

**BRECKINRIDGE COUNTY SCHOOL DISTRICT**

**REPORT ON AUDIT OF COMPREHENSIVE  
ANNUAL FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES**

**FOR THE YEAR ENDED JUNE 30, 2012**

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
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## INDEPENDENT AUDITORS' REPORT

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Breckinridge County School District  
Hardinsburg, 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 Breckinridge County School District (District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Breckinridge 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 issued our report dated October 22, 2012 on our consideration of Breckinridge County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis - Unaudited on pages 3 through 9 and budgetary comparison information on pages 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The supplementary information shown on pages 43 through 46 and the accompanying Schedule of Expenditures of Federal Awards, required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information shown on pages 43 through 46 and the accompanying Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

*Drane & Company, PLLC*

Drane & Company, PLLC  
Certified Public Accountants

October 22, 2012

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
FOR THE YEAR ENDED JUNE 30, 2012**

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

**FINANCIAL HIGHLIGHTS**

- In total, net assets decreased by \$22,551. Net assets of governmental activities decreased by \$10,495, while net assets of business-type activities decreased by \$12,056.
- General revenues before transfers accounted for \$9,970,268 or 37.9% of total governmental revenues. Program revenues in the form of grants and contributions and charges for service accounted for \$16,290,753 or 62.0% of total governmental revenues less transfers of \$26,261,021. Total revenues including transfers were \$26,284,488.
- The District had \$26,294,983 in expenses related to governmental activities; however, \$16,290,753 of those expenses was offset by program specific charges for services, grants, and contributions. General revenues (primarily local taxes and state aid-formula grants) were short by \$10,495 to provide for the difference in the District's expenses and program revenues. Consequently, this resulted in a decrease to net assets.
- Total assets of governmental activities increased by \$2,773,133. Capital assets of governmental activities increased by \$942,905 due to construction and building improvements.
- The District issued \$2,647,000 in Qualified Zone Academy Bond (QZAB), which is a tax credit bond, to fund renovations to Custer Elementary School.
- The District used local funds to advance refund \$380,000 of the outstanding 2004 series bonds. As a result, the District's portion of the 2004 series bond is considered to be defeased and the liability for these bonds has been removed from the government-wide Statement of Net Assets. The District completed the refunding to reduce its total debt service payments over the next 12 years by \$93,941 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$82,873.
- Construction projects continued during fiscal year 2012. Renovations began on Custer Elementary and the Area Technology Center with completion scheduled for the fall of fiscal year 2013. The expected total costs of the projects are estimated at \$2.9 million for the Custer Elementary project and \$3 million for the Area Technology Center project.

**Using this Annual Financial Report (AFR)**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) district-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.

## **District-wide financial statements**

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

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

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

The district-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 are also supported by taxes and intergovernmental revenues.

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

## **Fund financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been designated for specific activities or objectives. This is a state mandated uniform system for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The funds of the District can be divided into two categories: governmental and proprietary. The only proprietary fund is our food service operation. All other activities of the District are included in the governmental funds.

The basic fund financial statements can be found on pages 12 through 18 of this report.

## **Notes to financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

The notes to the financial statements can be found on pages 19 through 39 of this report.

## **ANALYSIS AND DISCUSSION OF THE DISTRICT-WIDE FINANCIAL STATEMENTS**

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 \$28,687,168 for governmental activities and \$930,382 for business-type activities as of June 30, 2012.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment) less any related debt used to acquire those assets that is currently 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 because the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The District-Wide financial statements are grouped according to governmental activities and business-type activities.

### Analysis of Governmental Activities

Total net assets decreased by \$10,495. This decrease was due to several factors. Increases in instructional spending and student support services over last fiscal year coupled with a 1% decrease in operating grants more than offset the marginal increase in property taxes from fiscal year 2011. A significant portion of cash from the "Restricted for Capital Project" portion of the District's fund balance also contributed to a decrease in total net assets. The tables below demonstrate the increases in expenditures previously discussed. Additional information can be obtained from the notes to the financial statements located herein.

Instruction comprises 57% of all governmental expenses. Instruction related expenses grew by 2.3% over last fiscal year. The statement of activities shows cost of program services and the operating grants and contributions offsetting those services. The tables below demonstrate the net cost of services. In addition, the tables identify the cost of services supported by tax revenue, state aid formula grants, and other income. For fiscal year 2012, the burden of more instructional services being supported by tax revenue increased by approximately 47% due to a decline in federal and state grant revenue.

### Analysis of Business-Type Activities

The business-type activities of the District is the food service program. Business activities receive no support from tax revenues. The total of all revenue was \$1,999,319, which consisted of \$498,802 in charges for services, \$1,495,753 from state and federal grants, and \$4,764 from interest. Indirect cost transfers accounted for \$23,467. Total expenditures accounted for \$1,987,908. Expenditures along with transfers resulted in a \$12,056 decrease in net assets. The District incurred an 11% increase in material and supply costs from fiscal year 2011. The increase was mainly due to general inflation in overall food costs and a change in vendors. The District will continue to monitor the charges and costs of these activities.

The following tables show a comparison of total net assets and a summary of changes in net assets for the periods ending June 30, 2012 and June 30, 2011:

**Table 1-Changes in Net Assets**

	<u>2012</u>			<u>2011</u>		
	<i>Govt Activities</i>	<i>Business Activities</i>	<i>Total</i>	<i>Govt Activities</i>	<i>Business Activities</i>	<i>Total</i>
<i>Current and Other Assets</i>	15,502,686	749,293	16,251,979	13,703,445	784,251	14,487,696
<i>Capital Assets</i>	28,247,351	279,375	28,526,726	27,273,459	250,740	27,524,199

<b>Total Assets</b>	<b>43,750,037</b>	<b>1,028,668</b>	<b>44,778,705</b>	<b>40,976,904</b>	<b>1,034,991</b>	<b>42,011,895</b>
Current Liabilities	4,384,146	98,286	4,482,432	3,022,507	92,553	3,115,060
Long-Term Liabilities	10,678,723	-	10,678,723	9,256,734	-	9,256,734
<b>Total Liabilities</b>	<b>15,062,869</b>	<b>98,286</b>	<b>15,161,155</b>	<b>12,279,241</b>	<b>92,553</b>	<b>12,371,794</b>
Invested in capital assets, net of related debt	14,643,158	279,375	14,922,533	17,085,929	250,740	17,336,669
Restricted for capital proj	1,999,826	-	1,999,826	1,668,109	-	1,668,109
Restricted for Food Ser.	-	651,007	651,007	-	-	-
Unrestricted	12,044,184	-	12,044,184	9,943,625	691,698	10,635,323
<b>Net Assets</b>	<b>28,687,168</b>	<b>930,382</b>	<b>29,617,550</b>	<b>28,697,663</b>	<b>942,438</b>	<b>29,640,101</b>

