities in the statement of net assets.	(10,959,790)
Interest payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are expensed as incurred in the statement of activities.	(14,470)
Accumulated sick leave is recognized by the amount earned in the statement of activities, but the governmental fund financial statements only recognize the retirement obligations anticipated from existing financial resources.	<u>263,309</u>
Change in net assets - governmental activities	<u>\$ 2,388,806</u>

The accompanying notes are an integral part of these financial statements

JACKSON COUNTY SCHOOL DISTRICT

**STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS**
Year ended June 30, 2012

	Food Service Fund	Other Enterprise Funds	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ -	\$ 1,056	\$ 1,056
Accounts receivable	90,551	10,469	101,020
Inventory	22,234	-	22,234
Total current assets	112,785	11,525	124,310
Noncurrent assets			
Capital assets	858,499	-	858,499
Less accumulated depreciation	(632,749)	-	(632,749)
Total noncurrent assets	225,750	-	225,750
Total assets	338,535	11,525	350,060
LIABILITIES			
Checks written in excess of cash balance	65,468	-	65,468
Accounts payable	25,083	661	25,744
Total liabilities	90,551	661	91,212
NET ASSETS			
Invested in capital assets	225,750	-	225,750
Restricted	22,234	10,864	33,098
Total net assets	\$ 247,984	\$ 10,864	\$ 258,848

The accompanying notes are an integral part of these financial statements

JACKSON COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
 PROPRIETARY FUNDS
 Year ended June 30, 2012**

	Food Service Fund	Other Enterprise Funds	Total
Operating revenues			
Lunchroom sales	\$ 118,834	\$ -	\$ 118,834
Other	-	19,327	19,327
Total operating revenues	<u>118,834</u>	<u>19,327</u>	<u>138,161</u>
Operating expenses			
Salaries and wages	477,206	2,033	479,239
Employee benefits	278,301	193	278,494
Materials and supplies	877,050	8,637	885,687
Depreciation	17,306	-	17,306
Total operating expenses	<u>1,649,863</u>	<u>10,863</u>	<u>1,660,726</u>
Operating loss	<u>(1,531,029)</u>	<u>8,464</u>	<u>(1,522,565)</u>
Nonoperating revenues			
Federal grants	1,255,243	-	1,255,243
State grants	168,200	-	168,200
Donated commodities	66,559	-	66,559
Gain (Loss) on disposal of assets	891	-	891
Total nonoperating revenues/(expenses)	<u>1,490,892</u>	<u>-</u>	<u>1,490,892</u>
Income before contributions transfers and special items	<u>(40,136)</u>	<u>8,464</u>	<u>(31,673)</u>
Transfers in	12,332	-	12,332
Change in net assets	<u>(27,804)</u>	<u>8,464</u>	<u>(19,341)</u>
Net assets as of June 30, 2011	<u>275,788</u>	<u>2,400</u>	<u>278,188</u>
Net assets as of June 30, 2012	<u>\$ 247,984</u>	<u>\$ 10,864</u>	<u>\$ 258,848</u>

The accompanying notes are an integral part of these financial statements

JACKSON COUNTY SCHOOL DISTRICT
**STATEMENT OF CASH FLOWS -
 PROPRIETARY FUNDS**
 Year ended June 30, 2012

	Food Service Fund	Other Enterprise Funds	Total
Cash flows from operating activities			
Cash received from:			
Lunchroom sales	\$ 91,107	\$ -	\$ 91,107
Other activities	-	16,084	16,084
Cash paid to/for:			
Employees	(755,507)	(2,226)	(757,733)
Supplies	(768,646)	(12,802)	(781,448)
Other activities	-	-	-
Net cash used in operating activities	<u>(1,433,046)</u>	<u>1,056</u>	<u>(1,431,990)</u>
Cash flows from non-capital financing activities			
Grants received	1,423,443	-	1,423,443
Transfers in	12,332	-	12,332
Net cash used in non-capital financing activities	<u>1,435,775</u>	<u>-</u>	<u>1,435,775</u>
Cash flows from investing activities			
Purchase of fixed assets	(2,729)	-	(2,729)
Interest received on investments	-	-	-
Net cash used in capital and related activities	<u>(2,729)</u>	<u>-</u>	<u>(2,729)</u>
Net increase in cash and cash equivalents	-	1,056	1,056
Cash and cash equivalents as of June 30, 2011	-	-	-
Cash and cash equivalents as of June 30, 2012	<u>-</u>	<u>1,056</u>	<u>1,056</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income/ (loss)	(1,531,029)	8,464	(1,522,565)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
(Increase) decrease in accounts receivable	(27,727)	(3,243)	(30,970)
(Increase) decrease in inventory	14,118	-	14,118
Increase (decrease) in accounts payable	3,891	170	4,061
Increase (decrease) in checks written in excess of cash balance	23,836	(4,335)	19,501
Depreciation	17,306	-	17,306
Commodities received	66,559	-	66,559
Net cash used in operating activities	<u>(1,433,046)</u>	<u>1,056</u>	<u>(1,431,990)</u>
Schedule of non-cash transactions:			
(Gain) Loss on disposal of assets	(891)	-	(891)
Depreciation	17,306	-	17,306
Donated commodities	66,559	-	66,559
Total non-cash transactions	<u>\$ 82,974</u>	<u>\$ -</u>	<u>\$ 82,974</u>

The accompanying notes are an integral part of these financial statements

JACKSON COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
Year ended June 30, 2012

	<u>Agency Funds</u>	<u>Fiscal Agent Fund</u>	<u>Total Fiduciary Funds</u>
ASSETS			
Cash	\$ 144,499	\$ -	\$ 144,499
Accounts receivable	<u>9,666</u>	<u>-</u>	<u>9,666</u>
Total assets	<u>154,166</u>	<u>-</u>	<u>154,166</u>
LIABILITIES			
Accounts payable	13,116	-	13,116
Due to student groups	<u>141,050</u>	<u>-</u>	<u>141,050</u>
Total liabilities	<u>154,166</u>	<u>-</u>	<u>154,166</u>
Total net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

JACKSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended June 30, 2012

1. Reporting entity

The Jackson 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 Jackson County School District (District). The District receives funding from Local, State, and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, as Board members are elected by the public, and have decision making authority, the power to designate management, 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 District. The basic financial statements presented herein do not include funds of groups and organizations, which, although associated with the school system, have not originated within the Board itself, such as Band Boosters, Parent-Teacher Associations, etc. Such funds or groups have been considered as prospective component units under GASB Statement Number 39, *Determining Whether Certain Organizations Are Component Units*, and have been determined to have insignificant assets, liabilities, equity, revenue, and expenditures to be considered component units. In addition, the Board has the ability to exert little control over the fiscal activities of the funds or groups.

The basic 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 basic financial statements of the following organization is included in the accompanying basic financial statements:

Jackson County School District Finance Corporation – In a prior year, the Jackson County, Kentucky, Board of Education resolved to authorize the establishment of the Jackson County School District Finance Corporation (Corporation), (a nonprofit, nonstock, public, and charitable corporation organized under the School Bond Act, KRS 273, and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Jackson County Board of Education comprise the Corporation's Board of Directors.

JACKSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year ended June 30, 2012

2. Basis of presentation and summary of significant accounting policies

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 and the accrual basis of accounting. The activities of the District are generally financed through state funding, property taxes, and Federal, State, and Local grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. Revenues from grants are recognized in the fiscal year in which eligibility requirements are met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities and each segment of the business-type activities of the District. Direct expenses are those that are specifically associated with a service, program, or function. The District charges indirect expenses to programs or functions in accordance to preset formulas. 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.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. State and other governmental revenues applicable to the current fiscal year and collected within sixty (60) days of year end are recognized as revenue.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences which are recognized as expenditures when they come due for payment. General capital asset acquisitions are reported as expenditures in governmental funds, and proceeds of general long-term debt are reported as other financing sources.

JACKSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

2. Basis of presentation and summary of significant accounting policies (continued)

Under the terms of the District's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the District applies cost-reimbursement funds first to finance such programs with remaining costs paid for with general revenues.

Proprietary funds utilize the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with the fund's principal operations. The fund's principal operating revenues are food service charges. Operating expenses include food production costs, supplies, administrative costs, and depreciation on capital assets.

Fiduciary funds utilize the economic resources measurement focus and the accrual basis of accounting.

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of the total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

The District has the following funds:

a. *Governmental fund types*

The *General Fund* is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a major fund of the District.

The *Special Revenue Fund* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This is a major fund of the District.

JACKSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

2. Basis of presentation and summary of significant accounting policies (continued)

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

1. The *Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund* receives those funds designated by the State as Capital Outlay Funds and is generally restricted for use in financing projects identified in the District's facility plan (including payment of bonded lease obligations).
2. The *Facility Support Program (FSPK) Fund* accounts for funds generated by the building tax levy that is required for participation 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. The *School Construction Fund* includes capital projects. The fund accounts for proceeds from sales of bonds and other revenue to be used for authorized construction. This is a major fund of the District.

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 costs; and for the payment of interest on general obligation notes payable, as required by Kentucky law.

b. Proprietary fund types

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

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

The *Day Care Fund* is used to account for the day care operations of the District. The Day Care Fund is not a major fund for the purposes of financial statement presentation.

The *Adult Education Fund* is used to account for the adult education operations of the District. The Adult Education Fund is not a major fund for the purposes of financial statement preparation.

JACKSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

2. Basis of presentation and summary of significant accounting policies (continued)

c. *Fiduciary fund type*

The *Agency Funds* account for activities of student groups and other types of activities requiring clearing accounts. Certain agency funds comply with *Accounting Procedures for Kentucky School Activity Funds*.

Budgetary process – Budgetary Basis of Accounting: The District's budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America.

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other Local, State, and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board.

The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year.

Additionally, the District must submit a certified budget to the Kentucky Department of Education by March 15 of each calendar year, which includes the amount for certified and classified staff, based on the District's staffing policy, and the amount for the instructional supplies, materials, travel, and equipment.

Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each calendar year. This budget must contain a 2% reserve but not greater than 10%.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of each calendar year.

The Board has the ability to amend the working budget. The working budget was amended during the year.

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

Inventories – Supplies and materials are charged to expense when purchased (purchases method).

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

JACKSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

2. Basis of presentation and summary of significant accounting policies (continued)

Bond issue costs – Costs associated with the issuance of bond obligations, including fiscal and rating agency fees, paying agent fees, and attorney fees, are reported as expenditures in the governmental funds financial statements. These costs are capitalized and amortized over the lives of the respective bonds on the government-wide financial statements.

Interfund balances – On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as due from or to other funds. 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.

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000 with the exception of computers and related equipment for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; whereas, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	20-50 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	12 years
Other	10 years

JACKSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

2. Basis of presentation and summary of significant accounting policies (continued)

Accrued liabilities and long-term obligations – All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported in 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, but only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty (60) 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.

Deferred revenue – Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Accumulated sick leave – Sick leave benefits are accrued as a liability using the vesting method based on employees with 27 or more years of service and employees 55 years of age and older with more than five years of service. The current portion of the liability is estimated based on the District's historical trends and anticipated payments.

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

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

Interfund activity – Flows of cash 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.

JACKSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

2. Basis of presentation and summary of significant accounting policies (continued)

Encumbrance accounting – Encumbrances are not liabilities; therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next fiscal year.

Estimates – The preparation of basic financial statements requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

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

<i>Nonspendable</i>	Permanently nonspendable by decree of the donor, such as an endowment, or items which may not be used for another purpose, such as amounts used to prepay future expenses or already-purchased inventory on hand.
<i>Restricted</i>	Legally restricted under federal or state law, bond authority, or grantor contract.
<i>Committed</i>	Commitments passed by the Board.
<i>Assigned</i>	Funds assigned to management priority including issued encumbrances.
<i>Unassigned</i>	Funds available for future operations.

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

Encumbrances are not liabilities; therefore, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2012, in the governmental funds balance sheet.

JACKSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

2. Basis of presentation and summary of significant accounting policies (continued)

Statutorily, the Kentucky Department of Education may assume financial control over any school district whose fund balance drops below 2% of the total expenditures of certain funds. To maintain balances above this level, they recommend reserving at least 5%.

3. Cash and cash equivalents

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned. As of June 30, 2012, the carrying amount of the District's cash and cash equivalents, including governmental and proprietary cash balances, was \$7,380,740 and the bank balance was \$8,116,502. The District held an additional \$150,370 in agency for various groups. Of the total cash balance, \$250,000 was covered by Federal depository insurance, with the remainder covered by a collateral agreement and collateral held by the pledging bank's trust department in the District's name. By state statute, and District policy, the District may deposit funds in state and nationally chartered banks which provide FDIC insurance and sufficient collateral to secure deposits in excess of FDIC coverage. Cash equivalents are funds temporarily invested in securities with maturities of ninety (90) days or less.

Cash is commingled in various bank accounts and short-term certificates of deposits. Due to the nature of the accounts and limitations imposed by bond issue requirements, construction projects, and Federal financial assistance programs, each cash amount within the following funds is considered to be restricted:

- Special Revenue Funds
- SEEK Capital Outlay Fund
- Facility Support Program (FSPK) Fund
- School Construction Fund
- School Food Service Fund
- Agency Funds

4. Investments

Funds of the District are considered to be public funds; therefore, their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds, as provided by KRS 66.480. At June 30, 2012, the District holds no demand deposits and certificates of deposit considered to be cash equivalents. Consequently, the District does not have investment related credit risk or interest rate risk.

JACKSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

5. Property taxes

The District's ad valorem property tax is levied each September 30 on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes are due on January 2 and become delinquent after January 31 following the levy date. Property tax rates assessed for the year ended June 30, 2012 were \$.59 per \$100 valuation for real property, \$.59 per \$100 valuation for business property, and \$.568 per \$100 valuation for motor vehicles.

6. Capital assets

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

<u>Governmental Activities</u>	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2012</u>
Land	\$ 194,136	\$ -	\$ -	\$ 194,136
Land improvements	2,758,002	-	-	2,758,002
Buildings	20,962,810	8,678,615	70,592	29,570,833
Technology equipment	2,281,154	126,950	112,259	2,295,846
Vehicles	2,892,998	163,438	193,726	2,862,710
General equipment	361,753	10,778	-	372,530
Construction in progress	8,678,616	7,459,114	8,678,615	7,459,115
Total at historical cost	<u>38,129,469</u>	<u>16,438,895</u>	<u>9,055,192</u>	<u>45,513,173</u>
Less: Accumulated depreciation				
Land improvements	1,365,282	110,457	-	1,475,738
Buildings	6,874,114	523,497	56,047	7,341,564
Technology equipment	1,641,662	253,327	106,592	1,788,397
Vehicles	2,217,301	133,465	114,927	2,235,838
General equipment	185,184	15,637	-	200,820
Total accumulated depreciation	<u>12,283,542</u>	<u>1,036,382</u>	<u>277,567</u>	<u>13,042,357</u>
Governmental Activities Capital Assets-net	<u>25,845,927</u>	<u>15,402,513</u>	<u>8,777,625</u>	<u>32,470,816</u>
<u>Business-Type Activities</u>	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2012</u>
Buildings	390,859	-	-	390,859
Technology equipment	15,666	-	-	15,666
General equipment	451,217	2,729	1,973	451,974
Total at historical cost	<u>857,743</u>	<u>2,729</u>	<u>1,973</u>	<u>858,499</u>
Less: Accumulated depreciation				
Buildings	216,336	7,447	-	223,783
Technology equipment	7,126	2,097	-	9,223
General equipment	393,063	7,762	1,082	399,743
Total accumulated depreciation	<u>616,526</u>	<u>17,306</u>	<u>1,082</u>	<u>632,749</u>
Business-Type Activities Capital Assets-net	<u>\$ 241,217</u>	<u>\$ (14,577)</u>	<u>\$ 891</u>	<u>\$ 225,750</u>

JACKSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

6. Capital assets (continued)

Depreciation expense is allocated to specific functions or programs on the statement of activities as follows:

Instruction	\$ 618,479
Student support	37,123
Instructional support	40,706
District administration	19,462
School administration	2,488
Business operations	2,282
Plant operations and maintenance	181,808
Student transportation	133,432
Community services	602
Total	<u>\$ 1,036,382</u>

7. Bonded debt and lease obligations

The amounts shown in the accompanying basic financial statements as bond obligations represent the District's future obligations to make lease payments relating to the bonds issued by the Jackson County School District Finance Corporation.

