

**MONROE COUNTY SCHOOL DISTRICT**

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**MONROE COUNTY SCHOOL DISTRICT**

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education  
Monroe County School District  
Tompkinsville, 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 Monroe 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 Monroe 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract- General Audit Requirements, Appendix II of the Independent Auditor's Contract- State Audit Requirements, and Appendix III of the Independent Auditor's Contract – State Audit Requirements, Appendix III of the Independent Auditor's Contract – Audit Extension Request and Appendix IV of 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 financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statements 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 Monroe County School District, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2012, on our consideration of Monroe County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and agreements and other matters. The purpose of that report is to describe the

scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 45 through 50 be represented 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 Monroe County School District's financial statements as a whole. The Other Supplementary Information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of the District. The Other Supplementary Information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 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.



Goodman & Company, PSC  
Certified Public Accountants  
Louisville, Kentucky  
November 2, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MONROE COUNTY BOARD OF EDUCATION  
TOMPKINSVILLE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2012**

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

The Management's Discussion and Analysis (MD&A) is a new reporting form adopted by the Governmental Accounting Standards Board (GASB) in their Statements No. 34 Basic Financial Statements-and Management's Discussion and Analysis for State and Local Government issued in June, 1999.

**MISSION STATEMENT:**

With the support of parents, school, and community, the mission of the Monroe County School District is to provide a comprehensive learning environment for children to prepare for lifelong learning and achievement in a changing society and a complex world.

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance for the District was \$1.6 million in the General Fund; \$5,741 in the Building Fund, and \$31,444 in Food Service.
- A concerted effort was focused on purchasing in all areas.
- The School district refinanced 1998 and 2003 bond series which resulted in a savings of \$178,689 in future debt service payments.
- Utilized state flexibility for use of Capital Outlay funds to offset general fund expenditures to pay property insurance.
- The General Fund had \$14.4 million in revenue, which primarily consisted of the state program SEEK (Support Educational Excellence in Kentucky) which is the state formula for funding schools, property, local occupational license taxes, utilities, and motor vehicle taxes. Excluding inter-fund transfers, there were \$14.2 million in General Fund expenditures, with a carryover of \$169,290.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

**MONROE COUNTY BOARD OF EDUCATION  
TOMPKINSVILLE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2012 (continued)**

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

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

The statement of activities presents information showing how the District's 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 timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

The government-wide financial statements can be found on pages 9 and 10 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administration software.

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds, and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our day care and food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11-19 of this report.

**MONROE COUNTY BOARD OF EDUCATION  
TOMPKINSVILLE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2012 (continued)**

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-45 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$10.4 million as of June 30, 2012.

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

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

<b>ASSETS</b>	Government Activities		Business-type Activities		Total	
	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>6/30/2012</u>	<u>6/30/2011</u>
Other Assets	\$ 2,084,226	\$ 2,386,497	\$ 154,155	\$ 105,489	\$ 2,238,381	\$ 2,491,986
Capital Assets	<u>28,177,944</u>	<u>26,064,112</u>	<u>1,547,725</u>	<u>1,598,085</u>	<u>29,725,669</u>	<u>27,662,197</u>
<b>TOTAL ASSETS</b>	<u>\$ 30,262,170</u>	<u>\$28,450,609</u>	<u>\$1,701,880</u>	<u>\$ 1,703,574</u>	<u>\$ 31,964,050</u>	<u>\$ 30,154,183</u>
 <b>LIABILITIES</b>						
Current Liabilities	\$ 2,112,507	\$ 1,739,545	\$ 100	\$ -	\$ 2,112,607	\$ 1,739,545
Noncurrent Liabilities	<u>19,444,367</u>	<u>20,186,838</u>	<u>-</u>	<u>-</u>	<u>19,444,367</u>	<u>20,186,838</u>
<b>TOTAL</b>	\$ 21,556,874	\$ 21,926,383	\$ 100	\$ -	\$ 21,556,974	\$ 21,926,383
 <b>LIABILITIES</b>						
<b>NET ASSETS</b>						
Invested in Capital Assets,	\$ 7,838,561	\$ 4,747,248	\$ 1,547,725	\$ 1,598,085	\$ 9,386,286	\$ 6,345,333
Net of Related Debt						
Restricted	\$ 89,491	\$ 104,089	\$ -	\$ -	\$ 89,491	104,089
Non-restricted	<u>777,244</u>	<u>1,672,889</u>	<u>154,055</u>	<u>105,489</u>	<u>931,299</u>	<u>1,778,378</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 8,705,296</u>	<u>\$ 6,524,226</u>	<u>\$ 1,701,780</u>	<u>\$1,703,574</u>	<u>\$ 10,407,076</u>	<u>\$ 8,227,800</u>

**MONROE COUNTY BOARD OF EDUCATION  
TOMPKINSVILLE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2012 (continued)**

**Comments on Budget Comparisons**

- The District's total revenue for the fiscal year ended June 30, 2012 was \$25.9 million.
- The General Fund's total revenues were \$14.4 million, higher than budgeted by 31%. The expenditures of the General Fund amounted to \$14.2 million or 17% higher than budgeted. After considering transfers and adjustments, the fund balance rose \$1.4 million versus budget..
- The Special Revenue Fund's total revenue was \$4.8 million, higher than budgeted by 45%. Expenditures totaled \$4.8 million, higher than the budget by 44%.

The following table presents a summary of changes in net assets for the fiscal year ended June 30, 2012 and 2011.

	<u>2012</u>			<u>2011</u>		
	<u>Government Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Government Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b>Program Revenues:</b>						
Charges for services	\$ -	\$ 444,546	\$ 444,546	\$ -	\$ 452,202	\$ 452,202
Operating grants	4,773,515	1,290,400	6,063,915	5,079,609	1,271,472	6,351,081
Capital grants	3,200,000	-	3,200,000	1,056,738	-	1,056,738
<b>General Revenues:</b>						
Taxes	2,883,796		2,883,796	2,989,307	-	2,989,307
State aid formula grant	13,001,422		13,001,422	11,617,023	-	11,617,023
Investment earnings	287,017	1,721	288,738	30,744	344	31,088
All other	<u>56,051</u>	<u>4,567</u>	<u>60,618</u>	<u>249,705</u>	<u>5,907</u>	<u>255,612</u>
<b>Total Revenues</b>	\$ 24,201,801	\$ 1,741,234	\$ 25,943,035	\$ 21,023,126	\$ 1,729,925	\$ 22,753,051
<b>Program Expenses</b>						
Instruction	\$ 13,098,095	\$ -	\$ 13,098,095	\$ 12,179,387	\$ -	\$ 12,179,387
Student Support	1,150,458	-	1,150,458	849,015	-	849,015
Instruction Staff	1,151,987	-	1,151,987	1,062,119	-	1,062,119
District Administration	427,481	-	427,481	407,400	-	407,400
School Administration	1,355,927	-	1,355,927	1,312,628	-	1,312,628
Business Support	519,908	-	519,908	434,210	-	434,210
Plant Operations	2,114,400	-	2,114,400	2,124,417	-	2,124,417
Student Transportation	1,168,173	-	1,168,173	1,144,519	-	1,144,519
Community Support	227,540	-	227,540	244,863	-	244,863
Facility Acquisition	-	-	-	24,766	-	24,766
Interest on long-term debt	806,762	-	806,762	857,437	-	857,437
Food Service	-	1,621,474	1,621,474	-	1,607,591	1,607,591
Day Care	-	<u>121,554</u>	<u>121,554</u>	-	<u>105,879</u>	<u>105,879</u>
<b>Total Expenses</b>	\$22,020,731	\$ 1,743,028	\$ 23,763,759	\$ 20,640,761	\$ 1,713,470	\$ 22,354,231
<b>Net Increase (Decrease):</b>	<u>\$ 2,181,070</u>	<u>\$ (1,794)</u>	<u>\$ 2,179,276</u>	<u>\$ 382,365</u>	<u>\$ 16,455</u>	<u>\$ 398,820</u>

**MONROE COUNTY BOARD OF EDUCATION  
TOMPKINSVILLE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2012 (continued)**

**Governmental Activities**

Instruction comprises 59.5% of governmental program expenses in 2012 versus 58.3% in 2011. Support services expenses make up 36.9% of government expenses in 2012 compared with 37.4% for the prior year. The remaining expense for interest accounts for the remaining 3.6% of total government expense in 2012 compared to 4.3% in 2011.

The Statements of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>6/30/12</u>	<u>6/30/11</u>	<u>6/30/12</u>	<u>6/30/11</u>
Instruction	\$13,098,095	\$12,053,180	\$9,483,554	\$8,271,306
Support Services	8,115,874	7,730,134	6,956,900	5,375,671
Facilities Acquisition	-	-	(3,200,000)	-
Interest on long-term debt	<u>806,762</u>	<u>857,437</u>	<u>694,157</u>	<u>857,437</u>
Total Expenses	<u>\$22,020,731</u>	<u>\$20,640,751</u>	<u>\$13,934,611</u>	<u>\$14,505,414</u>

**Business-Type Activities**

The business-type activities include the food service and day care operations. These programs had total revenues of \$1,741,234 and expenses of \$1,743,028 for fiscal year 2012. Of the revenues, \$444,546 was charges for services, \$1,290,400 was from State and Federal Grants, and \$6,288 was from investment earnings and other revenue. Business activities receive no support from tax revenues.

**Capital Assets**

At the end of fiscal year 2012 the School District had \$29.7 million invested in land, buildings, and equipment. The following table shows fiscal year 2012 balances net of depreciation:

	<u>2012</u>			<u>2011</u>		
	<u>Government Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Government Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Land	\$ 531,690	\$ -	\$ 531,690	\$ 531,690	\$ -	\$ 531,690
Land Improvements	-	-	-	5,606	-	5,606
Buildings	26,972,139	1,302,982	28,275,121	24,633,868	1,337,237	25,971,105
Technology	225,710	4,983	230,693	353,512	6,391	359,903
Vehicles	307,114	-	307,114	392,742	-	392,742
Equipment	<u>141,291</u>	<u>239,850</u>	<u>381,141</u>	<u>146,694</u>	<u>254,457</u>	<u>401,151</u>
<b>Total</b>	<u>\$ 28,177,944</u>	<u>\$ 1,547,725</u>	<u>\$29,725,669</u>	<u>\$ 26,064,112</u>	<u>\$ 1,598,085</u>	<u>\$ 27,662,197</u>

**MONROE COUNTY BOARD OF EDUCATION  
TOMPKINSVILLE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2012 (continued)**

**Capital Assets (continued)**

The following table shows the change in Capital Assets balances for the years 2012 and 2011.