## Table 2-Statement of Activities

	<b>2012</b>			<b>2011</b>		
	<b>Govt Activities</b>	<b>Business Activities</b>	<b>Total</b>	<b>Govt Activities</b>	<b>Business Activities</b>	<b>Total</b>
<b>Program Revenues</b>						
Charges for Services	222,726	498,802	721,528	294,103	497,418	791,521
Operating grants & contributions	15,420,847	1,495,753	16,916,600	15,516,816	1,428,387	16,945,203
Capital grants & contributions	647,180	-	647,180	712,047	-	712,047
<b>General Revenues</b>						
Property taxes	4,062,750	-	4,062,750	3,920,632	-	3,920,632
Motor vehicle taxes	747,529	-	747,529	725,311	-	725,311
Utility taxes	796,392	-	796,392	792,047	-	792,047
Interest income	87,324	4,764	92,088	20,725	1,105	21,830
State Aid	4,107,750	-	4,107,750	4,032,091	-	4,032,091
Other income	194,200	-	194,200	272,994	-	272,994
Gain/Loss fixed assets	(25,677)	-	(25,677)	53,042	(139)	52,903
<b>Total Revenue</b>	<b>26,261,021</b>	<b>1,999,319</b>	<b>28,260,340</b>	<b>26,339,808</b>	<b>1,926,771</b>	<b>28,266,579</b>
<b>Program Activities</b>						
Instruction	14,984,287	-	14,984,287	14,651,416	-	14,651,416
Student support	832,395	-	832,395	753,301	-	753,301
Instructional staff	981,443	-	981,443	942,084	-	942,084
District administration	1,568,655	-	1,568,655	1,666,846	-	1,666,846
School administration	1,617,837	-	1,617,837	1,579,650	-	1,579,650
Business support	962,370	-	962,370	894,411	-	894,411
Plant ops. & Maint.	2,434,341	-	2,434,341	2,455,869	-	2,455,869
Student transportation	2,143,107	-	2,143,107	2,082,029	-	2,082,029
Other Support Services	735	-	735	-	-	-
Food service	2,171	-	2,171	2,681	-	2,681
Community services	361,574	-	361,574	375,027	-	375,027
Bond costs amortization	30,174	-	30,174	31,180	-	31,180
Loss on early debt exting.	10,932	-	10,932	-	-	-
Interest on l/t debt	364,962	-	364,962	357,859	-	357,859
<b>Business-Type Activities</b>						
Food service	-	1,987,908	1,987,908	-	1,848,560	1,848,560
<b>Total Expenses</b>	<b>26,294,983</b>	<b>1,987,908</b>	<b>28,282,891</b>	<b>25,792,353</b>	<b>1,848,560</b>	<b>27,640,913</b>
Transfers	23,467	(23,467)	-	22,263	(22,263)	-
<b>Increase (decrease) in Net Assets</b>	<b>(10,495)</b>	<b>(12,056)</b>	<b>(22,551)</b>	<b>569,718</b>	<b>55,948</b>	<b>625,666</b>

**Table 3-Cost of Governmental Activities**

	<u>Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<i>Instruction</i>	14,984,287	14,651,416	540,920	1,033,945
<i>Student support</i>	832,395	753,301	(824,986)	(747,255)
<i>Instructional staff</i>	981,443	942,084	(981,443)	(942,084)
<i>District administration</i>	1,568,655	1,666,846	(1,568,655)	(1,666,846)
<i>School administration</i>	1,617,837	1,579,650	(1,617,837)	(1,579,650)
<i>Business support</i>	962,370	894,411	(962,370)	(894,411)
<i>Plant operations &amp; maintenance</i>	2,434,341	2,455,869	(1,793,154)	(1,762,073)
<i>Student transportation</i>	2,143,107	2,082,029	(2,026,157)	(1,944,266)
<i>Other Support Services</i>	735	-	(735)	-
<i>Food service</i>	2,171	2,681	(2,171)	(2,681)
<i>Community services</i>	361,574	375,027	(361,574)	(375,027)
<i>Bond costs amortization</i>	30,174	31,180	(30,174)	(31,180)
<i>Loss on early debt exting.</i>	10,932	-	(10,932)	-
<i>Interest on l/t debt</i>	364,962	357,859	(364,962)	(357,859)
<b><u>Total Expenses</u></b>	<b><u>26,294,983</u></b>	<b><u>25,792,353</u></b>	<b><u>(10,004,230)</u></b>	<b><u>(9,269,387)</u></b>

**DISTRICT'S INDIVIDUAL FUNDS**

Information about the District's major funds begins on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources (uses) of \$28,911,193 and expenditures of \$28,439,060. This contributed to a net change in fund balance of \$472,133. Overall, the net deficiency in revenue over expenditures was mainly due to the transfer from the General Fund to the Construction Fund. However, this deficiency was offset by bond proceeds recognized in fiscal year 2012. The significant deficiency in the General Fund was partly due to an increase of 7.1% in instruction related spending. This increase was due to several American Recovery and Reinvestment Act grants ending in fiscal year 2012, which shifted those expenditures to the General fund. The increase in instruction was partially offset by a significant decrease in student transportation charges due to the District not making any significant bus purchases in fiscal year 2012. Additional information can be obtained from the notes to the financial statements located herein.

**ANALYSIS OF BUDGET AMOUNTS**

The District's budget is prepared according to Kentucky law and is based on the budgetary basis of accounting. The most significant budgeted fund is the General Fund. A variance comparison is presented between the final budgeted amounts and the actual (Budgetary basis) amounts. The General Fund revenues show a budget of \$15,856,890 and an actual amount of \$16,164,340. Expenditures show a budget of \$18,081,037 and an actual amount of \$16,490,363. The variance in budgeted expenditures versus actual expenditures is mainly related to a mandatory budgeted contingency that is placed into the budget and has no actual amount. Overall, the District was satisfied with the net change in fund balances.

**CAPITAL ASSETS AND DEBT ADMINISTRATION****Capital Assets**

At the end of fiscal year 2012, the District had \$27,915,778 in net capital assets of governmental activities and \$279,375 in net capital assets of business-type activities. The \$942,905 increase in net capital assets for governmental activities was mainly due to an increase in construction in progress as the Custer Elementary and Area Technology

renovation projects got underway. The \$28,635 increase in net capital assets of business-type activities is due to new equipment at various schools. Table 4 below shows a summary of activity for fiscal year 2012. Additional information can be obtained from the notes to the financial statements located herein.