The original amount of each issue, the issue date, interest rate, and summary of changes are summarized below:

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>2011 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2012 Outstanding Balance</u>
Issue of 2002	2,050,000	10/1/2022	3.20-4.50%	\$ 1,935,000	\$ -	\$ 1,935,000	\$ -
Issue of 2004	250,000	9/1/2010	3.10%	95,000	-	25,000	70,000
Issue of 2004	1,615,000	12/1/2024	3.0-4.35%	1,505,000	-	80,000	1,425,000
Issue of 2005	3,155,000	12/1/2025	3.15-4.15%	2,775,000	-	115,000	2,660,000
Issue of 2007	2,260,000	5/1/2020	3.40-3.80%	1,980,000	-	190,000	1,790,000
Issue of 2009	8,845,000	11/1/2029	1.0-5.625%	8,540,000	-	305,000	8,235,000
Issue of 2011	11,900,000	12/1/2027	5%	-	11,900,000	546,571	11,353,429
Issue of 2011K	362,070	10/1/2032	1.50-4.30%	-	362,070	-	362,070
Issue of 2012R	1,950,000	10/1/2023	1.0-2.0%	-	1,950,000	15,000	1,935,000
Totals				<u>\$16,830,000</u>	<u>\$14,212,070</u>	<u>\$ 3,211,571</u>	<u>\$ 27,830,499</u>

JACKSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

7. Bonded debt and lease obligations (continued)

The original amount of each issue, the issue date, interest rate, and summary of changes are summarized below for the Kentucky Interlocal School Transportation Association program:

<u>KISTA Issue</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>2011 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2012 Outstanding Balance</u>
Issue of 2012	\$ 82,368	3/1/2022	2.0-2.625%	\$ -	\$ 82,368	\$ -	\$ 82,368
Issue of 2005	597,062	3/1/2015	3.0-3.625%	239,202	-	62,312	176,890
Issue of 2009	303,825	11/15/2011	0%	60,765	-	60,765	-
Totals				<u>\$ 299,967</u>	<u>\$ 82,368</u>	<u>\$ 123,077</u>	<u>\$ 259,258</u>

The District, through the General Fund, the Special Revenue Fund, the Facility Support Program (FSPK) Fund, and the SEEK Capital Outlay Fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Jackson County School District Finance Corporation 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 District, through the General Fund, is also obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Kentucky Interlocal Transportation Association (KISTA) for the purchase of school buses.

The District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Generally, the participation agreements provide for the Commission to assist the District in meeting bond obligations and are renewable, at the Commission's option, bi-annually. In the future, should the Kentucky General Assembly choose to not fund the Commission the District would be responsible for meeting the full requirements of the bond issues. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

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

JACKSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

7. Bonded debt and lease obligations (continued)

<u>YEAR</u>	<u>LOCAL</u>		<u>KSFCC</u>		<u>QZAB</u> <u>SINKING</u> <u>FUND</u>	<u>FEDERAL</u>		<u>TOTAL</u> <u>PRINCIPAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>DIRECT PAY</u> <u>INTEREST</u>		
2013	\$ 1,058,157	\$ 382,634	\$ 352,414	\$ 280,293	\$ -	\$ 732,512		\$ 1,410,571
2014	1,075,940	365,800	359,631	273,385	-	729,572		1,435,571
2015	1,082,789	348,032	362,782	264,536	-	726,264		1,445,571
2016	1,103,361	329,147	352,210	254,798	-	722,379		1,455,571
2017	1,121,476	308,123	363,095	243,914	-	717,824		1,484,571
2018	1,134,426	285,313	375,145	231,864	-	712,833		1,509,571
2019	1,156,296	261,431	388,275	218,734	-	707,431		1,544,571
2020	1,173,974	236,272	402,598	204,411	-	701,514		1,576,572
2021	1,193,783	207,029	417,787	189,221	-	695,354		1,611,570
2022	1,213,886	183,197	434,200	172,810	-	688,868		1,648,086
2023	1,234,761	158,387	451,810	155,198	-	681,999		1,686,571
2024	1,081,032	131,799	470,539	136,470	-	673,342		1,551,571
2025	1,100,669	102,970	490,902	116,106	-	662,541		1,591,571
2026	955,636	76,435	495,935	94,578	-	651,066		1,451,571
2027	755,054	57,181	451,517	73,634	3,154,869	639,167		4,361,440
2028	289,542	41,917	395,458	52,934	-	31,797		685,000
2029	292,163	26,099	417,837	30,555	-	18,654		710,000
2030	290,726	9,969	334,274	9,401	-	5,906		625,000
2031	25,000	1,421	-	-	-	-		25,000
2032	20,555	442	-	-	-	-		20,555
<hr/>								
	\$ 17,359,221	\$ 3,513,601	\$ 7,316,409	\$ 3,002,842	\$ 3,154,869	\$ 10,499,023		\$ 27,830,499

Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District as of June 30, 2012 for debt service relating to the Kentucky Interlocal School Transportation Association program (principal and interest) are as follows:

<u>LOCAL</u>			
<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2013	\$ 73,468	\$ 8,099	\$ 81,567
2014	64,524	5,579	70,103
2015	64,919	3,460	68,379
2016	7,946	1,233	9,179
2017	8,104	1,074	9,178
2018	8,262	912	9,174
2019	8,452	747	9,199
2020	8,610	578	9,188
2021	7,376	384	7,760
2022	7,597	199	7,796
<hr/>			
	\$ 259,258	\$ 22,263	\$ 281,521

JACKSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

7. Bonded debt and lease obligations (continued)

In 2009, the District issued \$8,845,000 of School Building Revenue Bonds (Build America Bonds – Direct Pay to Issuer) to finance the construction of the new Jackson County High School. A provision of the American-Reinvestment and Recovery Act of 2009 (the “ARRA”) authorized the issuance of the taxable bonds known as “Build America Bonds” to finance capital expenditures for which it could issue tax-exempt bonds and to elect to receive a subsidy payment from the federal government equal to thirty-five (35%) percent of the amount of each interest payment on such taxable bonds. The District elected to issue the Bonds as taxable bonds. The available subsidy for the Bonds will be paid directly to the District and has been pledged to the payment of the Bonds.

In 2011, the District issued \$11,900,000 of Qualified School Construction Bonds, (QSCB – Direct Pay to Issuer), to finance the construction of the new Jackson County High School. The QSCB was issued as “Qualified School Construction Bonds” or “Specified Tax Credit Bonds” under the provisions of the American Recovery and Reinvestment Act of 2009 (the “ARRA”) and the Hiring Incentives to Restore Employment Act of the 2010 (the “2010 Jobs Act”) as codified in Sections 54A, 54F, and 6431 of the Internal Revenue Code of 1986. The District has irrevocably elected to receive a cash Interest Subsidy payment from the Federal government equal to the lesser of (i) the amount of 100% of the interest payable by the District on each interest payment date on such bonds, or (ii) the amount of interest which would have been payable under such bond on such date if such interest were determined at the applicable credit rate determined under Section 54A(b)(3) of the Code with respect to such bond had the Bonds been issued as “Tax Credit Bonds”. The available cash Interest Subsidy payment for the Bonds will be paid directly to the District and has been pledged to the payment of the interest requirements of the Bonds or utilized to reimburse the District for such interest payments.

The District entered into an escrow agreement with the Paying Agent as Escrow Agent directing that the Escrow Agent enter an Investment Agreement (a forward purchase or similar guaranteed investment agreement) with a provider that was selected by the District. The Escrow Agent shall purchase from the provider annually the investments required for deposit to the Sinking Fund for the QSCBS established under the bond resolution and escrow agreement to the end that such annual Sinking Fund payments, together with the proceeds of the investment and re-investment thereof, will produce total principal amount required for the retirement of the QSCBS on their maturity dates. We show the Sinking Fund principal due on a separate column above in our bond payment schedule. This amount will accrue interest accrued on the sinking fund, and will not require the District to make any further payments unless the interest accrued does not equal principal owed.

JACKSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

8. Accumulated unpaid sick leave benefits

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

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accumulated 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 in the government fund financial statements.

A summary of the accumulated unpaid sick leave benefits for the fiscal year ended June 30, 2012 is as follows:

Balance as of June 30, 2011	\$ 479,864
Net change	<u>(263,309)</u>
Balance as of June 30, 2012	216,555
Less committed portion	<u>15,000</u>
Long-term portion	<u>\$ 201,555</u>

9. Commitments and contingencies

The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of funds advanced, or refuse to reimburse the District for its disbursements, and the collectability of any related receivables as of June 30, 2012 may be impaired. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

The District is subject to legal proceedings, claims, and litigation arising in the ordinary course of business. The District defends itself vigorously against any such claims. Although the outcome of these matters is currently not determinable, management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on its financial position, results of operations, or cash flows.

JACKSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

10. Retirement plans

Kentucky Teachers Retirement System

Plan Description – The Jackson County School District contributes to the Kentucky Teacher's Retirement System ("KTRS"), a cost-sharing, multiple-employer defined benefit plan. KTRS administers retirement and disability annuities, as well as, 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 KY Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

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 plan. That report may be obtained by writing to Kentucky Teachers Retirement System, 479 Versailles Road, Frankfort, Kentucky, 40601 or from the KTRS website at <http://www.ktrs.ky.gov/>.