**CHANGES IN CAPITAL ASSETS**

	<u>2012</u>			<u>2011</u>		
	<u>Government Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Government Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Beginning Balance	\$ 26,064,112	\$ 1,598,085	\$ 27,662,197	\$ 26,699,358	\$ 1,659,444	\$ 28,358,802
Additions	3,239,690	22,498	3,262,188	236,181	18,235	254,416
Retirements	(160)	-	(160)	329,656	-	329,656
Depreciation	<u>(1,125,698)</u>	<u>(72,858)</u>	<u>(1,198,556)</u>	<u>(1,201,083)</u>	<u>(79,594)</u>	<u>(1,280,677)</u>
<b>Total</b>	<u>\$ 28,177,944</u>	<u>\$ 1,547,725</u>	<u>\$ 29,725,669</u>	<u>\$ 26,064,112</u>	<u>\$ 1,598,085</u>	<u>\$27,662,197</u>

**BUDGETARY IMPLICATIONS**

In Kentucky the public school fiscal year is July 1- June 30; other programs, i.e. 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 Kentucky Department of Education recommends at least 4%. The District adopted a budget with \$499,503 in contingency.

- Board adopted the compensating tax rate for FY 2012.
- Insufficient funding of the state transportation formula.
- CERS rates went from 16.93% to 18.96%
- KTRS required match went from .5% to 1.0%
- No salary increase for certified or classified personnel.
- ADA

The Monroe County Board of Education adopted the compensating tax rate for FY 2012. Property taxes are levied annually usually in October on the assessed value for all real and personal property in the district as of January 1<sup>st</sup> of the prior year. However, this revenue is not received until the months of November- February which means that the general fund's beginning balance is used to pay much of the first few months of expenditures. It is very important to have a substantial beginning balance to start the beginning of each year.

Questions regarding this report should be directed to the Superintendent, Lewis D. Carter, or to Kathy Haile, Chief Finance Officer, (270) 487-5456 or by mail at 309 Emberton Street, Tompkinsville, Kentucky 42167.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**MONROE COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**

June 30, 2012

	Government Activities	Business Type Activities	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 706,879	\$ 120,470	\$ 827,349
Inventory	-	16,481	16,481
Accounts Receivable	-	-	-
Taxes-current	32,691	-	32,691
Intergovernmental- Indirect Federal	832,771	17,204	849,975
<b>Total Current Assets</b>	<b>\$ 1,572,341</b>	<b>\$ 154,155</b>	<b>\$ 1,726,496</b>
<b>Noncurrent Assets</b>			
Bond issue costs	\$ 511,885	\$ -	\$ 511,885
Capital assets(Net of depreciation)	28,177,944	1,547,725	29,725,669
Total Non-Current Assets	\$ 28,689,829	\$ 1,547,725	\$ 30,237,554
<b>Total Assets</b>	<b>\$ 30,262,170</b>	<b>\$ 1,701,880</b>	<b>\$ 31,964,050</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 2,549	\$ 100	\$ 2,649
Deferred revenue	62,855	-	62,855
Current portion of bond obligations	1,155,000	-	1,155,000
Current portion of capital lease obligations	117,902	-	117,902
Current portion of compensated absences	80,045	-	80,045
Interest payable	694,156	-	694,156
<b>Total Current Liabilities</b>	<b>\$ 2,112,507</b>	<b>\$ 100</b>	<b>\$ 2,112,607</b>
<b>Noncurrent Liabilities</b>			
Noncurrent portion of bond obligations	\$ 18,495,000	-	\$ 18,495,000
Deferred Gain on Qzab Bonds	207,720	-	207,720
Noncurrent portion of capital lease obligations	363,761	-	363,761
Noncurrent portion of compensated absences	377,886	-	377,886
<b>Total Noncurrent Liabilities</b>	<b>\$ 19,444,367</b>	<b>\$ -</b>	<b>\$ 19,444,367</b>
<b>Total Liabilities</b>	<b>\$ 21,556,874</b>	<b>\$ 100</b>	<b>\$ 21,556,974</b>
<b>Net Assets</b>			
Invested in capital assets, Net of related debt	\$ 7,838,561	\$ 1,547,725	\$ 9,386,286
Restricted for:			
SFCC	6,491	-	6,491
Committed:			
Sick Leave	83,000	-	83,000
Unrestricted	777,244	154,055	931,299
<b>Total Net Assets</b>	<b>\$ 8,705,296</b>	<b>\$ 1,701,780</b>	<b>\$ 10,407,076</b>

MONROE COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR YEAR ENDED JUNE 30, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>							
<b>Governmental Activities:</b>							
Instruction	\$ 13,098,095	\$ -	\$ 3,614,541	\$ -	\$ (9,483,554)	\$ -	\$ (9,483,554)
Support services:							
Student	1,150,458		310,640		(839,818)		(839,818)
Instruction staff	1,151,987		546,843		(605,144)		(605,144)
District administrative	427,481		-		(427,481)		(427,481)
School administrative	1,355,927		-		(1,355,927)		(1,355,927)
Business	519,908		-		(519,908)		(519,908)
Plant operation and maintenanc	2,114,400		59,405		(2,054,995)		(2,054,995)
Student transportatior	1,168,173		34,827		(1,133,346)		(1,133,346)
Facilities Acquisition & Construction(Note M	-		-	3,200,000	3,200,000		
Community service activitie	227,540		207,259		(20,281)		(20,281)
Interest on long-term deb	806,762		-	112,605	(694,157)		(694,157)
<b>Total governmental activites</b>	<b>\$ 22,020,731</b>	<b>\$ -</b>	<b>\$ 4,773,515</b>	<b>\$ 3,312,605</b>	<b>\$ (13,934,611)</b>		<b>\$ (13,934,611)</b>
<b>Business-Type Activities:</b>							
Food service	\$ 1,621,474	\$ 337,460	\$ 1,271,021	\$ -	\$ -	\$ (12,993)	\$ (12,993)
Day Care	121,554	107,086	19,379		-	4,911	4,911
<b>Total business-type activities</b>	<b>\$ 1,743,028</b>	<b>\$ 444,546</b>	<b>\$ 1,290,400</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (8,082)</b>	<b>\$ (8,082)</b>
<b>Total Primary Governmen</b>	<b>\$ 23,763,759</b>	<b>\$ 444,546</b>	<b>\$ 6,063,915</b>	<b>\$ 3,312,605</b>	<b>\$ (13,934,611)</b>	<b>\$ (8,082)</b>	<b>\$ (13,942,693)</b>
<b>GENERAL REVENUES:</b>							
From local sources							
Taxes:							
Property taxes					\$ 1,776,303	\$ -	\$ 1,776,303
Motor vehicles taxes					297,565		297,565
Utilities taxes					809,928		809,928
Other local revenue					-	4,439	4,439
Investment earnings					287,017	1,721	288,738
Gain (Loss) on asset disposa					14,507	128	14,635
State and formula grant					12,888,817		12,888,817
Gain on Qzab Bond					41,544		41,544
<b>Total General Revenue:</b>					<b>\$ 16,115,681</b>	<b>\$ 6,288</b>	<b>\$ 16,121,969</b>
Change in net assets					\$ 2,181,070	\$ (1,794)	\$ 2,179,276
Net assets- beginning					6,524,226	1,703,574	8,227,800
Net assets- ending					<b>\$ 8,705,296</b>	<b>\$ 1,701,780</b>	<b>\$ 10,407,076</b>

## **FUNDS FINANCIAL STATEMENTS**

MONROE COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2012

	GENERAL FUND	SPECIAL REVENUE FUND	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>Assets</b>				
Cash and cash equivalents	\$ 1,469,291	\$ -	\$ 6,491	\$ 1,475,782
Accounts Receivable				-
Taxes-current	32,691			32,691
Taxes-delinquent	-			-
Intergovernmental- Indirect Federal		832,771		832,771
<b>Total assets</b>	<u>\$ 1,501,982</u>	<u>\$ 832,771</u>	<u>\$ 6,491</u>	<u>\$ 2,341,244</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities</b>				
Bank Overdraft	\$ -	\$ 768,903	\$ -	768,903
Accounts Payable	1,536	1,013	-	2,549
Deferred revenue		62,855		62,855
<b>Total liabilities</b>	<u>\$ 1,536</u>	<u>\$ 832,771</u>	<u>\$ -</u>	<u>\$ 834,307</u>
<b>Fund Balances</b>				
Restricted:				
SFCC Escrow	\$ -	\$ -	\$ 6,491	\$ 6,491
Committed:				
Accrued Sick Leave	83,000			83,000
Unassigned:				
General fund	\$ 1,417,446	\$ -	\$ -	\$ 1,417,446
<b>Total fund balances</b>	<u>\$ 1,500,446</u>	<u>\$ -</u>	<u>\$ 6,491</u>	<u>\$ 1,506,937</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,501,982</u>	<u>\$ 832,771</u>	<u>\$ 6,491</u>	<u>\$ 2,341,244</u>

**MONROE COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012**

Total Fund Balances – Total Governmental Funds \$ 1,506,937

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$43,558,490, and the accumulated depreciation is \$15,380,546. 28,177,944

Bond issuance costs are not financial resources and therefore are not reported as assets in governmental funds. 511,885

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

	Interest Payable	(694,156)
	Bonds Payable	(19,650,000)
	Deferred Gain on Qzab Bonds	(207,720)
	Capital Lease Obligations	(481,663)
	Compensated Absences	<u>(457,931)</u>
	<b>TOTAL</b>	<b><u>\$ 8,705,296</u></b>