**Table 4-Changes in Capital Assets**

<b><u>Governmental Activities</u></b>	<b><u>1-Jul-11</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>30-Jun-12</u></b>
<i>Not Depreciated:</i>				
Land	\$451,448	-	-	\$451,448
Construction in progress	49,285	2,099,887	49,285	2,099,887
Subtotal	500,733	2,099,887	49,285	2,551,335
<i>Depreciated:</i>				
Land improvements	3,397,194	-	-	3,397,194
Buildings	33,385,070	264,968	-	33,650,038
Technology equipment	2,667,580	267,584	541,873	2,393,291
Vehicles	4,938,415	72,471	83,465	4,927,421
General equipment	2,539,089	67,680	81,744	2,525,025
Subtotal	46,927,348	672,703	707,082	46,892,969
<i>Less accumulated depreciation for:</i>				
Land improvements	2,723,274	98,816	-	2,822,090
Buildings	11,237,577	856,021	-	12,093,598
Technology equipment	1,786,342	339,909	539,921	1,586,330
Vehicles	2,997,520	327,932	83,465	3,241,987
General equipment	1,710,495	115,882	41,856	1,784,521
Subtotal	20,455,208	1,738,560	665,242	21,528,526
<b><u>Capital Assets - Net</u></b>	<b><u>26,972,873</u></b>	<b><u>1,034,030</u></b>	<b><u>91,125</u></b>	<b><u>27,915,778</u></b>
 <i>Business-Type Activities</i>				
<i>Depreciated:</i>				
General equipment	948,839	72,912	26,525	995,226
Technology equipment	31,032	562	-	31,594
Subtotal	979,871	73,474	26,525	1,026,820
<i>Less accumulated depreciation for:</i>				
General equipment	703,437	43,128	26,525	720,040
Technology equipment	25,694	1,711	-	27,405
Subtotal	729,131	44,839	26,525	747,445
<b><u>Capital Assets - Net</u></b>	<b><u>250,740</u></b>	<b><u>28,635</u></b>	<b><u>-</u></b>	<b><u>279,375</u></b>

## Debt

At June 30, 2012, the Breckinridge County Public School District had \$11,212,000 in bonds outstanding; of this amount \$3,912,549 is to be paid by the School Facilities Commission. The additional \$7,299,451 is to be paid by the School District. \$820,000 is due within one year from the School District and School Facilities Commission combined. The District also had \$121,646 in capital leases from commercial copiers in the District with \$39,078 due within one year. Also, the District issued \$2,647,000 in Qualified Zone Academy Bonds (QZAB), which is a tax credit bond, to fund renovations to Custer Elementary School. The District defeased its portion of the 2004 series bonds. By doing this, the District completed the refunding to reduce its total debt service payments over the next 12 years by \$93,941. Additional information can be obtained from the notes to the financial statements located herein.

## **DISTRICT CHALLENGES FOR THE FUTURE**

The Breckinridge County Public School District's financial status continues to remain stable. This continues in the wake of decreases in federal and state grant funding pushing expenses for necessary services back to the General Fund. The District's risks are due primarily to the following contributing factors. The first factor is inadequate state funding through the SEEK funding formula and state formula grants. In recent years, the state has placed mandates on school districts and not provided funding for those mandates. An example of an additional cost to districts is the increase in state retirement contributions for both County Retirement and Kentucky Teacher's Retirement. While the District does maintain a contingency for funding shortfalls, this remains a short-term solution. The second factor is uncertainty in the economy. As the economy begins making a recovery from the recession, the District looks to 2013 where fiscal stimulus measures including the Bush-era tax cuts, the 2010-2011 payroll tax cut and extended unemployment insurance benefits will expire at the beginning of 2013 unless Washington renews them. This is known as the "funding cliff." Concerns over what this will do to federal grant awards are among other items this issue could affect. The final factor is facility need. The District has two schools among the worst in the state according to the state's most recent independent study. Funding for future construction of the two new schools is limited. The District has proposed a "nickel" tax levy, which is \$.05 cents per \$100 of assessed value, to aid in providing the necessary funds. Should the tax levy fail, the District will be faced with the future challenge of providing for inadequate facilities with limited funding available.

The District uses great caution and care in planning and monitoring our finances. The overall strategy is to provide the best educational environment possible while maintaining a solid financial future.

## **BUDGETARY IMPLICATIONS**

In Kentucky, the public school fiscal year is July 1 through June 30; other programs operate on a different fiscal calendar, but are reflected in the district overall budget. By law, the budget must have a minimum 2% contingency.

Questions regarding this report should be directed to the following:

Janet Meeks, Superintendent  
86 Airport Road  
Hardinsburg, KY 40143  
(270) 756-3000

Michael Moreland, Finance Director  
86 Airport Road  
Hardinsburg, KY 40143  
(270) 756-3000

**BRECKINRIDGE COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b><u>Assets</u></b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 14,510,867	\$ 680,738	\$ 15,191,605
Accounts receivable:			
Taxes	144,074	-	144,074
Other	51,163	-	51,163
Intergovernmental	567,051	13,147	580,198
Inventory	-	55,408	55,408
Prepaid expenses	229,531	-	229,531
<b>Total Current Assets</b>	<u>15,502,686</u>	<u>749,293</u>	<u>16,251,979</u>
<b>Noncurrent Assets</b>			
Bond discounts and issue costs, net of accumulated amortization of \$160,548	331,573	-	331,573
Capital assets	49,444,304	1,026,820	50,471,124
Less: accumulated depreciation	<u>(21,528,526)</u>	<u>(747,445)</u>	<u>(22,275,971)</u>
<b>Total Noncurrent Assets</b>	<u>28,247,351</u>	<u>279,375</u>	<u>28,526,726</u>
<b>Total Assets</b>	<u>43,750,037</u>	<u>1,028,668</u>	<u>44,778,705</u>
<b><u>Liabilities</u></b>			
<b>Current Liabilities</b>			
Accounts payable	1,431,375	172	1,431,547
Accrued payroll and related expenses	1,933,060	98,114	2,031,174
Deferred revenues	46,748	-	46,748
Current portion of bond obligations	820,000	-	820,000
Current portion of capital leases	39,078	-	39,078
Current portion of accrued sick leave	24,290	-	24,290
Interest payable	89,595	-	89,595
<b>Total Current Liabilities</b>	<u>4,384,146</u>	<u>98,286</u>	<u>4,482,432</u>
<b>Noncurrent Liabilities</b>			
Noncurrent portion of bond obligations	10,392,000	-	10,392,000
Noncurrent portion of capital leases	82,568	-	82,568
Noncurrent portion of accrued sick leave	204,155	-	204,155
<b>Total Noncurrent Liabilities</b>	<u>10,678,723</u>	<u>-</u>	<u>10,678,723</u>
<b>Total Liabilities</b>	<u>15,062,869</u>	<u>98,286</u>	<u>15,161,155</u>
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	14,643,158	279,375	14,922,533
Restricted for capital projects	1,999,826	-	1,999,826
Restricted for food service	-	651,007	651,007
Unrestricted	12,044,184	-	12,044,184
<b>Total Net Assets</b>	<u>\$ 28,687,168</u>	<u>\$ 930,382</u>	<u>\$ 29,617,550</u>