Funding Policy – Contribution rates are established by KRS. Members who established an account in a state retirement system before July 1, 2008 are required to contribute 10.355% of their salaries to KTRS. Members after July 1, 2008 contribute and additional 0.5% or 10.855% of their salaries to KTRS. The Commonwealth of Kentucky, on behalf of the District's certified employees, is required to contribute 13.355% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions.

Medical Insurance Plan

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

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

JACKSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

10. Retirement Plans (Continued)

Funding Policy – In order to fund the post-retirement healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Those who became members before July 1, 2008 contribute 1.25% of salary to the plan. Member contributions are 1.75% of salary for those who became members after July 1, 2008. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 0.5% of members' salary for the 2011-2012 fiscal year.

The Jackson County School District total payroll for the year was \$13,854,390. The payroll for employees covered under KTRS was \$10,216,775. For the year ended June 30, 2012, the Commonwealth of Kentucky contributed \$1,112,078 to KTRS for the benefit of participating employees. The District's contributions (including employee and employer contributions) to KTRS for the year ended June 30, 2012, 2011, and 2010 were \$1,349,895, \$1,462,680, and \$1,419,622, respectively, which represents those employees covered by federal programs. The District's contribution was equal to the required contribution for that year.

County Employees Retirement System

Employees who work an average of 80 hours per month participate in the County Employees Retirement System of Kentucky (CERS), a cost sharing, multiple employer, public employees retirement system created and operating under Kentucky Law.

Plan Description - The County Employees Retirement System covers substantially all regular non-certified (classified personnel) full time employees of the District. The plan provides for retirement, disability, and death benefits. The CERS issues a publicly available financial report that includes financial statement and required supplementary information for CERS. The report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601.

Funding Policy - Plan members are required to contribute 5% of their annual covered compensation and the District is required to contribute at an actuarially determined rate. Employer contribution rates are intended to fund the normal cost on a current basis plus one percent (1%) of the 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. The current District contribution rate is 18.96% of the employee's total covered compensation. The contribution requirements of Plan members and the District are established and may be amended by Kentucky Retirement System's Board of Trustees. The District's contributions (including matching contributions and employee contributions) to CERS for the years ended June 30, 2012, 2011, and 2010 were \$787,659, \$802,929, and \$760,348 respectively. The District's contributions were equal to the required contribution for those years.

JACKSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

10. Retirement Plans (Continued)

The “pension benefit obligation” is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pension’s funding status on a going-concern basis, assess progress made in the accumulating sufficient assets to pay benefits when due, and make comparisons among plans and employees.

CERS and KTRS does not make separate measurements of assets and pension benefit obligation for individual employers. As the District is only one of several employers participating in the Plans, it is not practicable to determine the District’s portion of the unfunded past service cost of the vested benefits of the District’s portion of the Plan assets.

11. On-behalf payments for fringe benefits

The District receives on-behalf payments for fringe benefits from the Commonwealth of Kentucky. The following payments for fringe benefits are included as revenues and expenses on the statement of activities:

Retirement contributions to the Teachers' Retirement System of Kentucky	\$ 1,112,078
Health and Life Insurance	2,652,411
Other	<u>107,902</u>
Total	<u>\$ 3,872,391</u>

These amounts are included in the fund financial statements; however, the revenues and related expenditures are not budgeted amounts. On-behalf payments were allocated to the General Fund in the amount of \$3,720,190, and to the School Food Service Fund in the amount of \$152,201.

12. 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. Premiums are accrued based on the ultimate cost of the experience to date of a group of entities.

JACKSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

13. Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund (Liability Insurance Fund or Trust). These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notices. In the event the Trust terminated coverage, any amount remaining in the Liability Insurance Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

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

14. Deficit operating/fund balances

The following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

Business-Type Activities	\$	19,341
Food Service Fund	\$	27,804

15. COBRA

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

JACKSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

16. 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	Debt Service	Debt Service	\$ 110,942
General Fund	Special Revenue	KETS Matching	37,990
General Fund	Food Service	Fund Balance	12,332
Special Revenue	Debt Service	Debt Service	20,500
Capital Outlay	General Fund	COFT	109,372
FSPK	General Fund	COFT	66,261
FSPK	Debt Service	Bond Payments	\$ 1,276,905

17. Current refunding of the 2002 issue

The 2012 refunded bonds were issued to purchase an escrow scheduled to mature at such time and in such amounts as are necessary and will be adequate, with investment and reinvestment to meet the current scheduled principal and interest due beginning April 1, 2012 and refund in advance of maturity the principal and interest of the 2002 series bond. The called bonds were paid at 100 on October 1, 2011. The proceeds of \$1,950,000 were used to retire the 2002 series bond at cumulative savings to the District of \$240,445. The present value savings at a percentage of refunded principal at 11.9280% is \$214,931.

18. Receivables

The District recognizes revenues as receivable when they are measurable and receipt is certain. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. While the District receives revenues from many different sources throughout the year, the accounts and grants receivable from outside sources may be grouped in to the following categories:

Accounts and grants receivable from outside sources	Governmental Funds	Proprietary Funds	Total
Accounts receivable	\$ 8,288	\$ 10,469	\$ 18,757
Taxes receivable	27,094	90,551	117,645
Grants receivable	434,384	-	434,384
	<u>\$ 469,766</u>	<u>\$ 101,020</u>	<u>\$ 570,786</u>

JACKSON COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

Year ended June 30, 2012

18. Receivables (continued)

Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables when qualifying expenditures are incurred.

19. Prior Period Adjustment

The beginning fund balance of the general fund (a governmental fund) of the District was adjusted due to timing of a reclass of fund balance due to the commitment of specified funds for sick-leave.

Fund Balance, June 30, 2011	\$ 1,339,063
Prior Period Adjustment	<u>15,000</u>
Restated Fund Balance, June 30, 2011	<u>\$ 1,354,063</u>

The beginning net assets of the governmental activities of the District was adjusted due to timing of a reclass of net assets due to the commitment of specified funds for sick leave.

Net Assets, June 30, 2011	\$ 16,197,913
Prior Period Adjustment	<u>15,000</u>
Restated Net Assets, June 30, 2011	<u>\$ 16,212,913</u>

20. Subsequent events

Management has evaluated subsequent events through November 10, 2012, which is the date the financial statements were available to be issued for events requiring or disclosure in the financial statements for the period ending June 30, 2012. Management had no subsequent events as of the date of the audit report.

REQUIRED SUPPLEMENTARY INFORMATION

JACKSON COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources				
Taxes:				
Property	\$ 1,283,750	\$ 1,283,750	\$ 1,448,553	\$ 164,803
Motor vehicle	297,527	297,527	343,169	45,642
Utility	650,000	500,000	506,741	6,741
Other	3,250	3,250	103,318	100,068
Earnings on investments	46,000	46,000	59,754	13,754
Other local	12,522	12,522	50,383	37,861
Intergovernmental - State	11,045,019	11,045,019	14,821,280	3,776,261
Intergovernmental - Federal	28,000	28,000	87,959	59,959
Total revenues	<u>13,366,068</u>	<u>13,216,068</u>	<u>17,421,157</u>	<u>4,205,089</u>
Expenditures				
Current:				
Instruction	7,271,572	7,522,151	9,902,305	(2,380,155)
Student	823,026	779,415	1,035,869	(256,454)
Instructional staff	511,230	455,747	599,330	(143,583)
District administration	612,074	839,035	707,864	131,171
School administration	433,982	455,963	608,825	(152,862)
Business	365,544	389,549	472,056	(82,507)
Plant operations and maintenance	1,632,866	1,686,336	1,606,630	79,706
Student transportation	1,769,875	1,773,930	1,931,441	(157,511)
Community services	2,722	-	-	-
Total expenditures	<u>13,422,891</u>	<u>13,902,126</u>	<u>16,864,319</u>	<u>(2,962,194) *</u>
Excess (deficit) of revenues over (under) expenditures	(56,822)	(686,057)	556,838	1,242,895
Other financing sources (uses)				
Proceeds from sale of assets	-	-	25,111	25,111
Proceeds from bonds	-	-	82,368	82,368
Transfers in	-	175,633	175,633	-
Transfers out	(159,178)	(199,512)	(161,264)	38,248
Total other financing sources (uses)	<u>(159,178)</u>	<u>(23,879)</u>	<u>121,847</u>	<u>145,726</u>
Net change in fund balance	(216,000)	(709,936)	678,685	1,388,621
Fund balance as of June 30, 2011	<u>818,249</u>	<u>1,206,287</u>	<u>1,339,063</u>	<u>132,776</u>
Prior period adjustment	-	-	15,000	15,000
Fund balance as of June 30, 2012	<u>\$ 602,249</u>	<u>\$ 496,350</u>	<u>\$ 2,032,748</u>	<u>\$ 1,536,398</u>

* For the year ended June 30, 2012, actual revenues and expenditures exceeded appropriations in various categories primarily due to on-behalf payments made by the Commonwealth of Kentucky for the Jackson County School District. These amounts are included in the actual revenues and expenditures, but are not included in the budgeted amounts.