**MONROE COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	GENERAL FUND	SPECIAL REVENUE	NON MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>				
From local sources:				
Taxes:				
Property	\$ 1,375,667	\$ -	\$ 400,636	\$ 1,776,303
Motor vehicle	297,565			297,565
Utilities	809,928			809,928
Earnings on investments:	25,238	266	-	25,504
Other local revenues	48,160	213,353		261,513
Intergovernmental - stat	11,801,534	994,346	1,388,458	14,184,338
Intergovernmental - indirect federa		3,554,022		3,554,022
Intergovernmental - direct federa	25,049	11,528		36,577
<b>TOTAL REVENUES</b>	<b>\$ 14,383,141</b>	<b>\$ 4,773,515</b>	<b>\$ 1,789,094</b>	<b>\$ 20,945,750</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction	\$ 7,443,696	\$ 3,660,573	\$ -	\$ 11,104,269
Support Services:				
Student	839,818	310,640		1,150,458
Instructional staff	598,573	546,844		1,145,417
District administration	417,873	-		417,873
School administration	1,353,470			1,353,470
Business	503,369	-		503,369
Plant operations and maintenance	1,988,795	59,405	11,415	2,059,615
Building Renovations			-	-
Student transportation	1,047,976	34,826		1,082,802
Community service activitie:	20,281	207,259		227,540
Debt service:				
Principal	-		1,254,711	1,254,711
Interest			797,317	797,317
<b>TOTAL EXPENDITURES</b>	<b>\$ 14,213,851</b>	<b>\$ 4,819,547</b>	<b>\$ 2,063,443</b>	<b>\$ 21,096,841</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>\$ 169,290</b>	<b>\$ (46,032)</b>	<b>\$ (274,349)</b>	<b>\$ (151,091)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Assets	\$ 14,507	\$ -	\$ -	\$ 14,507
Operating transfers in	48,565	46,032	1,688,511	1,783,108
Operating transfers out	(357,531)		(1,425,577)	(1,783,108)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (294,459)</b>	<b>\$ 46,032</b>	<b>\$ 262,934</b>	<b>\$ 14,507</b>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ (125,169)</b>	<b>\$ -</b>	<b>\$ (11,415)</b>	<b>\$ (136,584)</b>
<b>FUND BALANCES, July 1, 2011</b>	<b>1,625,615</b>	<b>-</b>	<b>17,906</b>	<b>1,643,521</b>
<b>FUND BALANCES, June 30, 2012</b>	<b>\$ 1,500,446</b>	<b>\$ -</b>	<b>\$ 6,491</b>	<b>\$ 1,506,937</b>

**MONROE COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2012**

Total Net Change in Fund Balance - Governmental Funds \$ (136,584)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the period. 1,465,319

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,254,711

Expenditures reported in the fund financial statements are recognized when the current financial resources is used. However, expenses in the statement of activities are recognized when they are incurred.

Interest Payments	(9,445)
Bond Issuance Cost	(87,193)
Gain on Qzab Bonds	41,544
Compensated Absences	(291,675)
Capital Leases	<u>(55,607)</u>
<b>TOTAL:</b>	<b><u>\$2,181,070</u></b>

**MONROE COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**

JUNE 30, 2012

	<u>FOOD SERVICE</u>	<u>DAY CARE OPERATIONS</u>	<u>TOTAL</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 107,205	\$ 13,265	\$ 120,470
Inventory	16,481	-	16,481
Accounts receivable			
Intergovernmental- Indirect federal	17,204	-	17,204
<b>Total current assets</b>	<u>\$ 140,890</u>	<u>\$ 13,265</u>	<u>\$ 154,155</u>
<b>Noncurrent Assets</b>			
Capital assets( Net of depreciation)	\$ 1,547,725	\$ -	\$ 1,547,725
<b>Total Assets</b>	<u>\$ 1,688,615</u>	<u>\$ 13,265</u>	<u>\$ 1,701,880</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 100	\$ -	\$ 100
<b>Total current liabilities</b>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 100</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 1,547,725	\$ -	\$ 1,547,725
Unrestricted	140,790	13,265	154,055
<b>Total Net Assets</b>	<u>\$ 1,688,515</u>	<u>\$ 13,265</u>	<u>\$ 1,701,780</u>

**MONROE COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**

FOR THE YEAR ENDED JUNE 30, 2012

	<u>FOOD SERVICE</u>	<u>DAY CARE OPERATIONS</u>	<u>TOTAL</u>
<b>OPERATING REVENUES:</b>			
Lunchroom sales	\$ 337,460	\$ -	\$ 337,460
Other operating revenues	4,439	107,086	111,525
<b>TOTAL OPERATING REVENUES</b>	<u>\$ 341,899</u>	<u>\$ 107,086</u>	<u>\$ 448,985</u>
<b>OPERATING EXPENSES:</b>			
Salaries and wages	\$ 765,494	\$ 115,359	\$ 880,853
Contract services	26,579	5,564	32,143
Materials and supplies	755,094	-	755,094
Depreciation	72,858	-	72,858
Other operating expenses	1,449	631	2,080
<b>TOTAL OPERATING EXPENSES</b>	<u>1,621,474</u>	<u>121,554</u>	<u>1,743,028</u>
Operating Loss	\$ (1,279,575)	\$ (14,468)	\$ (1,294,043)
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Federal grants	\$ 1,047,845	\$ -	\$ 1,047,845
State On-behalf Payments	136,332	19,379	155,711
State grants	13,958	-	13,958
Donated commodities	72,886	-	72,886
Gain on Disposal of Asset	128	-	128
Interest income	1,721	-	1,721
<b>TOTAL NON-OPERATING REVENUES BEFORE TRANSFERS</b>	<u>\$ 1,272,870</u>	<u>\$ 19,379</u>	<u>\$ 1,292,249</u>
Transfers In (Out)	-	-	-
<b>Net income (loss)</b>	\$ (6,705)	\$ 4,911	\$ (1,794)
<b>NET ASSETS, July 1, 2011</b>	<u>1,695,220</u>	<u>8,354</u>	<u>1,703,574</u>
<b>NET ASSETS, June 30, 2012</b>	<u>\$ 1,688,515</u>	<u>\$ 13,265</u>	<u>\$ 1,701,780</u>

**MONROE COUNTY SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

FOR THE YEAR ENDED JUNE 30, 2012

	FOOD SERVICE	DAY CARE	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from:			
Lunchroom sales	\$ 337,460	\$ -	\$ 337,460
Other activities	4,439	107,086	111,525
Cash paid to/for:			-
Employees	(629,162)	(101,544)	(730,706)
Supplies	(678,397)	-	(678,397)
Other activities	(28,028)	(631)	(28,659)
<b>Net cash provided (used) by operating activities</b>	<b>\$ (993,688)</b>	<b>\$ 4,911</b>	<b>\$ (988,777)</b>
<b>Cash flows from Non-Capital and Related Financing Activities</b>			
Federal grants	\$ 1,076,140	\$ -	\$ 1,076,140
State grants	13,958	-	13,958
<b>Net Cash Provided by Non-Capital and Financing Activities</b>	<b>\$ 1,090,098</b>	<b>\$ -</b>	<b>\$ 1,090,098</b>
<b>Cash Flows from Capital and Financing Activities</b>			
Purchases of capital assets	(22,370)	-	(22,370)
<b>Cash flows from Investing Activities</b>			
Receipt of Interest Income	1,721	-	1,721
Net Increase (Decrease) in cash and cash equivalents	\$ 75,761	\$ 4,911	\$ 80,672
<b>Balances, Beginning of the year</b>	<b>31,444</b>	<b>8,354</b>	<b>39,798</b>
<b>Balances, end of year</b>	<b>\$ 107,205</b>	<b>\$ 13,265</b>	<b>\$ 120,470</b>
Reconciliation of operating loss to net cash used by operating activities			
Operating Loss	\$ (1,279,575)	\$ (14,468)	\$ (1,294,043)
Adjustments to reconcile operating income to net cash used by operating activities:			
Depreciation	\$ 72,858	\$ -	\$ 72,858
State on Behalf Payments	136,332	19,379	155,711
Donated commodities	72,886	-	72,886
Changes in assets and liabilities			-
Inventory	3,711	-	3,711
Accounts payable	100	-	100
<b>Net cash provided (used) by operating activities</b>	<b>\$ (993,688)</b>	<b>\$ 4,911</b>	<b>\$ (988,777)</b>
<b>Schedule of non-cash transactions:</b>			
Donated commodities received from federal government	\$ 72,866		
On behalf payments from the state government	\$ 136,332	\$ 19,379	

**MONROE COUNTY SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**

JUNE 30, 2012

	<u>AGENCY FUNDS</u>	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<b>ASSETS</b>		
Cash	\$ 295,460	\$ 21,350
Receivables	-	-
<b>TOTAL ASSETS</b>	<u>\$ 295,460</u>	<u>\$ 21,350</u>
<b>LIABILITIES</b>		
Liabilities:		
Accounts Payable	\$ -	\$ -
Due to Student Groups	295,460	-
<b>TOTAL LIABILITIES</b>	<u>\$ 295,460</u>	<u>\$ -</u>
<b>NET ASSETS HELD IN TRUST</b>	<u>\$ -</u>	<u>\$ 21,350</u>

**MONROE COUNTY SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**

YEAR ENDED JUNE 30, 2012

	PRIVATE PURPOSE <u>TRUST FUNDS</u>
<b>Additions</b>	
Interest	\$ 210
<b>Deductions</b>	
Scholarships	<u>(800)</u>
<b>Net Assets, July 1, 2011</b>	<u>21,940</u>
<b>Net Assets, June 30, 2012</b>	<u><u>\$ 21,350</u></u>

**PROPRIETARY FUND FINANCIAL STATEMENTS**

**FIDUCIARY FUNDS FINANCIAL STATEMENTS**

## **NOTES TO THE FINANCIAL STATEMENTS**

**MONROE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

▪ **REPORTING ENTITY**

The Monroe County Board of Education (the “Board”) a five-member group, is the level of government that has oversight responsibilities over all activities related to public elementary and secondary education within the jurisdiction of Monroe County School District (the “District”). The District receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. However, the 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 matter.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Monroe County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Association, etc. The District is not involved in budgeting or managing these organizations, is not responsible for any debt of the organizations, and has no influence over the operation of the organizations.