The accompanying notes are an integral part of this financial statement.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b><u>Governmental Activities</u></b>							
Instruction	\$ 14,984,287	\$ 96,367	\$ 15,420,847	\$ 7,993	\$ 540,920	\$ -	\$ 540,920
Support services:							
Student	832,395	7,409	-	-	(824,986)	-	(824,986)
Instructional staff	981,443	-	-	-	(981,443)	-	(981,443)
District administration	1,568,655	-	-	-	(1,568,655)	-	(1,568,655)
School administration	1,617,837	-	-	-	(1,617,837)	-	(1,617,837)
Business	962,370	-	-	-	(962,370)	-	(962,370)
Plant operations and maintenance	2,434,341	2,000	-	639,187	(1,793,154)	-	(1,793,154)
Student transportation	2,143,107	116,950	-	-	(2,026,157)	-	(2,026,157)
Other support services	735	-	-	-	(735)	-	(735)
Food service	2,171	-	-	-	(2,171)	-	(2,171)
Community services	361,574	-	-	-	(361,574)	-	(361,574)
Bond costs amortization	30,174	-	-	-	(30,174)	-	(30,174)
Loss on early debt extinguishment	10,932	-	-	-	(10,932)	-	(10,932)
Interest on long-term debt	364,962	-	-	-	(364,962)	-	(364,962)
<b>Total Governmental Activities</b>	<b>26,294,983</b>	<b>222,726</b>	<b>15,420,847</b>	<b>647,180</b>	<b>(10,004,230)</b>	<b>-</b>	<b>(10,004,230)</b>
<b><u>Business-Type Activities</u></b>							
Food service	1,987,908	498,802	1,495,753	-	-	6,647	6,647
<b>Total Business-Type Activities</b>	<b>1,987,908</b>	<b>498,802</b>	<b>1,495,753</b>	<b>-</b>	<b>-</b>	<b>6,647</b>	<b>6,647</b>
<b>Total Primary Government</b>	<b>\$28,282,891</b>	<b>\$ 721,528</b>	<b>\$ 16,916,600</b>	<b>\$ 647,180</b>	<b>\$(10,004,230)</b>	<b>\$ 6,647</b>	<b>\$(9,997,583)</b>
			<b><u>General Revenues</u></b>				
			Taxes:				
			Property		\$ 4,062,750	\$ -	\$ 4,062,750
			Motor vehicle		747,529	-	747,529
			Utility		796,392	-	796,392
			Interest income		87,324	4,764	92,088
			State aid - formula grants		4,107,750	-	4,107,750
			Other income		194,200	-	194,200
			Disposal of fixed assets		(25,677)	-	(25,677)
			<b>Total General Revenues</b>		<b>9,970,268</b>	<b>4,764</b>	<b>9,975,032</b>
			<b>Transfers</b>		<b>23,467</b>	<b>(23,467)</b>	<b>-</b>
			<b>Changes in Net Assets</b>		<b>(10,495)</b>	<b>(12,056)</b>	<b>(22,551)</b>
			<b>Net Assets - Beginning of Year</b>		<b>28,697,663</b>	<b>942,438</b>	<b>29,640,101</b>
			<b>Net Assets - End of Year</b>		<b>\$ 28,687,168</b>	<b>\$ 930,382</b>	<b>\$ 29,617,550</b>

The accompanying notes are an integral part of this financial statement.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	<u>General Fund</u>	<u>Special Revenue (Grant) Fund</u>	<u>Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 9,209,915	\$ -	\$ 5,250,059	\$ 50,893	\$ 14,510,867
Accounts receivable:					
Taxes	144,074	-	-	-	144,074
Other	51,163	-	-	-	51,163
Intergovernmental	-	567,051	-	-	567,051
Due from other funds	50,315	-	-	5,202	55,517
Prepaid expenses	229,531	-	-	-	229,531
<b>Total Assets</b>	<u>\$ 9,684,998</u>	<u>\$ 567,051</u>	<u>\$ 5,250,059</u>	<u>\$ 56,095</u>	<u>\$ 15,558,203</u>
<b>Liabilities</b>					
Accounts payable	\$ 50,441	\$ 13,580	\$ 1,367,354	\$ -	\$ 1,431,375
Due to other funds	5,202	50,315	-	-	55,517
Accrued payroll	1,454,426	478,634	-	-	1,933,060
Deferred revenues	-	46,748	-	-	46,748
<b>Total Liabilities</b>	<u>1,510,069</u>	<u>589,277</u>	<u>1,367,354</u>	<u>-</u>	<u>3,466,700</u>
<b>Fund Balances</b>					
Nonspendable	229,531	-	-	-	229,531
Restricted	-	-	3,882,705	56,095	3,938,800
Committed	3,882,348	-	-	-	3,882,348
Assigned	2,054,531	-	-	-	2,054,531
Unassigned	2,008,519	(22,226)	-	-	1,986,293
<b>Total Fund Balances</b>	<u>8,174,929</u>	<u>(22,226)</u>	<u>3,882,705</u>	<u>56,095</u>	<u>12,091,503</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 9,684,998</u>	<u>\$ 567,051</u>	<u>\$ 5,250,059</u>	<u>\$ 56,095</u>	<u>\$ 15,558,203</u>

**Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities**

**Total Governmental Fund Balances** \$ 12,091,503

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. 27,915,778

Bond discounts and issue costs are financial uses and are reported as expenditures in governmental funds. This amount is capitalized in the district-wide financial statements and expensed over the life of the bond. 331,573

Certain liabilities, such as bond obligations, capital leases, accrued sick leave, and interest payable, are not due and payable in the current period and therefore are not reported in the governmental funds. (11,651,686)

**Total Net Assets of Governmental Activities** \$ 28,687,168

The accompanying notes are an integral part of this financial statement.

**BRECKINRIDGE 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 (Grant) Fund	Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
From local sources:					
Taxes:					
Property	\$ 3,569,224	\$ -	\$ -	\$ 493,526	\$ 4,062,750
Motor vehicle	747,529	-	-	-	747,529
Utility	796,392	-	-	-	796,392
Tuition and textbook fees	7,409	96,367	-	-	103,776
Transportation reimbursement	116,950	-	-	-	116,950
Interest income	73,652	-	7,318	6,354	87,324
Donations/grants	7,993	80,557	-	-	88,550
Other income	193,723	2,477	-	-	196,200
Intergovernmental - state	14,439,043	632,791	-	937,438	16,009,272
Intergovernmental - indirect federal	-	3,071,258	-	-	3,071,258
Intergovernmental - direct federal	21,924	984,771	-	-	1,006,695
<b>Total Revenues</b>	<b>19,973,839</b>	<b>4,868,221</b>	<b>7,318</b>	<b>1,437,318</b>	<b>26,286,696</b>
<b>Expenditures</b>					
Current:					
Instruction	10,784,037	3,793,679	-	-	14,577,716
Support services:					
Student	649,476	181,803	-	-	831,279
Instructional staff	470,386	515,768	-	-	986,154
District administration	988,324	2,483	-	-	990,807
School administration	1,647,668	-	-	-	1,647,668
Business	978,847	46,246	-	-	1,025,093
Plant operations and maintenance	2,350,174	-	-	-	2,350,174
Student transportation	1,976,116	9,649	-	-	1,985,765
Other support services	-	735	-	-	735
Food service	2,171	-	-	-	2,171
Community services	-	363,443	-	-	363,443
Facilities acquisition and construction	-	-	2,089,053	-	2,089,053
Debt service:					
Payment of principal	415,258	-	-	795,000	1,210,258
Payment of interest and fiscal charges	37,405	-	-	341,339	378,744
<b>Total Expenditures</b>	<b>20,299,862</b>	<b>4,913,806</b>	<b>2,089,053</b>	<b>1,136,339</b>	<b>28,439,060</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(326,023)</b>	<b>(45,585)</b>	<b>(2,081,735)</b>	<b>300,979</b>	<b>(2,152,364)</b>
<b>Other Financing Sources (Uses)</b>					
Bond proceeds	-	-	2,647,000	-	2,647,000
Capital lease proceeds	9,960	-	-	-	9,960
Bond issue costs and discount	-	-	(72,093)	-	(72,093)
Operating transfers in	62,520	109,371	2,659,329	835,688	3,666,908
Operating transfers out	(1,513,456)	(111,508)	-	(2,018,477)	(3,643,441)
Sale of fixed assets/insurance recoveries	12,205	3,958	-	-	16,163
<b>Total Other Financing Sources (Uses)</b>	<b>(1,428,771)</b>	<b>1,821</b>	<b>5,234,236</b>	<b>(1,182,789)</b>	<b>2,624,497</b>
<b>Net Changes in Fund Balances</b>	<b>(1,754,794)</b>	<b>(43,764)</b>	<b>3,152,501</b>	<b>(881,810)</b>	<b>472,133</b>
<b>Fund Balances - Beginning of Year</b>	<b>9,929,723</b>	<b>21,538</b>	<b>730,204</b>	<b>937,905</b>	<b>11,619,370</b>
<b>Fund Balances - End of Year</b>	<b>\$ 8,174,929</b>	<b>\$ (22,226)</b>	<b>\$ 3,882,705</b>	<b>\$ 56,095</b>	<b>\$ 12,091,503</b>