The accompanying notes are an integral part of these financial statements

JACKSON COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
Year ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources:				
Earnings on investments	\$ 398	\$ -	\$ 528	\$ 528
Other local	1,395	6,030	8,541	2,511
Intergovernmental - State	1,281,622	1,438,899	1,436,124	(2,775)
Intergovernmental - Federal	2,475,190	3,289,075	3,365,113	76,038
Total revenues	3,758,605	4,734,004	4,810,305	76,301
Expenditures				
Current:				
Instruction	2,273,874	3,164,335	3,330,735	(166,400)
Student	128,475	143,109	77,397	65,712
Instructional staff	1,032,507	1,006,646	997,321	9,325
School administration	5,110	4,654	4,701	(47)
Business operations	16,777	-	-	-
Student transportation	36,495	157,900	151,908	5,992
Community service	275,367	274,849	265,860	8,989
Total expenditures	3,768,605	4,751,494	4,827,921	(76,427)
Deficit of revenues under expenditures	(10,000)	(17,490)	(17,616)	126
Other financing sources				
Proceeds from the sale of assets	-	-	126	126
Transfers in	48,500	37,990	37,990	-
Transfers out	(38,500)	(20,500)	(20,500)	-
Total other financing sources	10,000	17,490	17,616	126
Net change in fund balance	-	-	-	-
Fund balance as of June 30, 2011	-	-	-	-
Fund balance as of June 30, 2012	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

JACKSON COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SCHOOL CONSTRUCTION FUND
Year ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenues	-	-	-	-
Total revenues	-	-	-	-
Expenditures				
Architectural and engineering	-	-	21,741	(21,741)
Building acquisitions and construction	-	12,144,790	7,654,641	4,490,149
Total expenditures	-	12,144,790	7,676,381	4,468,409
Deficit of revenues under expenditures	-	(12,144,790)	(7,676,381)	4,468,409
Other financing sources				
Proceeds from bonds	-	11,900,000	12,262,070	(362,070)
Operating transfers in	-	-	-	-
Total other financing sources	-	11,900,000	12,262,070	(362,070)
Net change in fund balance	-	(244,790)	4,585,688	(4,830,478)
Fund balance as of June 30, 2011	-	-	262,783	262,783.00
Fund balance as of June 30, 2012	\$ -	\$ (244,790)	\$ 4,848,471	\$ 5,093,261

The accompanying notes are an integral part of these financial statements

JACKSON COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGET AND ACTUAL - GENERAL FUND

Year ended June 30, 2012

Because of the nature of certain transactions allocated to the General Fund, specific revenue, expenditures, and other financing sources and uses were not budgeted in the General Fund by the District during the year ending June 30, 2012. A schedule of non-budgeted transactions is presented below.

Non-budgeted revenues

Intergovernmental state revenue - on-behalf payments	<u>\$ 3,720,190</u>
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Non- budgeted expenditures

On-behalf expenditures

Instruction	\$ 2,506,452
Student	276,223
Instructional staff support	136,470
District administration	49,662
School administration	142,364
Business support services	147,642
Plant operations and maintenance	184,110
Student transportation	<u>277,267</u>

Total non-budgeted on-behalf expenditures	<u>\$ 3,720,190</u>
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JACKSON COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
 Year ended June 30, 2012

	Facility Support Program (FSPK) Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Non-major Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 43,328	\$ 87,638	\$ 1,167	\$ 132,133
Total assets	<u>43,328</u>	<u>87,638</u>	<u>1,167</u>	<u>132,133</u>
FUND BALANCES				
Fund Balance Restricted	<u>43,328</u>	<u>87,638</u>	<u>1,167</u>	<u>132,133</u>
Total fund balances	<u>\$ 43,328</u>	<u>\$ 87,638</u>	<u>\$ 1,167</u>	<u>\$ 132,133</u>

The accompanying notes are an integral part of these financial statements

JACKSON COUNTY SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2012**

	Facility Support Program (FSPK) Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Non-major Governmental Funds
Revenues				
From local sources:				
Taxes:				
Property	\$ 367,598	\$ -	\$ -	\$ 367,598
Intergovernmental - State	1,000,033	189,950	634,566	1,824,549
Intergovernmental - Federal	-	-	655,470	655,470
Total revenues	<u>1,367,631</u>	<u>189,950</u>	<u>1,290,036</u>	<u>2,847,617</u>
Expenditures				
Plant operations and maintenance	-	-	-	-
Debt service	-	-	2,729,533	2,729,533
Total expenditures	<u>-</u>	<u>-</u>	<u>2,729,533</u>	<u>2,729,533</u>
Other financing sources (uses)				
Proceeds from bonds - refunding	-	-	1,950,000	1,950,000
Payment to escrow agent - refunding	-	-	(1,918,850)	(1,918,850)
Transfers in	-	-	1,408,348	1,408,348
Transfers out	(1,343,166)	(109,372)	-	(1,452,538)
Total other financing sources (uses)	<u>(1,343,166)</u>	<u>(109,372)</u>	<u>1,439,498</u>	<u>(13,040)</u>
Net change in fund balance	24,465	80,578	-	105,043
Fund balance as of June 30, 2011	<u>18,863</u>	<u>7,060</u>	<u>1,167</u>	<u>27,090</u>
Fund balance as of June 30, 2012	<u>\$ 43,328</u>	<u>\$ 87,638</u>	<u>\$ 1,167</u>	<u>\$ 132,133</u>

The accompanying notes are an integral part of these financial statements

JACKSON COUNTY SCHOOL DISTRICT

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -
ELEMENTARY, MIDDLE, AND ALTERNATIVE SCHOOL ACTIVITY FUNDS
Year ended June 30, 2012

School/ Activity Fund	Cash and Cash Equivalents June 30, 2011	Receipts	Disbursements	Cash and Cash Equivalents June 30, 2012	Accounts Receivable June 30, 2012	Accounts Payable June 30, 2012	Fund Balances June 30, 2012
Mckee Elementary School	\$ 55,724	\$ 94,960	\$ 90,877	\$ 59,806	\$ 1,173	\$ 4,495	\$ 56,485
Sand Gap Elementary School	168	31,634	30,620	1,182	1,873	1,827	1,228
Tyner Elementary School	36,955	65,389	59,039	43,305	1,514	5,591	39,229
Jackson County Middle School	14,359	143,479	139,475	18,363	-	633	17,730
Totals	\$ 107,205	\$ 335,462	\$ 320,011	\$ 122,656	\$ 4,561	\$ 12,546	\$ 114,671

The accompanying notes are an integral part of these financial statements

JACKSON COUNTY SCHOOL DISTRICT

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -
 JACKSON COUNTY HIGH SCHOOL ACTIVITY FUNDS
 Year ended June 30, 2012