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

Based on the Foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements.

**Monroe County School District Finance Corporation** – In July 1985, the Monroe County, Kentucky Board of Education resolved to authorize the establishment of the Monroe County School District Finance Corporation (a non-profit, non-stock, public, and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The board members of the Monroe County Board of Education also comprise the Corporation’s Board of Directors.

**MONROE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS- CONTINUED**  
**JUNE 30, 2012**

▪ **BASIS OF PRESENTATION**

**District-wide Financial Statements**

The Statement of Net Assets and the Statement of Activities display information about the District as a whole. They include all funds of the District except for the fiduciary funds. The statements distinguish between governmental and business activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or part with fees charged to external customers and grant proceeds.

The District-Wide Financial Statements are prepared using the economic measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which Governmental Fund Financial Statements are prepared. Governmental Fund Financial Statements therefore includes reconciliation with a brief explanation to better identify the relationship between the District-Wide Financial Statements and the statements for governmental funds.

The District-Wide Financial Statements presents a comparison between direct expense and program revenue for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and charges paid by the recipient of the goods and services offered by the 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 identifies the extent to which each business segments or governmental function is self-financing or draws from the general revenues of the District.

In the District-Wide Financial Statements of Net Assets and Statement of Activities both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

**MONROE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS- CONTINUED  
JUNE 30, 2012**

**Fund Financial Statements**

The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures /expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type and
- b) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**MONROE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS- CONTINUED**  
**JUNE 30, 2012**

The fiduciary funds are reported using the economic resources measurement focus.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them. In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The district has the following funds described below:

I. Governmental Funds

Major Funds

- A. The General Fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. Restrictions have been placed on the fund balance for accrued sick leave (Note D).
  
- B. The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts debt service, enterprise funds, or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial assistance programs where unused balances are returned to the grantor at the close of specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. In additions, The Kentucky Department of Education Technology System (KETS) allocation and local district matching funds are being recorded in the special revenue fund as required by the Kentucky Department of Education (KDE) and has deemed this fund always be classified as a major fund. These funds are restricted for the purchase of technology consistent with the District's approved technology plan.

**MONROE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS- CONTINUED**  
**JUNE 30, 2012**

*Non-major Funds*

- A. The Debt Service Fund accounts for the accumulation of financial resources for the payment of principal, interest, and related costs on the general long-term debt of the District, including the payment of interest on general obligation notes payable, as required by Kentucky law.
  
- B. Capital Project Funds are used to account for financial resources restricted for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds). The District's Capital Project Fund includes:
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
  
  - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
  
- C. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorization construction.

II. Proprietary Funds

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods and services. The District's enterprise funds are the School Food Service Fund and the Day Care operated by the district. The School Food Service Fund is used to account for the financial transactions related to the food service operations of the District including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contributions of commodities from the USDA. The District applies all GASB pronouncements to proprietary funds as well as the Financial Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**MONROE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS- CONTINUED**  
**JUNE 30, 2012**

III. Fiduciary Funds

Agency Funds

Agency funds account for assets held by the District in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

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

Private-Purpose Trust Funds

The Private-Purpose Trust Funds can only be used to award scholarships for needy students.

▪ **BASIS OF ACCOUNTING**

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements (Statements and Interpretations).

▪ **CASH AND CASH EQUIVALENTS**

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

▪ **ACCOUNTS RECEIVABLE**

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include federal and state funding and taxes. Amounts on the statements are net of allowance for doubtful accounts.

**MONROE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS- CONTINUED  
JUNE 30, 2012**

▪ **INVENTORIES**

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the Enterprise Fund. Inventory consists of donated and purchased foods held for resale and are expensed when used. Purchased food is valued at cost and U.S. Government donated commodities value is determined by the U.S. Department of Agriculture.

▪ **CAPITAL ASSETS**

*District-Wide Financial Statements*

In the District-Wide Financial Statements, capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. The District maintains a capitalization threshold of one thousand dollars with the exception of computers and technology equipment for which there is no threshold. The cost of normal maintenance and repairs that do not add value or materially extend an asset's life are expensed.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statements of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and Improvements.....	25-50 years
Land Improvements.....	20 years
Technology Equipment.....	5 years
Vehicles.....	5-10 years
Food Service Equipment.....	10-12 years
Furniture and Fixtures.....	7 years
Other General Equipment.....	5-15 years

*Fund Financial Statements*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as expenditures of the governmental fund. Capital assets used in proprietary fund operations are accounted for the same as in the District-Wide Financial Statements.

**MONROE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS- CONTINUED  
JUNE 30, 2012**

▪ **ACCRUED LIABILITIES AND LONG-TERM DEBT**

*District-Wide Financial Statements*

All payables, accrued liabilities and long-term debt obligations are reported in the District-Wide financial statements. In general long-term debt to be repaid from governmental resources is reported as liabilities in the District-Wide Financial Statements. The long-term debt consists primarily of capital lease obligations, compensated absences and bond obligations.

*Fund Financial Statements*

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources and are reported as obligations of the fund. Long-term debt is not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenue and payment of principal and interest reported as expenditures. There are no long-term debt obligations recorded in the Proprietary Funds as these funds are not responsible for paying the debt.

▪ **COMPENSATED ABSENCES**

*District-Wide Financial Statements*

The District uses the vesting method to compute compensated absences for sick leave. Sick leave benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits at termination. The District records a liability for accumulated unused sick leave when earned for all employees with more than five years of service.

The entire compensated absence liability is reported on the District-Wide Financial Statements. The current portion of this debt is estimated based on employees who have twenty-seven years of service as of June 30, 2012 and is calculated at thirty percent of their total accumulated sick leave.

**MONROE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS- CONTINUED  
JUNE 30, 2012**

*Fund Financial Statements*

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. The noncurrent portion of the liability is not reported. No liability is accrued in the Proprietary Fund.

▪ EQUITY CLASSIFICATIONS

*District-Wide Financial Statements*

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, or laws or regulations, or 2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”/

*Fund Financial Statements*

The District implemented GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, in fiscal year 2011. In the fund statements, governmental funds are required to report the following classification of fund balance as applicable:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The District has not reported any amounts that are nonspendable for the year ended June 30, 2012.
- Restricted – includes amounts restricted by external sources (creditors, grantors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed – fund balance is reported pursuant orders passed by the Board, the District’s highest level of decision making authority. Commitments may be modified or rescinded only through orders approved by the Board.

**MONROE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS- CONTINUED**  
**JUNE 30, 2012**

- Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. The District has not adopted a policy on who may assign funds for specific uses.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the general fund. The district reports all amounts that meet the unrestricted General Fund Balance procedures described below as unassigned.

When restricted and other fund balance resources are available for use, it is the District's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts, respectively.

Proprietary Fund equity is classified the same as in the District-Wide Financial Statements.

- ENCUMBRANCE ACCOUNTING

Encumbrances are not liabilities and, 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 year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements. No fund balances of the respective funds have been reserved for outstanding encumbrances at June 30, 2012.

- REVENUES – EXCHANGE AND NON-EXCHANGE TRANSACTIONS

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is not recognized until there is an enforceable legal claim. However, for the District, an enforceable legal claim arises after the period for which taxes are levied. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September. On the modified accrual basis of accounting, assets and revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**MONROE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS- CONTINUED**  
**JUNE 30, 2012**

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

- CONTRIBUTIONS OF CAPITAL

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

- DEFERRED REVENUE

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

In order to present the Special Revenue Fund on the accrual basis of accounting, and because the awards are not yet available assets, cash awards received in advance for the 2012-2013 school year have been classified as deferred revenues. Likewise, all awards requested as a result of 2011-2012 expenditures have been classified as receivables. Revenues of the Special Revenue Fund are considered earned when reimbursable expenditures are made or obligations are incurred, and of an equal amount.

- OPERATING AND NON-OPERATING REVENUES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Those revenues are primarily charges for meals provided by the various schools and for childcare services provided. Non-operating revenues included grants, donations, and interest income.

- ECONOMIC DEPENDENCY

The continued operation of Monroe County School District is dependent upon the continued federal and state support of the various District programs. The non-funding of one or several of these programs could result in a reduction to the operations and staff necessary to maintain the District at its current level.

**MONROE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS- CONTINUED**  
**JUNE 30, 2012**

▪ PROPERTY TAXES

Property taxes collected are reported as revenues in the fund for which they are levied. Property taxes are based on property valuations on January 1, of each year. The tax rate is generally agreed to by the Board in the following September meeting, and contingent upon state approval, the tax collection date is the period from September 15 through December 31. Collections from the period September 15 through November 1 receive a two percent discount. The due date is the period from November 2 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien being filed by the County Attorney.

The property tax rates assessed for the year ended June 30, 2012, to finance the General Fund operations were \$44.8 per \$100 valuation for real property, \$44.8 per \$100 valuation for business personal property, and \$.562 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

▪ ESTIMATES

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

▪ BUDGETARY PRINCIPLES

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

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

Expenditures are recorded when paid in cash (budgetary) as opposed to when the obligation is incurred (GAAP).

**MONROE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS- CONTINUED  
JUNE 30, 2012**

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

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

▪ INTERFUND ACTIVITY

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

▪ INTERFUND BALANCES

Each fund is a distinct fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. During the year the General Fund receives and disburses funds that relate to other funds or activities, such as the School Food Service Fund, the School Activity Fund, SEEK Capital Outlay Fund, Debt Service Fund, Special Revenue Fund, and the School Construction Fund. Transfers are then made between the various funds to more properly reflect the nature of the transactions. At June 30, 2012, substantially all such transfers had been made and no significant interfund payables or receivables existed.

**NOTE B – CASH**

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits for safekeeping and trusts with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount on Federal Deposit Insurance Corporation (FDIC) insurance.