The accompanying notes are an integral part of this financial statement.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS WITH THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>Net Changes in Fund Balances - Total Governmental Funds</b>	<b>\$ 472,133</b>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay 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 outlay exceeded depreciation in the current period.	984,745
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the book value of the disposed assets.	(41,840)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.	1,210,258
Bond discounts and issue costs are reported as financing uses in governmental funds and thus contribute to the change in fund balance. In the Statement of Activities, these costs are capitalized and amortized over the life of the respective bond.	30,987
Interest is recorded as an expenditure when due in the governmental funds and as it accrues in the Statement of Activities.	13,783
In the Statement of Activities, sick leave is measured by the amount earned during the year. In governmental funds, however, expenditures for this item are measured by the amount actually paid.	(23,601)
Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.	(9,960)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.	<u>(2,647,000)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u><u>\$ (10,495)</u></u></b>

The accompanying notes are an integral part of this financial statement.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2012**

	<b>Enterprise Fund</b>
<b><u>Assets</u></b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 680,738
Intergovernmental receivable	13,147
Inventory	55,408
	749,293
<b>Total Current Assets</b>	<b>749,293</b>
<b>Noncurrent Assets</b>	
Capital assets	1,026,820
Less: accumulated depreciation	(747,445)
	279,375
<b>Total Noncurrent Assets</b>	<b>279,375</b>
<b>Total Assets</b>	<b>1,028,668</b>
 <b><u>Liabilities</u></b>	
<b>Current Liabilities</b>	
Accounts payable	172
Accrued payroll and related expenses	98,114
	98,286
<b>Total Current Liabilities</b>	<b>98,286</b>
 <b><u>Net Assets</u></b>	
Invested in capital assets	279,375
Restricted for food service	651,007
	930,382
<b>Total Net Assets</b>	<b>\$ 930,382</b>

The accompanying notes are an integral part of this financial statement.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Enterprise Fund</b>
<b><u>Operating Revenues</u></b>	
Lunchroom sales	\$ 498,802
<b>Total Operating Revenues</b>	498,802
<b><u>Operating Expenses</u></b>	
Salaries and wages	925,461
Contract services	25,192
Materials and supplies	992,416
Depreciation	44,839
<b>Total Operating Expenses</b>	1,987,908
<b>Operating Loss</b>	(1,489,106)
<b><u>Non-operating Revenues</u></b>	
Federal grants	1,189,280
State grants	220,586
Donated commodities	85,887
Interest income	4,764
<b>Total Non-operating Revenues</b>	1,500,517
<b>Income Before Transfers</b>	11,411
<b>Transfers Out</b>	(23,467)
<b>Change in Net Assets</b>	(12,056)
<b>Total Net Assets - Beginning of Year</b>	942,438
<b>Total Net Assets - End of Year</b>	\$ 930,382

The accompanying notes are an integral part of this financial statement.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Enterprise Fund</u>
<b><u>Cash Flows from Operating Activities</u></b>	
Cash received from user charges	\$ 498,802
Cash payments to employees for services	(713,624)
Cash payments for contract services	(25,192)
Cash payments to suppliers for goods and services	(904,479)
<b>Net Cash Used by Operating Activities</b>	<b><u>(1,144,493)</u></b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Transfers to other funds	<u>(23,467)</u>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Acquisition of capital assets	(73,474)
Federal grants	1,186,498
State grants	18,081
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b><u>1,131,105</u></b>
<b><u>Cash Flows from Investing Activities</u></b>	
Interest income	<u>4,764</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(32,091)</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b><u>712,829</u></b>
<b>Cash and Cash Equivalents - End of Year</b>	<b><u>\$ 680,738</u></b>
<b><u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</u></b>	
Operating loss	\$ (1,489,106)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	44,839
Commodities used	85,887
On-behalf payments	202,505
Net changes in assets and liabilities:	
Inventory	5,649
Accounts payable	(3,599)
Accrued payroll and related expenses	9,332
<b>Net Cash Used by Operating Activities</b>	<b><u>\$ (1,144,493)</u></b>
<b><u>Schedule of Non-cash Transactions</u></b>	
Donated commodities received from federal government	<u>\$ 85,887</u>
On-behalf payments relating to fringe benefits provided by state government	<u>\$ 202,505</u>

The accompanying notes are an integral part of this financial statement.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2012**

	<u>Agency Fund</u>
<b><u>Assets</u></b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 299,910
Accounts receivable	9,130
	<hr/>
<b>Total Current Assets</b>	<b>309,040</b>
	<hr/>
<b><u>Liabilities</u></b>	
<b>Current Liabilities</b>	
Accounts payable	15,223
Due to students and teachers	293,817
	<hr/>
<b>Total Current Liabilities</b>	<b>309,040</b>
	<hr/>
<b>Net Assets Held in Trust</b>	<b>\$ -</b>
	<hr/> <hr/>

The accompanying notes are an integral part of this financial statement.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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

**REPORTING ENTITY**

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

The District, for financial purposes, includes all of the funds relevant to the operation of the Breckinridge County Board of Education. The basic financial statements presented herein do not include funds of groups and organizations, such as Band Boosters, Parent-Teacher Organizations, etc., which although associated with the school system, have not originated within the Board itself.

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

Based on the foregoing criteria, the financial statements of the following organization is included in the accompanying basic financial statements:

**Breckinridge County School District Finance Corporation**

On October 22, 1991, the Breckinridge County Board of Education resolved to authorize the establishment of the Breckinridge County School District Finance Corporation (Corporation) (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act, KRS 273, and KRS Section 58.180) as an agency for the District for financing the costs of school building facilities. The board members of the Breckinridge County Board of Education also comprise the Corporation's Board of Directors.