	Fund Balances June 30, 2011	Receipts	Disbursements	Transfers in	Transfers Out	Cash and Cash Equivalents June 30, 2012	Accounts Receivable June 30, 2012	Accounts Payable June 30, 2012	Fund Balances June 30, 2012
Academic Team	\$ -	\$ 814	\$ 1,503	\$ 689	\$ -	\$ -	\$ -	\$ -	\$ -
Volleyball	-	7,496	7,774	975	-	698	-	-	698
Angels in Pink	173	90	337	75	-	-	-	-	-
Junior Boys	3,398	-	269	-	3,128	-	-	-	-
Boys Basketball	-	1,914	735	-	1,179	-	-	-	-
Boys Basketball GP	894	36,908	37,222	4,268	-	4,847	-	-	4,847
Boy Basketball GP Trip	-	1,500	-	-	-	1,500	-	-	1,500
Girls Basketball	-	7,888	7,049	652	-	1,491	-	-	1,491
Band/Drama	-	195	-	-	-	195	-	-	195
Baseball	4,570	8,682	9,277	-	210	3,764	-	-	3,764
Softball	-	3,519	4,464	945	-	-	-	-	-
Beta Club	-	365	371	6	-	-	-	-	-
Bible Club	-	-	-	-	-	-	-	-	-
Regional FFA	-	7,391	13,559	6,168	-	-	-	-	-
UNITE	871	589	448	-	1,012	-	-	-	-
Cheerleaders	346	5,006	5,220	-	-	131	-	-	131
Yearbook	-	13,912	12,416	-	1,496	-	140	-	140
Dance Team	-	-	-	-	-	-	-	-	-
Archery	-	1,135	1,411	276	-	-	-	-	-
School Store	-	2,059	1,921	100	-	238	-	-	238
Horse Show	-	8,757	3,739	-	4,943	75	-	-	75
Future Farmers of America	(1,530)	38,133	36,781	178	-	-	-	-	-
FCCLA	-	565	550	-	35	-	-	-	-
FBLA	560	776	1,308	-	-	-	-	-	-
General Fund	875	54,587	47,481	-	6,778	28	3,918	-	28
Greenhouse	-	1,274	3,600	2,326	-	1,203	-	-	5,120
Cross Country	-	-	-	-	-	-	-	-	-
National Honor Society	-	500	482	-	-	18	-	-	18

The accompanying notes are an integral part of these financial statements

(continued)

JACKSON COUNTY SCHOOL DISTRICT

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
 JACKSON COUNTY HIGH SCHOOL ACTIVITY FUNDS - CONTINUED
 Year ended June 30, 2012

	Fund Balances June 30, 2011	Receipts	Disbursements	Transfers in	Transfers Out	Cash and Cash Equivalents June 30, 2012	Accounts Receivable June 30, 2012	Accounts Payable June 30, 2012	Fund Balances June 30, 2012
Youth Service Center	-	243	582	412	-	74	1,000	570	504
JROTC	-	8,234	6,504	1,140	-	2,869	-	-	2,869
Library	-	80	-	-	-	80	-	-	80
Pep Club	-	427	404	-	23	-	-	-	-
Science Club	-	304	731	427	-	-	-	-	-
Girls Golf	697	800	1,221	811	-	1,087	-	-	1,087
Spanish Club	-	928	928	-	-	-	-	-	-
Boys Golf	512	8,411	5,904	-	811	2,209	47	-	2,256
Seniors	-	36,576	37,697	1,121	-	-	-	-	-
Teacher's Lounge	-	7,762	6,551	-	1,211	-	-	-	-
Prom	-	5,375	5,482	107	-	-	-	-	-
Fellowship of Christian Athletes	-	-	56	56	-	-	-	-	-
Football	109	22,261	21,127	96	-	1,338	-	-	1,338
Young Republicans Club	-	-	-	-	-	-	-	-	-
Cal Golf Team	-	-	-	-	-	-	-	-	-
Tates Creek Golf	-	-	-	-	-	-	-	-	-
Total accounts	11,472	295,476	285,105	20,827	20,827	21,843	5,105	570	26,379

The accompanying notes are an integral part of these financial statements

JACKSON COUNTY SCHOOL DISTRICT

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
US Department of Agriculture				
Passed Through State Department of Education:				
School Breakfast Program	10.553			
Fiscal Year 11		57611-05-Z	N/A	\$ 97,483
Fiscal Year 12		57611-05-Z	N/A	305,475
National School Lunch Program	10.555			
Fiscal Year 11		57511-02-Z	N/A	184,738
Fiscal Year 12		57511-02-Z	N/A	534,575
Summer Food Service Program for Children	10.559			
Fiscal Year 11		57411-23-Z	N/A	68,285
Fiscal Year 12		57411-23-Z	N/A	36,068
Child Nutrition Cluster Subtotal				<u>1,226,624</u>
Passed Through State Department of Agriculture:				
Food Donation	10.555			
Fiscal Year 12		33-540-51-4550	N/A	66,559
Child and Adult Care Program	10.558			
Fiscal Year 12		33-540-51-4500	N/A	1,046
Total US Department of Agriculture				<u>1,294,229</u>
US Department of Health and Human Services				
Passed Through Kentucky River Foothills Development Council:				
Head Start Program	93.600			
Fiscal Year 11		04CH2164	65,500	(1,305)
Fiscal Year 12		04CH2164	65,500	63,500
Total US Department of Health and Human Services				<u>62,195</u>
Corporation for National and Community Service				
Passed Through the Kentucky Department of Education				
Learn and Serve America - School and Community Based Programs	94.004			
Fiscal Year 11		33-540-6751	5,500	356
Fiscal Year 12		33-540-6752	5,500	1,150
Total Corporation for National and Community Service				<u>1,506</u>
US Department of Education				
Passed Through State Department of Education				
Title I Grants to Local Educational Agencies	84.010			
* Fiscal Year 10		35110-01-Z	1,074,957	1,399
* Fiscal Year 11		35111-01-Z	1,099,519	253,162
* Fiscal Year 11D		35111-01-Z	125,336	47,824
* Fiscal Year 11T		35111-01-Z	8,775	8,775
* Fiscal Year 12		35112-01-Z	1,088,768	807,195
* Fiscal Year 12D		35112-01-Z	124,136	100,085
* Fiscal Year 12M		35112-01-Z	21,000	569
				<u>1,219,009</u>
Title I Grants Recovery Act	84.389A			
* Fiscal Year 09D		35109-01-Z	117,211	9,343
				<u>9,343</u>
Title I Grants School Improvement	84.010A			
* Fiscal Year 10		35110-11-Z	298,178	122,843
* Fiscal Year 11		35111-11-Z	156,650	122,688
				<u>245,531</u>
Title I Grants Neglected & Delinquent Children	84.010A			
* Fiscal Year 11		35111-11-Z	28,023	14,533
* Fiscal Year 12		35112-11-Z	25,567	14,193
				<u>28,726</u>
Title I Grants Neglected & Delinquent Children Recovery Act	84.389A			
* Fiscal Year 09		35109-11-Z	20,470	811
				<u>811</u>
Title I Cluster Subtotal				<u>1,503,420</u>
School Improvements Grant	84.377A			
Fiscal Year 10A		35110-11-Z	398,412	91,791
Fiscal Year 10B		35110-11-Z	398,412	284,382
				<u>376,173</u>

* denotes major program

JACKSON COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
 Year ended June 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
* Special Education Grants to States	84.027			
Fiscal Year 10		58110.02.Z	563,940	17,149
Fiscal Year 11		58111.02.Z	531,605	83,270
Fiscal Year 11P		58111.02.Z	5,825	758
Fiscal Year 12		58112.02.Z	529,306	422,847
				<u>524,024</u>
* Special Education Grants to States - Recovery Act	84.391			
Fiscal Year 09		33-540-4249	567,608	100,079
Fiscal Year 09P		33-540-4249P	17,118	2,779
				<u>102,858</u>
* Special Education-Preschool Grants	84.173			
Fiscal Year 11		58711.03.Z	24,717	8,365
				<u>8,365</u>
* Special Education-Preschool Grants - Recovery Act	84.392			
Fiscal Year 09		33-540-4239	39,327	567
				<u>567</u>
* Special Education Cluster Subtotal				<u>635,813</u>
Vocation Education-Basic Grants to States	84.048			
Fiscal Year 11A		33-540-3481A	933	823
Fiscal Year 12		33-540-3482	19,833	19,833
				<u>20,656</u>
Funds for Improvement of Education	84.215P			
Fiscal Year 11		33-540-5181	N/A	(213)
Fiscal Year 12		33-540-5182	85,242	54,840
				<u>54,627</u>
* Improving Teacher Quality State Grants	84.367			
Fiscal Year 12		71012.02.Z	250,546	214,938
				<u>214,938</u>
Education Technology State Grants	84.318X			
Fiscal Year 10		73610.02.Z	11,718	8,420
Fiscal Year 10C		73610.02.Z	31,123	7,380
Fiscal Year 11		73611.02.Z	4,179	4,179
Fiscal Year 12		73612.02.Z	11,718	307
				<u>20,286</u>
Education Technology State Grants - Recovery Act	84.386A			
Fiscal Year 10		33-540-4850	33,506	23,894
Fiscal Year 10		33-540-4860	45,216	5,923
				<u>29,817</u>
Rural Education	84.358B			
Fiscal Year 11		35011.02.Z	60,066	1,987
Fiscal Year 12		35012.02.Z	46,340	39,781
				<u>41,768</u>
Education Jobs Fund	84.410			
Fiscal Year 11		33-540-4411	644,307	9,472
				<u>9,472</u>
Striving Readers	84.371A			
Fiscal Year 11C		33-540-6941	71,021	71,021
				<u>71,021</u>
Passed through Ky Workforce Development Cabinet				
Adult Education State Grant Program	84.002			
Fiscal Year 12		33-540-3652	10,283	10,283
Fiscal Year 12		33-540-3732	47,160	47,160
Fiscal Year 12S		33-540-3732S	2,761	1,833
				<u>59,276</u>
Passed through Eastern Kentucky University				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A			
Fiscal Year 10G		33-540-3790G	96,657	79,201
Fiscal Year 11R		33-540-3791R	3,489	(549)
Fiscal Year 11G		33-540-3791G	121,657	6,072
Fiscal Year 12A		33-540-3792A	100,230	57,877
Fiscal Year 12B		33-540-3792B	23,440	6,252
Fiscal Year 12C		33-540-3792C	1,680	3,661
Fiscal Year 12L		33-540-3792L	15,000	11,777
Fiscal Year 12R		33-540-3792R	15,500	20,238
				<u>184,529</u>
Total for US Department of Education				<u>3,221,797</u>