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District's cash and cash equivalents consisted of checking accounts with local banks. The District does not have a deposit policy for custodial credit risk. As of June 30, 2012, the District's bank balance was \$2,829,461. \$250,000 of the District's bank balance was covered by FDIC and the other \$2,579,461 was collateralized with collateral held by pledging bank's trust department in the District's name.

**MONROE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS- CONTINUED  
JUNE 30, 2012**

**NOTE C – CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets not depreciated:				
Land	\$ 531,690	\$ -	\$ -	\$ 531,690
Total Nondepreciable Historical Cost	531,690	-	-	531,690
Capital assets that are depreciated:				
Land Improvements	307,355	-	-	307,355
Buildings & Building Improvements	35,995,304	3,200,000	-	39,195,304
Technology Equipment	1,536,290	24,601	(18,251)	1,542,640
Vehicles	1,601,368	-	-	1,601,368
General Equipment	<u>368,573</u>	<u>15,089</u>	<u>(3,529)</u>	<u>380,133</u>
Total Depreciable Historical Cost	39,808,890	3,239,690	(21,780)	43,026,800
Less accumulated depreciation for:				
Land Improvements	301,748	5,607	-	307,355
Buildings & Building Improvements	11,361,436	861,729	-	12,223,165
Technology Equipment	1,182,778	152,243	(18,091)	1,316,930
Vehicles	1,208,627	85,627	-	1,294,254
General Equipment	<u>221,879</u>	<u>20,492</u>	<u>(3,529)</u>	<u>238,842</u>
Total Accumulated Depreciation	<u>14,276,468</u>	<u>1,125,698</u>	<u>( 21,620)</u>	<u>15,380,546</u>
<b>Governmental Activities, Capital Assets, Net</b>	<u>\$ 26,064,112</u>	<u>\$ 2,113,992</u>	<u>\$ (160)</u>	<u>\$ 28,177,944</u>

**MONROE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS- CONTINUED  
JUNE 30, 2012**

<b>Business-Type Activities</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets that are depreciated:				
Buildings & Building Improvements	\$ 1,712,774	\$ -	\$ -	\$ 1,712,774
Technology Equipment	17,738	-	(2,000)	15,738
General Equipment	<u>689,464</u>	<u>22,498</u>	<u>(7,220)</u>	<u>704,742</u>
Total Depreciable Historical Cost	2,419,976	22,498	(9,220)	2,433,254
Less accumulated depreciation for:				
Buildings & Building Improvements	375,537	34,255	-	409,792
Technology Equipment	11,347	1,498	(2,000)	10,845
General Equipment	<u>435,007</u>	<u>37,105</u>	<u>(7,220)</u>	<u>464,892</u>
Total Accumulated Depreciation	<u>821,891</u>	<u>72,858</u>	<u>(9,220)</u>	<u>885,529</u>
<b>Business-Type Activities, Capital Assets, Net</b>	<u>\$ 1,598,085</u>	<u>\$ (50,360)</u>	<u>\$ -</u>	<u>\$ 1,547,725</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 950,260
Support Services:	
Student	4,910
Instructional Staff	1,660
District Administration	9,608
School Administration	2,457
Business	16,539
Plant Operations & Maintenance	54,785
Student Transportation	85,371
Central Office	<u>108</u>
Total Depreciation Expense	<u>\$ 1,125,698</u>

**NOTE-D - LONG -TERM OBLIGATIONS**

**Bonds Payable**

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

**MONROE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS- CONTINUED  
JUNE 30, 2012**

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

<u>Issue Date</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
1994	275,000	3.75%-6.00%	August 1, 2014
1998REF	3,450,000	4.20%-4.50%	April 1, 2019
1998	1,250,000	3.50%-4.30%	October 1, 2018
2001	3,325,000	4.00%-5.00%	June 1, 2021
2003 KISTA	177,676	2.00%-3.70%	March 1, 2013
2003	2,780,000	2.00%-4.50 %	October 1, 2023
2004 KISTA	182,664	1.00%-3.50%	June 1, 2021
2004	5,390,000	2.90%-4.40%	August 1, 2024
2004E	1,745,000	2.35%-4.30%	December 1, 2022
2005 KISTA	184,714	3.00%-3.625%	March 1, 2015
2005	1,345,000	3.00%-4.125%	July 1, 2014
2005B	5,100,000	3.50%-4.20%	January 1, 2026
2006 KISTA	199,252	3.30%-4.00%	March 1, 2016
2006 KISTA	83,785	3.50%-3.875%	March 1, 2017
2006	620,000	3.50%-4.00%	December 1, 2023
2008 KISTA	162,600	3.00%-3.75%	March 1, 2018
2008	2,150,000	3.755-4.625%	October 1, 2028
2010	3,155,000	1.00%-2.75%	June 30, 2021
2012	2,475,000	.60%-2.375%	October 1, 2023

In 2003, the District issued \$1,000,000 of Qualified Zone Academy Bonds (QZAB). The bonds were approved for Tompkinsville Elementary School renovation. As stated in the agreement, \$544,900 of the proceeds was used to purchase U.S. government securities. In 2004, the District issued \$500,000 Qualified Zone Academy Bonds (QZAB). The bonds were approved for Gamliel Elementary School renovation. As stated in the agreement, \$259,940 of the proceeds was used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the \$1,500,000 bond issue. As a result, the \$1,500,000 QZAB's are considered to be defeased and the liability for those bonds has been removed from the District-wide statement of net assets. The refunding of the bonds resulted in a gain of \$455,100. The gain of \$455,100 will be amortized to operations over the bond's life of 15 years using the effective straight-line method.

**MONROE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS- CONTINUED**  
**JUNE 30, 2012**

The District, through the General Fund, (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make these lease payment in amounts sufficient to satisfy debt service requirements on bonds issued by the Monroe 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 has entered into "participation agreements" with the Kentucky School Facilities Construction Commission (SFCC). The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amounts to be paid by the District and the Commission for each year until maturity of all bonds issues. The liability for the total bond amounts remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

**MONROE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS- CONTINUED  
JUNE 30, 2012**

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

<u>Year Ending June 30</u>	<u>Monroe County School District</u>		<u>Kentucky School Facility Construction Commission</u>		<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2012-13	\$ 926,284	\$ 636,833	\$ 228,716	\$ 57,323	\$ 1,849,156
2013-14	959,991	609,343	235,009	51,298	1,855,641
2014-15	994,319	580,719	235,681	45,624	1,856,343
2015-16	1,014,787	549,944	220,213	40,214	1,825,158
2016-17	1,052,694	517,579	227,306	35,217	1,832,796
2017-18	1,102,322	482,866	232,678	30,019	1,847,885
2018-19	1,142,761	445,531	217,239	24,708	1,830,239
2019-20	1,181,421	406,087	148,579	20,109	1,756,196
2020-21	1,239,054	364,004	155,946	16,056	1,775,060
2021-22	1,305,488	318,565	104,512	11,657	1,740,222
2022-23	1,357,399	266,248	107,601	8,566	1,739,814
2023-24	1,237,694	215,129	97,306	5,437	1,555,566
2024-25	1,250,976	161,742	14,024	3,019	1,429,761
2025-26	950,330	105,049	14,670	2,374	1,072,423
2026-27	534,651	63,774	15,349	1,694	615,468
2027-28	553,931	38,801	16,069	974	609,775
2028-29	<u>561,985</u>	<u>12,996</u>	<u>13,015</u>	<u>301</u>	<u>588,297</u>
	<u>\$17,366,087</u>	<u>\$5,775,210</u>	<u>\$ 2,283,913</u>	<u>\$ 354,590</u>	<u>\$25,779,800</u>

The debt service fund is primarily responsible for paying the bond obligations through funding from the capital outlay and FSPK funds.

**MONROE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS- CONTINUED  
JUNE 30, 2012**

Long-term liability activity for the year ended June 30, 2012 was as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Amounts Due</u> <u>within one year</u>
<b>Governmental Activities</b>					
Bonds and Notes Payable					
General obligation debt	\$ 20,600,000	\$ -	\$ (950,000)	\$ 19,650,000	\$ 1,155,000
Less deferred issuance discount and cost	-	-	-	-	-
Deferred gain on QZAB bonds	<u>290,808</u>	<u>-</u>	<u>(83,088)</u>	<u>207,720</u>	<u>-</u>
Total Bonds and Notes Payable	\$ 20,890,808	\$ -	\$(1,033,088)	\$ 19,857,720	\$ 1,155,000
<b>Other Liabilities</b>					
Accrued sick leave	\$ 166,256	\$ 314,451	\$ (22,776)	\$ 457,931	\$ 80,045
Capital lease obligation	<u>426,056</u>	<u>154,531</u>	<u>(98,924)</u>	<u>481,663</u>	<u>117,902</u>
Total Other Liabilities	<u>\$ 592,312</u>	<u>\$ 468,982</u>	<u>\$ (121,700)</u>	<u>\$ 939,594</u>	<u>\$ 197,947</u>
Total Long-term Liabilities	<u>\$ 21,483,120</u>	<u>\$ 468,982</u>	<u>\$(1,154,788)</u>	<u>\$ 20,797,314</u>	<u>\$ 1,352,947</u>

**Capital Leases**

The following is a schedule by year of the future minimum lease payments under capital leases (primarily buses ).

Monroe County School District

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2013	\$117,902	\$ 16,111	\$ 134,013
2014	97,621	12,348	109,969
2015	79,279	9,166	88,445
2016	62,011	6,524	68,535
2017	41,036	4,389	45,425
2018	33,635	3,021	36,656
2019	18,384	1,876	20,260
2020	15,631	1,233	16,864
2021	<u>16,164</u>	<u>647</u>	<u>16,811</u>
	<u>\$481,663</u>	<u>\$ 55,316</u>	<u>\$ 536,979</u>

**MONROE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS- CONTINUED  
JUNE 30, 2012**

All assets acquired under capital leases are included in the District-Wide Financial Statements within "depreciated capital assets" and, accordingly, are depreciated. On the governmental fund financial statements, payments on capital lease obligations are recognized as expenditures.