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

**Basis of Presentation**

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

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Presentation (Continued)

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

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

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the changes in net total assets. Proprietary funds 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. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Funds

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

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Presentation (Continued)

- (B) The Special Revenue (Grant) Fund accounts for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund.
  
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is generally restricted for use in financing projects identified in the district's facility plan. This is not a major fund.
  - 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. This is not a major fund.
  - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund.
  
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law. As this fund was created during the fiscal year, this is the first year the Debt Service Fund is being presented. This is not a major fund.

II. Proprietary Fund (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U. S. Department of Agriculture (USDA).

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

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Presentation (Concluded)

III. Fiduciary Fund (Agency Fund)

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These activities are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds* (Redbook). Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Basis of Accounting

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

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

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

Operating revenues are those revenues that are generated directly from the primary activity of the Proprietary Funds. Those revenues are primarily charges for meals and related items provided by the various schools. Nonoperating revenues of the Proprietary Funds include grants, donations, and interest income.

When both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

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

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Accounting (Concluded)

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Fund as an expense with a like amount reported as donated commodities revenue.

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

Property Taxes

Property taxes are levied each October on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings, which are mailed by November 1, are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. A 2% discount is offered through November 30 and a penalty is assessed after December 31. Property taxes collected are recorded as revenues in the fiscal year for which they were levied.

The property tax rates assessed for the year ended June 30, 2012 were \$.485 per \$100 valuation for real property, \$.485 per \$100 valuation for tangible property, and \$.557 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 communication services, cablevision services, electric power, water, and natural, artificial, and mixed gas.

Receivables

The District recognizes revenues as receivable when they are measurable and receipt is probable. Concentration of credit risk with respect to the receivables from federal, state, and local governments is limited due to the historical stability of those institutions.

Capital Assets

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

All capital assets are carried at historical cost. Where cost cannot be determined from the available records, estimated historical cost has been used to record the estimated value of the assets. Donated fixed assets are recorded at their fair market values as of the date received.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital Assets (Concluded)

The District maintains a capitalization threshold of \$5,000; however, the threshold for technology items is \$1,000, with the exception of workstations, laptops, and tablet devices, for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized, but the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	5-12 years
General equipment	5-20 years
Land improvements	10-20 years
Buildings	25-50 years

Insurance recoveries of \$10,186 for impaired assets were recorded for the year ended June 30, 2012. They are included as other financing sources in the General Fund.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables and payables. These generally arise from payments made from the General Fund on behalf of the Special Revenue Fund. The General Fund does not have the legal liability for the expenditure, so a payable from the fund having the legal liability is established at such time. Unless there are net residual amounts due between governmental and business-type activities, these amounts are eliminated in the Statement of Net Assets.

Accumulated Unpaid Sick Leave Benefits

The District's policies regarding sick leave permit employees to accumulate earned but unused sick leave. See Note G for additional information.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of goods or services. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. Outstanding encumbrances at year-end are included in assigned fund balance at June 30, 2012.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Budgetary Process

The District's budgetary process accounts for certain transactions on a basis other than accounting principles generally accepted in the United States of America (GAAP). The major differences between the budgetary basis and the GAAP basis are: revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP); expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

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.

Inventory

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

Prepaid Expenses

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

Payables, Accrued Liabilities, and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements and in the Proprietary Fund financial statements.

In general, payables, accrued liabilities, and long-term obligations that will be paid from governmental funds are reported on the government-wide financial statements regardless of whether they will be liquidated with current resources. However, these amounts are not recognized as liabilities in the fund financial statements until due.

Net Assets

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

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

Interfund Transfers

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

Fund Equity

During the fiscal year ended June 30, 2011, the District implemented GASB Statement 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*". This Statement provided more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in a spendable form (such as inventory and prepayments) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the General Fund.

The District establishes (and modifies or rescinds) fund balance commitments by passage of a board order, which is done through motions made by the board of education members. Assigned fund balance is established by the Superintendent through adoption or amendment of the budget as intended for a specific purpose. Unassigned fund balances are reduced first, unless expenditures are incurred for a specific purpose for which fund balance has been restricted, committed, or assigned.

**NOTE B - ESTIMATES**

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

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE C - CAPITAL ASSETS**

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

<u>Governmental Activities</u>	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<b>Not Depreciated:</b>				
Land	\$ 451,448	\$ -	\$ -	\$ 451,448
Construction in progress	49,285	2,099,887	49,285	2,099,887
Subtotal	<u>500,733</u>	<u>2,099,887</u>	<u>49,285</u>	<u>2,551,335</u>
<b>Depreciated:</b>				
Land improvements	3,397,194	-	-	3,397,194
Buildings	33,385,070	264,968	-	33,650,038
Technology equipment	2,667,580	267,584	541,873	2,393,291
Vehicles	4,938,415	72,471	83,465	4,927,421
General equipment	2,539,089	67,680	81,744	2,525,025
Subtotal	<u>46,927,348</u>	<u>672,703</u>	<u>707,082</u>	<u>46,892,969</u>
<b>Less accumulated depreciation:</b>				
Land improvements	2,723,274	98,816	-	2,822,090
Buildings	11,237,577	856,021	-	12,093,598
Technology equipment	1,786,342	339,909	539,921	1,586,330
Vehicles	2,997,520	327,932	83,465	3,241,987
General equipment	1,710,495	115,882	41,856	1,784,521
Subtotal	<u>20,455,208</u>	<u>1,738,560</u>	<u>665,242</u>	<u>21,528,526</u>
<b>Capital Assets - Net</b>	<u><b>\$26,972,873</b></u>	<u><b>\$ 1,034,030</b></u>	<u><b>\$ 91,125</b></u>	<u><b>\$27,915,778</b></u>
 <u>Business-Type Activities</u>				
<b>Depreciated:</b>				
General equipment	\$ 948,839	\$ 72,912	\$ 26,525	\$ 995,226
Technology equipment	31,032	562	-	31,594
Subtotal	<u>979,871</u>	<u>73,474</u>	<u>26,525</u>	<u>1,026,820</u>
<b>Less accumulated depreciation:</b>				
General equipment	703,437	43,128	26,525	720,040
Technology equipment	25,694	1,711	-	27,405
Subtotal	<u>729,131</u>	<u>44,839</u>	<u>26,525</u>	<u>747,445</u>
<b>Capital Assets - Net</b>	<u><b>\$ 250,740</b></u>	<u><b>\$ 28,635</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 279,375</b></u>

Depreciation expense was charged to functions in the Statement of Activities as follows:

Instruction	\$ 589,911
Support services:	
Student	1,117
District administration	581,803
Plant operations and maintenance	359,538
Student transportation	206,191
	<u>\$1,738,560</u>

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE D - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents were reported at cost and consisted of the following at June 30, 2012:

	Bank Balance	Book Balance
Governmental and proprietary funds	\$15,272,174	\$15,191,605
Fiduciary funds	305,614	299,910
	\$15,577,788	\$15,491,515

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. At year-end, the deposits of the District were either insured or collateralized with securities held by the pledging financial institution.