* denotes major program

JACKSON COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
 Year ended June 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
US Department of Justice Passed through Center for Rural Development: UNITE Unlawful Narcotics Treatment Fiscal Year 2011	16.580	33-540-3001	54,300	7,767 <u>7,767</u>
Total for US Department of Justice				<u>7,767</u>
Appalachian Regional Commission Passed through Morehead State University Appalachian Research, Technical Assistance, and Demonstration Project	23.011			
Fiscal Year 2012		33-540-4702	8,000	8,000
Fiscal Year 2012		33-540-4702A	8,062	4,443
Fiscal Year 2012		33-540-6882	5,000	5,000
Total for Appalachian Regional Commission				<u>17,443</u>
US Department of Defense ROTC Fiscal Year 2012	12.000	5042	-	54,951 <u>54,951</u>
Total US Department of Defense				<u>54,951</u>
Total Expenditure of Federal Awards				<u>\$ 4,659,888</u>

* Major Programs

* denotes major program

JACKSON COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2012

1. Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Jackson County School District and is presented on the modified 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 District-wide financial statements.

2. In-kind commodities

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. The District no longer maintains a separate commodities inventory due to changes in program regulations. Commodities are not included under the Child Nutrition Cluster. Total value of commodities received by the District was \$66,559.

3. Cluster Programs

The following CFDA numbers are considered cluster programs:

Special Education Cluster

Special Education Grants to States	84.027
Special Education – Preschool Grants	84.173
Special Education Grants to States – Recovery Act	84.391
Special Education – Preschool Grants – Recovery Act	84.392

Child Nutrition Cluster

National School Lunch Program	10.555
National School Breakfast Program	10.553
Summer Food Services for Children	10.559

Title I, Part A Cluster

Title I Grants to Local Educational Agencies	84.010
Title I Grants to Local Educational Agencies, Recovery Act	84.389

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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Jackson County School District
McKee, 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 Jackson County School District, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 10, 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 Districts Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*.

Internal Control Over Financial Reporting

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

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 Jackson County School District's basic 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 basic 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 immaterial instances of noncompliance that we have reported to management of the Jackson County School District, in a separate letter dated November 10, 2012.

This report is intended solely for the information of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Jackson County School District, the Kentucky Department of Education, management, 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.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
Corbin, Kentucky
November 10, 2012

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Kentucky State Committee for
School District Audits
Members of the Board of Education
Jackson County School District
McKee, Kentucky

Compliance

We have audited Jackson 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 its major federal programs for the year ended June 30, 2012. The Jackson 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 Jackson County School District's management. Our responsibility is to express an opinion on Jackson 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, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request, and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jackson 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 on Jackson County School District's compliance with those requirements.

In our opinion, Jackson 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 Jackson County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Jackson County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Jackson 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Jackson County School District, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 10, 2012. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Jackson County School District's basic financial statements. The schedule of expenditures of federal awards is presented for the 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 not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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.

This report is intended solely for the information of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Jackson County School District, the Kentucky Department of Education, management, 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.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
Corbin, Kentucky
November 10, 2012

JACKSON COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – MAJOR PROGRAMS
Year ended June 30, 2012

Section I – Summary of Auditor Results

Financial Statements

Type of auditors' report issued		Unqualified	
Internal control over financial reporting:			
Material weakness identified	_____	Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statement notes	_____	Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:			
Material weaknesses identified	_____	Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<input checked="" type="checkbox"/> None reported
Type of auditors' report issued on compliance for major programs		Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____	Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

84.377A	School Improvement Grant
Special Education Cluster	
84.027	Special Education Grants to States
84.173	Special Education Preschool Grants
84.391	Special Education Grants to States – Recovery Act
84.392	Special Education Preschool Grants – Recovery Act
Title I, Part A Cluster	
84.010	Title I Grants to Local Educational Agencies
84.389	Title I Grants to Local Educational Agencies, Recovery Act
84.367	Improving Teacher Quality State Grants

JACKSON COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – MAJOR PROGRAMS – CONTINUED
Year ended June 30, 2012

Dollar threshold used to distinguish
between Type A and Type B program

\$ 300,000

Auditee qualified as low risk

_____ Yes No

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings

None.

JACKSON COUNTY SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year ended June 30, 2012

There were no prior year findings.

Members of the Board of Education
Jackson County School District
McKee, Kentucky

In planning and performing our audit of the basic financial statements of Jackson County School District for the year ended June 30, 2012, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report thereon dated November 10, 2012, on the basic financial statements of Jackson County School District.

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

Respectfully,

Cloyd & Associates, PSC

Cloyd & Associates, PSC
Corbin, Kentucky
November 10, 2012

JACKSON COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

JUNE 30, 2012

GENERAL COMMENTS

Audit fieldwork commenced August 18, 2012. Requested account analyses were available upon our arrival.

The finance department had information in very good condition and all personnel were helpful in retrieving any additional information needed while conducting our audit. Segregation and accounting for the various fund groups appears to be consistent with guidelines established by the Department of Education and other funding agencies.

The State Board for Elementary and Secondary Education has a uniform program of accounting for school activity funds in Kentucky schools. The uniform program is documented in a handbook entitled *Accounting Procedures for Kentucky School Activity Funds* (the Redbook). Each schools' activity funds were reviewed in accordance with the Redbook. Any findings have been documented as current year comments.

Follow-up on Prior Year Comments –School Activity Funds

Prior year comment: During testing of school activity funds the prior auditor noted the following general deficiencies in internal control. The individual schools where these issues were noted are listed:

1. Teacher/Sponsors Not Turning in Money Timely to Bookkeeper

Statement of Condition – At two schools (**McKee Elementary and Jackson County High School**) Teachers/sponsors are not turning in money collected from students or other sources timely.

2. Lack of Sufficient Documentation with Receipts

Statement of Condition – At one school (**Sand Gap Elementary**) there were a lack of sufficient documentation with receipts.

3. Lack of Inventory Control Worksheets

Statement of the Condition: At three schools (**Sand Gap Elementary, Jackson County High School and Jackson County Middle School**) Inventory Control Worksheets are not being completed monthly for concessions and in-school concessions.

**JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS – CONTINUED
Year ended June 30, 2012**

4. Purchase Orders Not Being Properly Utilized

Statement of the Condition: At two schools (**Sand Gap Elementary and McKee Elementary**) purchase orders are not being utilized correctly. There were several instances of the Purchase Orders being approved after the obligation of funds or purchase were made.

5. Multiple Receipt Forms Are Not Always Being Prepared

Statement of the Condition: At three schools (**Sand Gap Elementary, McKee Elementary, and Jackson County High School**) Multiple Receipt Forms are not always being used when a teacher or sponsor is collecting money from students.

6. Deposits Not Made in a Timely Fashion

Statement of the Condition: At one school (**Sand Gap Elementary**), there were several instances where bank deposits were not made timely.

7. Checks Lacking Two Signatures

Statement of the Condition: At two schools (**Sand Gap Elementary and Jackson County High School**), there were instances of checks written that did not have two signatures.

8. Monthly Activity Fund Reports are Not Being Submitted to Central Office Timely

Statement of the Condition: At one school (**Sand Gap Elementary**) monthly financial reports were not submitted timely to the central office for review.

9. Student Funds Expended for Non-Student Activities

Statement of the Condition: At one school (**Sand Gap Elementary**) student funds were used to purchase non-student related goods and services.