The amount shown in the accompanying District-Wide Financial Statements as lease obligations represents the District's future obligations to make lease payments relating to school building revenue bonds issued by the Monroe County Fiscal Court (the Fiscal Court) and the Monroe County School District Finance Corporation (the Finance Corporation) on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The General Fund, SEEK Capital Outlay Fund, and the FSPK Building Fund are obligated to make lease payments. The lease agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Fiscal Court or the Finance Corporation to construct school facilities and the District with the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises should become the property of the District. The District must generally make sinking fund payments by the fifteenth day of the month prior to scheduled bond and interest payment dates. The District is also obligated to maintain adequate property insurance on the school facilities and the school facilities have been pledged as security to the holders of the bonds.

The District has "participation agreements" with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

**Operating Leases**

The School Board leases office equipment under an operating lease. Total costs for such leases were approximately \$21,762 for the year ended June 30, 2012. The future minimum lease payments for these leases are as follows:

Year Ending June 30:

2013	25,318
2014	25,318
2015	25,318
2016	10,549
	<u>\$ 86,503</u>

**MONROE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS- CONTINUED  
JUNE 30, 2012**

**Accumulated Unpaid Sick Leave Benefits**

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

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

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

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

**NOTE E – RETIREMENT PLANS**

**KENTUCKY TEACHERS' RETIREMENT SYSTEM**

**Pension Plan**

The Monroe County Public Schools participates in the Kentucky Teachers' Retirement System of the State of Kentucky, a component unit of the Commonwealth of Kentucky (KTRS) and the County Employees Retirements System, a component unit of the Commonwealth of Kentucky (KTRS) and the County Employees Retirement System, a component unit of the commonwealth of Kentucky (CERS), cost-sharing, multiple employer defined benefit pension plans. KTRS and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. 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). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The KTRS and CERS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Y 40601 or from the KTRS website at <http://ktrs.ky.gov/>. CERS' report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park Weat, 1260 Louisville Road, Frankfort, KY 40601 or by calling (502) 564-5656.

**MONROE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS- CONTINUED  
JUNE 30, 2012**

**Funding Policy** – Contribution rates are established by KRS. Members who established an account in a state retirement system before July 2008 are required to contribute 10.355% to KTRS of their covered salary. Members who established an account in a state retirement system after July 2008 are required to contribute 10.855% to KTRS of their covered salary. The District is required to contribute to the CERS and the Commonwealth of Kentucky is required to contribute to the KTRS. The current contribution rate is 13.605% (14.105% for new hires effective July 1, 2008) of annual covered payroll. The rate for CERS is 18.96%, 16.93%, and 16.16% for the years ended June 30, 2012, 2011, and 2010, respectively, of covered annual payroll. The contribution requirements of the plan members, the District and Commonwealth of Kentucky are established and may be amended by the Plans' Board of Trustees. The District's contributions to CERS for the years ended June 30 2012, 2011, and 2010 were \$605,918, \$530,023, and \$483,509, respectively, equal to the required contributions for each year.

For the year ended June 30, 2012 the Commonwealth contributed \$939,336 to the KTRS for the benefit of the District's participation employees. The District's contributions to the KTRS for the year ended June 30, 2012 were \$244,330 which represents those employees covered by federal programs.

**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 sixty-five (65) through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance; Once retired member eligible spouses attain age sixty-five (65) and are Medicare eligible, coverage through the KTRS Medicare Eligible Health Plan.

**Funding Policy** – The post- retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefit, one and one-half percent (1.5%) of the gross annual payroll of all active members is contributed. One-half (1/2) of this amount is derived from member contributions and one-half (1/2) from state appropriation. Also, the premiums collected from retirees as described in the plan description and investment interest help with the medical expenses of the plan.

**MONROE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS- CONTINUED**  
**JUNE 30, 2012**

**DEFERRED COMPENSATION**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, **Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans**, allows entities with little or no administrative involvement that do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District therefore does not show these assets and liabilities on this financial statement.

**NOTE F – ON-BEHALF PAYMENTS**

For the year ended June 30, 2012, the Commonwealth of Kentucky contributed estimated payments on-behalf of the District's employees of \$3,315,671 to the health insurance carriers and the flexible spending account vendors. GASB Statements No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, establishes accounting and reporting standards for on-behalf payments. In accordance with the standard, the District recognized an expense and revenue for this payment on the District-Wide Financial Statements.

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

**MONROE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS- CONTINUED**  
**JUNE 30, 2012**

**NOTE H – INSURANCE AND RISK MANAGEMENT**

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 including workers' compensation insurance. Premiums for these policies are based upon the District's experience to date.

The District is also exposed to various risks of loss related to torts, errors and omissions, injuries to employees, and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage.

Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participation 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 reasons by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which was provided) would be returned to the member on a pro rata basis.

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

**MONROE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS- CONTINUED  
JUNE 30, 2012**

**NOTE I – LITIGATION**

The District is subject to various legal actions in various states of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress, except as described elsewhere in this report.

**NOTE J – DEFICIT OPERATING BALANCES**

No funds of the District currently have a deficit fund balance or net assets. However, the following funds had excess current year expenditures over current year appropriated revenues resulting in a corresponding reduction of fund balance:

<u>Fund</u>	<u>Amount</u>
Construction	\$ 11,415
General Fund	125,169

**NOTE K – TRANSFER OF FUNDS**

Interfund transfers are eliminated in the governmental and business-type activities columns of the district-wide statement of net assets. As reflected on the fund financial statements, the following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special Revenue	Matching	\$ 46,032
General	Debt Service	Debt Service	311,499
SEEK Capital Outlay	Debt Service	Debt Service	1,249,417
SEEK Capital Outlay	Debt Service	Debt Service	127,595
SEEK Capital Outlay	General Fund	Debt Service	48,565

**NOTE L – SUBSEQUENT EVENTS**

The District has evaluated subsequent events through November 2, 2012, the date which the financial statements were available to be issued.

**NOTE M – DONATED PROPERTY**

On December 6, 2011 the Monroe County Fiscal Court transferred ownership of two buildings located between the Middle School and High School to the Monroe County School District. The property was valued at \$3.2 million.

REQUIRED SUPPLEMENTARY INFORMATION

**MONROE COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES- BUDGET AND ACTUAL**  
**GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2012

	BUDGETED AMOUNTS		ACTUAL	Variance With Final Budget Favorable (Unfavorable)
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
From local sources:				
Ta: Property	\$ 1,201,000	\$ 1,157,432	\$ 1,375,667	\$ 218,235
Motor vehicle	260,000	272,000	297,565	25,565
Utilities	815,000	820,000	809,928	(10,072)
Earnings on investments	15,000	15,000	25,238	10,238
Other local revenues	34,302	39,483	48,160	8,677
Intergovernmental - stat	8,704,236	8,593,025	11,801,534	3,208,509
Intergovernmental - direct federal	10,000	10,000	25,049	15,049
<b>TOTAL REVENUES</b>	<b>\$ 11,039,538</b>	<b>\$ 10,906,940</b>	<b>\$ 14,383,141</b>	<b>\$ 3,476,201</b>
<b>EXPENDITURES:</b>				
Current:	\$ 6,118,367	\$ 5,671,231	\$ 7,443,696	\$ (1,772,465)
Instruction				
Supp Student	459,307	631,450	839,818	(208,368)
Instructional staff	423,730	443,448	598,573	(155,125)
District administration	398,670	412,759	417,873	(5,114)
School administration	1,028,065	1,033,260	1,353,470	(320,210)
Business	484,708	578,440	503,369	75,071
Plant operations and maintenance	1,915,573	1,849,871	1,988,795	(138,924)
Student transportation	971,042	998,442	1,047,976	(49,534)
Community service activities:	13,498	14,159	20,281	(6,122)
Contingency	368,431	499,503	-	499,503
<b>TOTAL EXPENDITURES</b>	<b>\$ 12,181,391</b>	<b>\$ 12,132,563</b>	<b>\$ 14,213,851</b>	<b>\$ (2,081,288)</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>\$ (1,141,853)</b>	<b>\$ (1,225,623)</b>	<b>\$ 169,290</b>	<b>\$ 1,394,913</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Assets	\$ -	\$ 14,507	\$ 14,507	\$ -
Operating transfers in	-	-	48,565	48,565
Operating transfers out	(308,147)	(331,499)	(357,531)	(26,032)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (308,147)</b>	<b>\$ (316,992)</b>	<b>\$ (294,459)</b>	<b>\$ 22,533</b>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ (1,450,000)</b>	<b>\$ (1,542,615)</b>	<b>\$ (125,169)</b>	<b>\$ 1,417,446</b>
<b>FUND BALANCES, July 1, 2011</b>	<b>1,625,615</b>	<b>1,625,615</b>	<b>1,625,615</b>	<b>-</b>
<b>FUND BALANCES, June 30, 2012</b>	<b>\$ 175,615</b>	<b>\$ 83,000</b>	<b>\$ 1,500,446</b>	<b>\$ 1,417,446</b>

Both inflows and outflow are equally different in the Schedule of Revenues, Expenditures and Change in Fund Balances-Governmental Funds by the amount of on-behalf payments of \$3,159,95

**MONROE COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES- BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND**

FOR THE YEAR ENDED JUNE 30, 2012

	BUDGETED AMOUNTS		ACTUAL	Variance With Final Budget Favorable (Unfavorable)
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
From local sources				
Earnings on investment	\$ -	\$ -	\$ 266	\$ 266
Other local revenues	-	30,250	213,353	183,103
Intergovernmental - state	762,219	954,199	994,346	40,147
Intergovernmental - indirect federal	1,835,059	2,307,663	3,565,550	1,257,887
<b>TOTAL REVENUES</b>	<b>\$ 2,597,278</b>	<b>\$ 3,292,112</b>	<b>\$ 4,773,515</b>	<b>\$ 1,481,403</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction	\$ 1,618,778	\$ 2,264,748	\$ 3,660,573	\$ (1,395,825)
Support Services				
Student	308,195	301,322	310,640	(9,318)
Instructional staff	408,291	491,600	546,844	(55,244)
Plant operations and maintenance		-	59,405	
Student transportation	60,550	50,000	34,826	15,174
Community service activities	221,464	204,442	207,259	(2,817)
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,617,278</b>	<b>\$ 3,312,112</b>	<b>\$ 4,819,547</b>	<b>\$ (1,448,030)</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>\$ (20,000)</b>	<b>\$ (20,000)</b>	<b>\$ (46,032)</b>	<b>\$ 33,373</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	\$ 20,000	\$ 20,000	\$ 46,032	\$ 26,032
Operating transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>	<b>\$ 46,032</b>	<b>\$ 26,032</b>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 59,405</b>
<b>FUND BALANCES, July 1, 2011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES, June 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 59,405</b>