Kentucky Revised Statutes and Board policy authorize the District to invest in direct obligations of the United States government; obligations backed by the full faith and credit of the United States government; certificates of deposit or other interest bearing accounts issued by any bank or savings and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States government obligations; bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities; securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency; certain mutual funds; commercial paper rated in the highest category by a nationally recognized rating agency; or bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency. The District currently has no investments.

**NOTE E - BOND OBLIGATIONS**

The District, through the General Fund (including utility taxes) and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Breckinridge 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.

A portion of the amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued by the Breckinridge County School District Finance Corporation.

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

Bond Series	Issue Date	Interest Rates	Bond Maturity	Original Issue	Outstanding Balance
2000	12/1/00	5% to 5.15%	12/1/12	\$1,720,000	\$ 75,000
2003	7/1/03	1.2% to 4%	2/1/19	\$6,795,000	\$3,395,000
2004	2/1/04	2.5% to 4.4%	2/1/24	\$ 735,000	\$ 220,000
2008	4/1/08	2.75% to 3.85%	4/1/28	\$3,005,000	\$2,765,000
2009A	5/1/09	2% to 3%	5/1/19	\$1,250,000	\$ 990,000
2009B	9/23/09	2% to 3.6%	12/1/20	\$1,175,000	\$1,120,000
2012	6/1/12	4.85%	6/1/32	\$2,647,000	\$2,647,000

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE E - BOND OBLIGATIONS (CONTINUED)**

On December 1, 2000, the District issued \$1,720,000 in School Building Revenue Bonds with an average interest rate of 5.0793%. The net proceeds of \$1,664,490 (after payment of \$25,700 in fiscal agency fees and \$34,400 of discount on bonds plus \$4,590 in accrued interest) were used to provide \$1,238,500 for construction of an addition to Ben Johnson Elementary School, \$421,400 for renovations to Hardinsburg Elementary School, and \$4,590 to open the Bond and Redemption Fund for the 2000 Issue. \$1,055,000 of the 2000 bond was advance refunded with the 2009B bond issue.

On July 1, 2003, the District issued \$6,795,000 in School Building Revenue Bonds with interest rates ranging from 1.2% to 4% to advance refund \$6,385,000 of outstanding 1994 series bonds. The net proceeds of \$6,663,048 (after payment of \$109,813 in fiscal agency fees and \$42,020 of discount on bonds plus \$19,881 in accrued interest) were used to provide \$6,640,876 to refund outstanding revenue bonds issued in 1994 and \$22,172 to open the Bond and Redemption Fund for the 2003 Issue.

On February 1, 2004, the District issued \$735,000 in School Building Revenue Bonds with interest rates ranging from 2.5% to 4.4%. The net proceeds of \$709,568 (after payment of \$14,585 in fiscal agency fees and \$14,700 of discount on bonds plus \$3,853 in accrued interest) were used to provide \$702,731 for construction of a football field house and \$6,837 to open the Bond and Redemption Fund for the 2004 Issue.

During the current fiscal year, the District used local funds to advance refund \$380,000 of the outstanding 2004 series bonds. \$410,645 was used to purchase US government securities, which were placed in an irrevocable trust with an escrow agent to provide for future debt service payments to February 1, 2014 on the 2004 series bond. As a result, the District's portion of the 2004 series bond is considered to be defeased and the liability for these bonds has been removed from the government-wide Statement of Net Assets. The Kentucky School Facility Construction Commission's share of the 2004 series bond remains outstanding at \$220,000. The District completed the refunding to reduce its total debt service payments over the next 12 years by \$93,941 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$82,873. The District recognized a loss on the defeasance in the amount of \$10,932, which is reported in the government-wide Statement of Net Assets.

On April 1, 2008, the District issued \$3,005,000 in School Building Revenue Bonds with interest rates ranging from 2.75% to 3.85%. The net proceeds of \$2,913,044 (after payment of \$33,020 in fiscal agency fees and \$58,936 of discount on bonds) were used to install a geothermal HVAC system, gym roof, and replacement furniture and equipment at Breckinridge County Middle School.

On May 1, 2009, the District issued \$1,250,000 in School Building Refunding Revenue Bonds with interest rates ranging from 2% to 3% to refund \$1,205,000 of outstanding 1999 series bonds. The net proceeds of \$1,217,476 (after payment of \$19,050 in fiscal agency fees and \$13,635 of bond discounts plus \$161 in accrued interest) were used to provide \$1,217,050 to refund outstanding revenue bonds issued in 1999 for construction of an addition to Custer Elementary School and \$426 to open the Bond and Redemption Fund for the 2009 Issue. The District advance refunded the 1999 Series bonds to reduce its total debt service payments by

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE E - BOND OBLIGATIONS (CONCLUDED)**

approximately \$94,890 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$51,937.

On September 23, 2009, the District issued \$1,175,000 in School Building Refunding Revenue Bonds with interest rates ranging between 2% and 3.6%. The District issued the bonds to advance refund \$1,055,000 of the outstanding 2000 series bonds with a 5% interest rate. The District used the net proceeds of the new bonds to purchase U.S. government securities. These securities were used to provide for future debt service on the refunded portion of the 2000 series bonds until the call date (12/1/10). As a result, that portion of the 2000 series bonds is considered defeased, and the District has removed the liability from its accounts. The District advance refunded the 2000 Series bonds to reduce its total debt service payments by approximately \$68,370 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$56,255.

On June 1, 2012, the District issued \$2,647,000 in Qualified Zone Academy Bonds (QZAB), which is a tax credit bond, to fund renovations to Custer Elementary School. The District is required to make annual sinking fund payments to be held in escrow by the purchaser of the bonds. The purchaser receives a tax credit for purchasing the bond and guarantees the payments in escrow plus the compounded interest earned on it over the life of the bonds will equal exactly \$2,647,000 at the maturity date of June 1, 2032. No payments had been made on the bond at year-end.

In July 1985, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission (Commission). The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the government-wide financial statements.

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

Year	District		Commission		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012-13	\$ 588,976	\$ 247,644	\$ 231,024	\$ 64,977	\$ 820,000	\$ 312,621
2013-14	603,631	229,356	241,369	58,024	845,000	287,380
2014-15	619,952	210,946	120,048	50,377	740,000	261,323
2015-16	641,855	190,962	123,145	46,681	765,000	237,643
2016-17	668,342	169,307	126,658	42,567	795,000	211,874
2017-22	2,128,335	517,458	526,665	149,741	2,655,000	667,199
2022-27	1,153,421	276,330	416,579	62,922	1,570,000	339,252
2027-32	894,939	86,679	2,127,061	3,199	3,022,000	89,878
	<u>\$7,299,451</u>	<u>\$1,928,682</u>	<u>\$3,912,549</u>	<u>\$478,488</u>	<u>\$11,212,000</u>	<u>\$2,407,170</u>

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE F - CHANGES IN LONG-TERM DEBT**

Changes in long-term debt principal (including current portion) were as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Due In One Year
Bond obligations	\$ 9,740,000	\$2,647,000	\$1,175,000	\$11,212,000	\$820,000
Capital lease	146,944	9,960	35,258	121,646	39,078
Accrued sick leave	204,844	36,615	13,014	228,445	24,290
	<u>\$10,091,788</u>	<u>\$2,693,575</u>	<u>\$1,223,272</u>	<u>\$11,562,091</u>	<u>\$883,368</u>

The Debt Service Fund is primarily responsible for paying the bond obligations through funding from the Capital Outlay and FSPK Funds. The General Fund is primarily responsible for paying capital leases and accrued sick leave.