Current year follow-up:

1. We noted the issue has not been resolved.
2. We noted the issue has not been resolved.
3. We noted the issue had not been resolved.
4. We noted the issue has been resolved.
5. We noted the issue has not been resolved.
6. We noted the issue has been resolved.
7. We noted the issue has been resolved.
8. We noted the issue has not been resolved
9. We noted the issue has been resolved.

**JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS – CONTINUED
Year ended June 30, 2012**

Current year comments: During testing of school activity funds, we noted the following general deficiencies in internal control. The individual schools where these issues were noted are listed:

Lack of Sufficient Documentation with Receipts

Statement of Condition – At one school (**Sand Gap Elementary**) there was a lack of sufficient documentation with receipts.

Criteria for Condition: Receipts for the activity funds should have sufficient documentation in the form of Teacher Multiple Receipt Forms and/or check remittances attached to the deposit slip and pre-numbered receipts.

Cause of the Condition: Receipts and/or deposit slips were not accompanied by sufficient documentation.

Effect of the Condition: Receipts could not be fully tested for completeness and accuracy.

Recommendation for Correction: All receipts should be accompanied by a deposit slip, teacher multiple receipt forms, check remittances, and/or any other applicable documentation.

Management Response to the Recommendation: The Finance Officer will meet with the bookkeeper and stress the importance of proper documentation. The Finance Department will conduct quarterly school audits to ensure receipts and/or deposit slips are documented correctly. The Finance Department conducted an overview of Redbook guidelines to all key personnel at the beginning of the school year. Failure to comply with guidelines this fiscal year will result in disciplinary action by the Superintendent. If the same Statements of Condition reoccur in consecutive years, principals may be placed on a Corrective Action plan.

Lack of Inventory Control Worksheets

Statement of the Condition: At four schools (**Sand Gap Elementary, McKee Elementary, Jackson County High School and Jackson County Middle School**) Inventory Control Worksheets are not being completed monthly for concessions and in-school concessions.

Criteria for the Condition: Inventory Control Worksheets are required for bookstores, pencil machines, concessions and vending machines. This worksheet is to be filled out monthly for each type of activity.

Cause of the Condition: Inventory control worksheets not being completed monthly for concessions, et al.

**JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS – CONTINUED
Year ended June 30, 2012**

Effect of the Condition: If Inventory Control Worksheets are not being filled out monthly, the school lacks the internal control needed to identify loss of inventory or money.

Recommendation for Correction: Inventory Control Worksheets need to be filled out monthly on all required activities. Completed worksheets need to be reviewed by the principal monthly to address significant shortages or overages.

Management Response to the Recommendation: The Finance Officer will meet with the school secretary and stress the importance of using Inventory Control Worksheets and records will be checked on a quarterly basis for proper internal controls. The Finance Department conducted an overview of Redbook guidelines to all key personnel at the beginning of the school year. If the same Statements of Condition reoccur in consecutive years, principals may be placed on a Corrective Action plan.

Multiple Receipt Forms Are Not Always Being Prepared

Statement of the Condition: At four schools (**Sand Gap Elementary, McKee Elementary, Jackson County Middle School and Jackson County High School**) Multiple Receipt Forms are not always being used when a teacher or sponsor is collecting money from students.

Criteria for Condition: Any time a teacher or sponsor collects money from students, the Multiple Receipt Form is to be utilized. The form along with the money is to be turned in to the School Treasurer daily.

Cause of the Condition: The teacher or sponsor collecting money is not utilizing the Multiple Receipt Form when collecting money from students.

Effect of the Condition: If the teachers and sponsors do not utilize the Multiple Receipt Form, there is not any supporting documentation to verify how much money was actually collected from the students. This results in a lack of internal controls for that transfer of cash from the students to the teacher or sponsor.

Recommendation for Correction: A Multiple Receipt Form shall be completed daily for all monies received by the teacher or sponsor. The Form is to be turned in daily to the School Treasurer.

Management Response to the Recommendation: The utilization of Multiple Receipt Forms has been a topic in all our previous Redbook trainings. Finance Officer will meet with the school bookkeeper to stress the importance of the Multiple Receipt forms and suggest that the Principal have meeting with staff/sponsors to inform them of requirement of Multiple Receipt Forms being remitted on a daily basis. If guidelines are not followed, then the Superintendent and Principal will meet individually with teacher/sponsor. If the same Statements of Condition reoccur in consecutive years, principals may be placed on a Corrective Action plan.

**JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS – CONTINUED
Year ended June 30, 2012**

Deposits Not Made in a Timely Fashion

Statement of the Condition: At one school (**Jackson County High School**), there were several instances where bank deposits were not made timely.

Criteria for the Condition: Good internal control procedures requires timely deposit of cash received and the Redbook requires deposits greater than \$100 to be made daily.

Cause of the Condition: Several deposits were made less often than daily even though receipts were above \$100 for the day.

Effect of the Condition: When cash is on hand, it is more susceptible to theft.

Recommendation for Correction: Bookkeepers should make daily deposits, especially when the amount is greater than \$100.

Management Response to the Recommendation: The Superintendent and Finance Officer will meet with the Principal and Secretary about the importance of daily deposits to prevent the possibility of theft. In event of absence, Finance Officer instructed Secretary to assign duty to other personnel to make sure deposits are made daily if over \$100. The Finance Department conducted an overview of Redbook guidelines to all key personnel at the beginning of the school year. Failure to comply with guidelines this fiscal year will result in disciplinary action by the Superintendent. If the same Statements of Condition reoccur in consecutive years, principals may be placed on a Corrective Action plan.

Teachers/Sponsors Not Turning in Money/Multiple Receipt Forms Timely to Bookkeeper

Statement of the Condition: At four schools (**Sand Gap Elementary, McKee Elementary, Jackson County High School and Jackson County Middle School**) teachers/sponsors are not turning in money collected from students or other sources timely.

Criteria for Condition: Teachers/sponsors should be turning in collected funds daily to the bookkeeper.

Cause of the Condition: Teachers/sponsors are holding checks/cash and not turning in the money daily to the bookkeeper.

Effect of the Condition: Deposits are not being made timely.

Recommendation for Correction: All teachers/sponsors must turn in money collected from students daily.

**JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS – CONTINUED
Year ended June 30, 2012**

Management Response to the Recommendation: Finance Officer will meet the school secretary to stress the importance of teachers/sponsors submitting money on a daily basis and suggest that the Principal have meeting with staff/sponsors to explain the importance of this finding. If guidelines are not followed, then the Superintendent and/or Principal will meet individually with teacher/sponsor. If the same Statements of Condition reoccur in consecutive years, principals may be placed on a Corrective Action plan.

Monthly Activity Fund Reports are Not Being Submitted to Central Office Timely

Statement of the Condition: At one school (**Sand Gap Elementary**) monthly financial reports were not submitted timely to the central office for review.

Criteria for Condition: Each activity fund must timely prepare their monthly financial report and submit this report to the central office for review.

Cause of the Condition: Various monthly reports were not submitted or not submitted timely to the central office.

Effect of the Condition: The central office is not receiving timely information about the activity fund; therefore, cannot timely review the activity fund amounts.

Recommendation for Correction: The Principal and bookkeeper must submit their monthly financial report to the central office in a timely manner after the end of each month.

Management Response to Recommendation: Finance Officer has spoken to School Secretary throughout the year about submitting monthly financial reports on a monthly basis. A letter of expectations has been sent to school secretary regarding this issue and failure to adhere will result in disciplinary action by Principal and Superintendent, if necessary. If the same Statements of Condition reoccur in consecutive years, principals may be placed on a Corrective Action plan.

Monthly Bank Reconciliations Have Not Been Completed Timely

Statement of the Condition: At one school (**Jackson County High School**) monthly financial cash reconciliations were not completed timely after receipt of the monthly bank statement.

Criteria for Condition: Each activity fund must timely prepare their monthly financial cash reconciliation report.

Cause of the Condition: Various monthly cash reconciliations reports were not completed timely.

Effect of the Condition: Timely cash reconciliations reports must be completed per KDE guidelines.

Recommendation for Correction: The bookkeeper must complete the monthly cash reconciliation timely.

**JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS – CONTINUED
Year ended June 30, 2012**

Management Response to Recommendation: Finance Officer has spoken to School Secretary and Principal throughout the year about submitting monthly financial reports on a timely basis. Failure to adhere will result in disciplinary action by Principal and Superintendent, if necessary. If the same Statements of Condition reoccur in consecutive years, principals may be placed on a Corrective Action plan.

We recommend the Board complete annual Redbook training and emphasize the importance of accurate and compliant accounting for activity funds.

Board Response: The District is continuing to train employees to be in full compliance with the Redbook. The District expects proper procedures will be followed in fiscal year 2012-2013.