OTHER SUPPLEMENTARY INFORMATION

MONROE COUNTY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NON MAJOR GOVERNMENTAL FUNDS

June 30, 2012

	FSPK FUND	SEEK CAPITAL OUTLAY FUND	DEBT SERVICE FUND	CONSTRUCTION FUND	TOTAL NONMAJOR FUNDS
<b>Assets</b>					
Cash and cash equivalents	\$ 5,741	\$ 750	\$ -	\$ -	\$ 6,491
<b>Total assets</b>	<u>\$ 5,741</u>	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,491</u>
<b>Fund Balances</b>					
Restricted					
SFCC Escrow	\$ 5,741	\$ 750	\$ -	\$ -	\$ 6,491
	-	-	-	-	-
<b>Total fund balances</b>	<u>\$ 5,741</u>	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,491</u>

**MONROE COUNTY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2012

	FSPK FUND	SEEK CAPITAL OUTLAY FUND	DEBT SERVICE FUND	CONSTRUCTION FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>REVENUES:</b>					
From local sources:					
Taxes:					
Property	\$ 400,636	\$ -	\$ -	\$ -	\$ 400,636
Intergovernmental - state	848,781	176,160	363,517	-	1,388,458
TOTAL REVENUES	\$ 1,249,417	\$ 176,160	\$ 363,517	\$ -	\$ 1,789,094
<b>EXPENDITURES:</b>					
Current:					
Debt service					
Principal	\$ -	\$ -	\$ 1,254,711	\$ -	\$ 1,254,711
Interest	-	-	797,317	-	797,317
Building Renovations	-	-	-	11,415	11,415
TOTAL EXPENDITURES	\$ -	\$ -	\$ 2,052,028	\$ 11,415	\$ 2,063,443
<b>Excess (deficit) of revenues over expenditures</b>	\$ 1,249,417	\$ 176,160	\$ (1,688,511)	\$ (11,415)	\$ (274,349)
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers in	\$ -	\$ -	\$ 1,688,511	\$ -	\$ 1,688,511
Operating transfers out	(1,249,417)	(176,160)	-	-	(1,425,577)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (1,249,417)	\$ (176,160)	\$ 1,688,511	\$ -	\$ 262,934
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	\$ -	\$ -	\$ -	\$ (11,415)	\$ (11,415)
<b>FUND BALANCES, July 1, 2011</b>	5,741	750	-	11,415	17,906
<b>FUND BALANCES, June 30, 2012</b>	\$ 5,741	\$ 750	\$ -	\$ -	\$ 6,491

**MONROE COUNTY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUNDS**  
**JUNE 30, 2012**

	Monroe County High School	Monroe County Middle School	Thompkins- ville Elementary School	J.H. Carter Elementary School	Gamaliel Elementary School	Community Resource Center	Total
<b>ASSETS</b>							
Cash	\$ 94,111	\$ 75,579	\$ 25,483	\$ 52,430	\$ 45,023	\$ 2,834	\$ 295,460
Receivables	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 94,111</u>	<u>\$ 75,579</u>	<u>\$ 25,483</u>	<u>\$ 52,430</u>	<u>\$ 45,023</u>	<u>\$ 2,834</u>	<u>\$ 295,460</u>
<b>LIABILITIES</b>							
Liabilities:							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Student Groups	94,111	75,579	25,483	52,430	45,023	2,834	295,460
<b>TOTAL LIABILITIES</b>	<u>\$ 94,111</u>	<u>\$ 75,579</u>	<u>\$ 25,483</u>	<u>\$ 52,430</u>	<u>\$ 45,023</u>	<u>\$ 2,834</u>	<u>\$ 295,460</u>

**MONROE COUNTY SCHOOL DISTRICT**

SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND DUES TO STUDENT GROUPS

MONROE COUNTY HIGH SCHOOL

FOR THE YEAR ENDED JUNE 30, 2012

NAME OF ACTIVITY:	CASH			CASH		ACCOUNTS PAYABLE	DUES TO STUDENT GROUPS
	BALANCES July 1, 2011	RECEIPTS	DISBURSEMENTS	BALANCES June 30, 2012	RECEIVABLES June 30, 2012		
Academic Team	\$ -	\$ 1,350	\$ 556	\$ 794	\$ -	\$ -	\$ 794
Academic Achiever	939	1,250	205	1,984	-	-	1,984
Annual staff	29,099	26,196	45,140	10,155	-	-	10,155
Art Club	-	165	71	94	-	-	94
Athletic	3,248	95,494	98,742	-	-	-	-
Boys Basketball	-	14,908	13,978	930	-	-	930
Baseball Account	1,234	15,475	16,709	-	-	-	-
Beta Club	-	10,376	8,809	1,567	-	-	1,567
Book Club	286	-	25	261	-	-	261
Cheerleaders	1,005	11,535	11,383	1,157	-	-	1,157
Cola Account- Lounge	950	3,202	3,994	158	-	-	158
Cola Account- Students	586	2,423	2,026	983	-	-	983
Concessions	-	34,080	31,800	2,280	-	-	2,280
Cross Country	777	725	1,407	95	-	-	95
Culinary Class	-	913	913	-	-	-	-
Entrepreneur Club	2,350	5,293	6,122	1,521	-	-	1,521
English Dept	88	2,873	2,961	-	-	-	-
Football	147	51,888	52,035	-	-	-	-
FCA	912	-	430	482	-	-	482
FCCLA	-	5,825	5,818	7	-	-	7
FFA	811	12,864	10,497	3,178	-	-	3,178
FFA Special	-	1,425	-	1,425	-	-	1,425
FFA Greenhouse	20,945	7,991	5,230	23,706	-	-	23,706
FMD/CBI	2,010	3,072	3,402	1,680	-	-	1,680
Foreign Language	63	1,029	596	496	-	-	496
Girls Basketball	-	29,885	29,785	100	-	-	100
General Fund	2,288	6,204	7,670	822	-	-	822
Golf	3,027	3,235	3,649	2,613	-	-	2,613
Guidance Department	-	1,494	1,139	355	-	-	355
Interest	729	15,240	5,198	10,771	-	-	10,771
Library	474	242	-	716	-	-	716
Math Club	-	-	-	-	-	-	-
Media Productions	579	350	-	929	-	-	929
Mini Grant	41	3	44	-	-	-	-
Music	-	4,443	979	3,464	-	-	3,464
Pep Club	560	3,787	4,000	347	-	-	347
Science	834	609	1,128	315	-	-	315
Snack Cart	1,966	14,289	14,742	1,513	-	-	1,513
Soar	3,284	4,820	3,295	4,809	-	-	4,809
Soccer	2,499	2,487	1,297	3,689	-	-	3,689
Softball	3,481	13,136	12,714	3,903	-	-	3,903
Student Tech	237	230	317	150	-	-	150
Seniors 2011	2,559	-	2,559	-	-	-	-
Seniors 2012	4,282	6,743	6,308	4,717	-	-	4,717
Seniors 2013	-	1,016	1,016	-	-	-	-
Seniors 2014	-	14	14	-	-	-	-
Tennis	592	2,684	2,137	1,139	-	-	1,139
Track	1,333	1,778	3,111	-	-	-	-
Volleyball	-	8,652	8,652	-	-	-	-
Yclub	604	216	14	806	-	-	806
<b>TOTALS</b>	<b>\$ 94,819</b>	<b>\$ 431,909</b>	<b>\$ 432,617</b>	<b>\$ 94,111</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 94,111</b>

REPORTS REQUIRED BY THE SINGLE AUDIT ACT

**MONROE COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/ PASS - THROUGH GRANTOR/ <u>PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<b>U.S DEPARTMENT OF AGRICULTURE</b>			
Passed through Statement Department of Education:			
Children Nutrition Cluster:			
School Breakfast Program	10.553	7760005	371,497
National School Lunch Program	10.555	7750002	637,402
Summer Food Service Program for Children	10.559	7740023	38,946
Other U.S. Department of Agriculture Programs:			\$ 1,047,845
Passed through State Department of Agriculture	10.555	N/A	72,886
<b>TOTAL U.S. DEPT. OF AGRICULTURE</b>			<b>\$ 1,120,731</b>
<b>U.S DEPARTMENT OF EDUCATION</b>			
Passed through the state:			
Special Education Cluster:			
Special Education-Grants to States (IDEA, Part B)	84.027	3370P	\$ 2,993
Special Education-Grants to States (IDEA, Part B)	84.027	3371	315,960
Special Education-Grants to States (IDEA, Part B)	84.027	3372	262,080
Special Education-Preschool Grants (IDEA Preschool)	84.173	3430P	1,280
Special Education-Preschool Grants (IDEA Preschool)	84.173	3431	107
Special Education-Preschool Grants (IDEA Preschool)	84.173	3432	17,487
			\$ 599,907
Title One Cluster:			
Title I Grants to Local Educational Agencies	84.010	3100	\$ 3,730
Title I Grants to Local Educational Agencies	84.010	3101	155,372
Title I Grants to Local Educational Agencies-Parent Involvement	84.010	3101M	2,949
Title I Grants to Local Educational Agencies	84.010	3102	620,511
Title I Grants to Local Educational Agencies-P.D. Improvement	84.010	3102D	35,032
Title I Grants to Local Educational Agencies-Parent Involvement	84.010	3102M	4,517
Title I Grants to Local Educational Agencies-School Improvement	84.010	3200	30,070
Title I Grants-School Improvement	84.010	5600B	134,790
Title I Grants to Local Educational Agencies-School Improvement	84.010	3201	67,282
Title I ARRA	84.389A	3919	16,273
Title I Parent Involvement-ARRA	84.389A	3919M	112
			\$ 1,070,638
Education Technology State Grants Cluster			
Education Technology State Grants	84.318X	4251	\$ 2,388
Education Technology State Grants	84.318X	4252	833
Education Technology State Grants-ARRA	84.386A	4850	3,237
Education Technology State Grants-ARRA	84.386A	4860	11,695
			\$ 18,153
Migrant Education-State Grant Program:			
Migrant Education-State Grant Program:	84.011	3111	\$ 49,860
Migrant Education-State Grant Program:	84.011	3112	253,203
Migrant Education-State Grant Program:	84.011	3117	206,289
			\$ 509,352
Vocational Education-Basic Grants to State:			
Vocational Education-Basic Grants to State:	84.048	3481A	\$ 433
Vocational Education-Basic Grants to State:	84.048	3482	9,806
Perkins Career Camp	84.048	3592A	5,000
			\$ 15,239
English Language Acquisition Grants:			
English Language Acquisition Grants:	84.365	3451	\$ 2,487
English Language Acquisition Grants:	84.365	3452	9,041
			\$ 11,528
Improving Teacher Quality State Grants:			
Improving Teacher Quality State Grants:	84.367	4011	\$ 5,679
Improving Teacher Quality State Grants:	84.367	4012	131,207
			\$ 136,886
Rural Education			
Rural Education	84.358B	3501	\$ 5,323
Rural Education	84.358B	3502	41,013
			\$ 46,336
<b>SUB-TOTAL (CONTINUE ON NEXT PAGE)</b>			<b>\$ 2,408,039</b>

**MONROE COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/ PASS - THROUGH GRANTOR/ <u>PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
Balance carried forward			\$ 2,408,039
Education Jobs Fund	84.410	4411	\$ 458,981
21st Century Community Learning Centers	84.287	5501	\$ 477,537
21st Century Community Learning Centers	84.287	5500P	3,500
21st Century Community Learning Centers	84.287	5000Q	6,000
21st Century Community Learning Centers	84.287	5000Z	52,500
21st Century Community Learning Centers	84.287	5501S	24,474
21st Century Community Learning Centers	84.287	5501X	67,395
21st Century Community Learning Centers	84.287	5501J	30,000
21st Century Community Learning Centers	84.287	5502	150,296
21st Century Community Learning Centers	84.287	5502S	25,000
			<u>\$ 836,702</u>
Passed through State Workforce Development Cabinet			
Adult Education-Core Svc/family	84.002	3731	\$ 6,234
Adult Education-Core Svc/family	84.002	3732	47,051
Adult Education-Professional Staff Development	84.002	3732S	1,379
Adult Education-Recruitment & Retention	84.002	3652	10,000
			<u>\$ 64,664</u>
<b>TOTAL U.S DEPARTMENT OF EDUCATION</b>			<b>\$ 3,768,386</b>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Passed through the state:			
Learn and Service America-School and Community Based Program	94.004	6751	\$ 694
Learn and Service America-School and Community Based Program	94.004	6752	1,150
<b>TOTAL CORPORATION FOR NAT'L AND COMMUNITY SERVICE</b>			<b>\$ 1,844</b>
<b>TOTAL FEDERAL EXPENDITURES</b>			<b>\$ 4,890,961</b>

The accompanying notes are an integral part of this schedule.

**MONROE COUNTY SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2012**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Monroe County School District under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Monroe County School District, it is not intended to and does not present the financial position, changes in net assets or cash flows of Monroe County School District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**NOTE C – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

**NOTE D - SUBRECIPIENTS**

There were no subrecipients during the fiscal year.

# GOODMAN & COMPANY, P.S.C.

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

Members of the Board of Education  
Monroe County School District  
Tompkinsville, Kentucky

We have audited the financial statements of Monroe County School District as of and for the year ended June 30, 2012, and have issued our report thereon dated November 2, 2012. 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 and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I, II, III, and IV of the *Independent Auditor's Contract*.

### Internal Control over Financial Reporting

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

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

## Compliance and Other Matters

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

We noted certain matters that we reported to management of Monroe County School District in a separate letter dated November 2, 2012.

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



Goodman & Company, PSC  
Louisville, Kentucky  
Certified Public Accountants

November 2, 2012

# GOODMAN & COMPANY, P.S.C.

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

Members of the Board of Education  
Monroe County School District  
Tompkinsville, Kentucky

### Compliance

We have audited Monroe County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Monroe County School District's major federal programs for the year ended June 30, 2012. Monroe 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 Monroe County School District's management. Our responsibility is to express an opinion on Monroe County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I, II, III and IV of the Independent Auditor's Contract. 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 Monroe County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Monroe County School District's compliance with those requirements.

In our opinion, Monroe 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 Monroe County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Monroe County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in

accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Monroe County School District's internal control over compliance.

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

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



Goodman & Company, PSC  
Certified Public Accountants  
Louisville, Kentucky

November 2, 2012

**MONROE COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Section I – Summary of Audit Results**

1. The auditor’s report expresses an unqualified opinion on the financial statements of the Monroe County School District.
2. No significant deficiencies relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of the District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported.
5. The auditors’ report on compliance for the major federal programs of the District expresses an unqualified opinion.
6. There are no findings to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>
U.S. Department of Agriculture Passed Through Kentucky Department of Education	
<b>Children Nutrition Cluster:</b>	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service	10.559
U.S. Department of Education Passed Through Kentucky Department of Education	
<b>Title I, Part A Cluster:</b>	
Title I Grants to Local Educational Agencies	84.010
Title I Grants to Local Educational Agencies, Recovery Act	84.389A
Education Jobs Fund	84.410
Education Technology State Grants - ARRA	84.386A

8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The District did qualify to be audited as a low-risk auditee.

**MONROE COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2012**

**Section II – Findings – Financial Statement Audit**

There are no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

**Section III – Findings – Major Federal Programs Audit**

There are no findings or questioned costs related to the major federal programs which are required to be reported in accordance with *OMB Circular A-133, Section 510(a)*.

## **SCHEDULE OF PRIOR AUDIT FINDINGS**

**MONROE COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2012**

**FINDINGS-FINANCIAL STATEMENTS AUDIT**

2011-1 Internal Control

*Criteria:* Internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved; Organizations should implement procedures to ensure this objective is achieved.

*Condition:* The entity does not have sufficient controls designed or implemented to detect that interest payable accumulate depreciation, bond issuance cost; bond discounts and gain on bonds were recorded at the correct amount.

*Effect:* Because there is no control in place to detect these errors, the government-wide financial statements had understated revenue.

*Recommendation:* Design and implement a control that can ensure that government-wide statement of net assets amounts are properly recorded.

*Response:* To ensure that government-wide statement of net asset amounts are properly recorded management will follow that recommendations and guidelines of KDE, our oversight agency.

*Current Year's Auditor's Comment:* This finding has been corrected during the fiscal year ended June 30, 2012.

**FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

Department of Education

2011-2 Internal Control

*Criteria:* Internal control is an integral component of an organization's management that provides reasonable assurance that an objective of reliable financial reporting is being achieved; Organizations should implement procedures to ensure this objective is achieved.

*Condition:* The entity does not have sufficient controls designed or implemented to insure that expenditures are in compliance with grant allowable cost principals.

**MONROE COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2012**

*Effect:* Because there is no control in place to detect these errors, noncompliance with terms of grant agreements could occur

*Recommendation:* Design and implement a control that can ensure that expenditures are charged to grants according to allowable cost principals.

*Response:* To ensure that expenditures are charged to grants according to allowable cost principals program coordinators will approve payment of expenditures.

*Current Year's Auditor's Comment:* This finding has been corrected during the fiscal year ended June 30, 2012

## MANAGEMENT LETTER

# GOODMAN & COMPANY, P.S.C.

Certified Public Accountants

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November 2, 2012

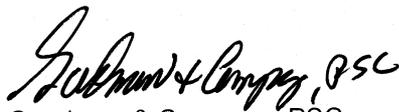
Members of the Board of Education  
Monroe County School District  
Tompkinsville, Kentucky

In planning and performing our audit of the financial statements of the Monroe County School District as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Monroe County School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

However, during our audit we became aware of several 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. A separate report November 3, 2012, contains our report on significant deficiencies in the Company's internal control. This letter does not affect our report dated November 2, 2012, on the financial statements of Monroe County School District.

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

Sincerely,



Goodman & Company, PSC  
Certified Public Accountants  
Louisville, Kentucky

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**MONROE COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2012**

- I. Condition – It was noted during our audit in one school that while the standard invoice was prepared a stamp or typed signature was used for the approval signature.

Criteria – The Uniform Program of Accounting for School Activity Fund in Kentucky Schools (Red Book) states to initiate a purchase, a Purchase Order shall be prepared and approved by the sponsor and principal before the payment is obligated. The Purchase Order is filed with the school treasurer and is classified as an encumbrance until the merchandise is received.

Cause – School employees were unaware that they were in violation of the requirement.

Recommendations – Educate all school personnel about the policy and monitor that it is enforced.

Response – Management agrees with the finding and recommendations will be adopted.

- II. Condition – It was noted during our audit the Community Center was not using the standard invoice or purchase order form.

Criteria – The Uniform Program of Accounting for School Activity Fund in Kentucky Schools (Red Book) states to initiate a purchase, a Purchase Order shall be prepared and approved by the sponsor and principal before the payment is obligated. The Purchase Order is filed with the school treasurer and is classified as an encumbrance until the merchandise is received.

Cause – School employees were unaware that they were in violation of the requirement.

Recommendations – Educate all school personnel about the policy and monitor that it is enforced.

Response – Management agrees with the finding and recommendations will be adopted.

- III. Condition – It was noted during our audit in one school some checks only included one signature.

Criteria – It is school board policy to have two signatures on all checks.

Recommendations – Remind all those who prepare checks and local banks that two signatures are required.

Response – Management agrees with the finding and recommendations will be adopted.