**NOTE G - ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon retirement from the school system, a qualified employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

**NOTE H - COMMITMENTS UNDER LEASES**

During the fiscal year, the District made payments totaling \$21,279 for operating leases on office equipment. Commitments under these operating lease agreements provide the minimum future rental payments as of June 30, 2012 as follows:

Year Ending June 30,	Future Payments
2013	\$8,113
2014	1,029
Total	<u>\$9,142</u>

During the fiscal year, the District entered into a capital lease agreement with a company for the purchase of copiers totaling \$9,960. The schedule of future minimum lease payments on all capital leases as of June 30, 2012 is as follows:

Year Ending June 30,	Governmental Activities
2013	\$ 43,895
2014	43,895
2015	40,480
2016	2,269
Future Minimum Payments	130,539
Less Interest	(8,893)
Present Value of Future Minimum Payments	<u>\$121,646</u>

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE H - COMMITMENTS UNDER LEASES (CONCLUDED)**

The gross amount of assets recorded under capital leases and the accumulated amortization at year-end by major class according to nature or function is as follows:

Class	Gross Amount	Accumulated Amortization
Office Equipment	\$159,758	\$15,077

**NOTE I - BUDGET VIOLATIONS**

During the 2012 fiscal year, the District's General Fund and Special Revenue Fund incurred line item expenditures in excess of budget.

**NOTE J - RETIREMENT PLANS**

Teachers' Retirement System of Kentucky

Plan description - The Breckinridge County School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple-employer, defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that its members occupy a position requiring either a four-year college degree or certification by the Kentucky Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

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

Funding policy - Contribution rates are established by Kentucky Revised Statutes. Members who have established an account in the retirement system administered by the Commonwealth prior to July 1, 2008 are required to contribute 10.355% of their salaries to KTRS. Members hired on or after July 1, 2008 contribute 10.855%.

The Commonwealth of Kentucky and employers required to pay matching contribute 13.605% of salaries for members hired before July 1, 2008. For members hired on or after July 1, 2008, the employer matching rate is 14.105%. The federal program for any salaries paid by that program pays the matching contributions.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE J - RETIREMENT PLANS (CONTINUED)**

Medical Insurance Plan

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

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

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, active member contributions are matched by the state at .75% of members' gross salaries. Those who became members before July 1, 2008 contribute 1.25% of salary to the plan. Member contributions are 1.75% of salary for those who become members after July 1, 2008. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay .5% of members' salary for the 2011-2012 fiscal year.

The Breckinridge County School District's total payroll for the year was \$15,590,434. The payroll for employees covered under KTRS was \$11,463,463. For the year ended June 30, 2012, the Commonwealth contributed \$1,229,620 to KTRS for the benefit of the District's participating employees. The School District's contributions to KTRS for the year ended June 30, 2012 were \$344,803 for employees covered by federal programs.

The District's contributions to KTRS for the past three years are listed below. The actual contributions were equal to the required contributions for each year.

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Total Payroll</u> <u>Subject to KTRS</u>	<u>Contributions</u>		<u>Total</u>
		<u>Employee</u>	<u>Employer</u>	
2012	\$11,463,463	\$1,195,046	\$344,803	\$1,539,849
2011	\$11,206,948	\$1,140,373	\$260,301	\$1,400,674
2010	\$11,121,087	\$1,099,551	\$253,708	\$1,353,259

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE J - RETIREMENT PLANS (CONTINUED)**

County Employee's Retirement System

Plan Description - Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a defined benefit plan sponsored by the Commonwealth of Kentucky. CERS is a cost-sharing, multiple-employer, public employee retirement system that covers substantially all regular full-time members employed in non-hazardous duty positions of each participating county and city, non-certified school board employees, and any additional eligible local agencies electing to participate in CERS. Based on the most recent data available, at June 30, 2011, there were 1,402 local governments participating in CERS, which provides for retirement, disability, and death benefits. The Kentucky Retirement System (KRS) issues a publicly available financial report that includes financial statements and required supplementary information for CERS. The report may be obtained by writing to the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601.

Funding Policy - Funding for the plan is provided through payroll withholdings and participating employers are required to contribute at an actuarially determined rate. For the year ended June 30, 2012, non-hazardous plan employees who began participating with KRS prior to September 1, 2008 contributed 5% of creditable compensation to CERS. Employees who began participating with KRS on or after September 1, 2008 contributed 6%, with the additional 1% going to a health insurance account. Employer contribution rates, determined by the Board of Trustees of the Kentucky Retirement Systems, are intended to fund the CERS's normal cost on a current basis plus fund an amount equal to the amortization of unfunded past service costs over thirty years, using the level percentage of payroll method. Participating employers contributed 18.96% of members' non-hazardous compensation for the year ended June 30, 2012.

The District's contributions to CERS for the past three years are listed below. The actual contributions were equal to the required contributions for each year.

Fiscal Year Ended June 30,	Total Payroll Subject to CERS	Contributions		
		Employee	Employer	Total
2012	\$3,936,173	\$201,709	\$746,299	\$948,008
2011	\$3,797,782	\$191,939	\$642,964	\$834,903
2010	\$3,819,322	\$191,948	\$617,203	\$809,151

As the District is only one of several employers participating in the plan, it is not practical to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the plan assets.

Medical Insurance Plan

Plan description - In addition to the pension benefits described above, Kentucky Revised Statute 61.702 requires CERS to provide post-retirement healthcare benefits to eligible members and dependents. Changes made to the medical plan may be made by the Kentucky Retirement Systems' Board of Trustees and the General Assembly. Additional information can

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE J - RETIREMENT PLANS (CONCLUDED)**

be obtained in the aforementioned financial statements and required supplementary information for CERS.

To be eligible for medical benefits, the member must have retired either for service or disability. The amount funded by the insurance fund depends on the months of service. The insurance fund shall continue the same level of coverage for a recipient who was a member of the CERS after the age of 65 as before the age of 65, if the recipient is not eligible for Medicare coverage.

Funding policy - The post-retirement healthcare provided by CERS is financed wholly or partly from funds contributed by the recipient of a retirement allowance, by the Kentucky Retirement Systems insurance fund, or by another state-administered retirement system under a reciprocal agreement. Also, any premiums collected from retirees and investment interest help with the medical expenses of the plan.

Benefits under both KTRS and CERS will vary based on final compensation, years of service and other factors as fully described in the plan documents.

The District makes available 401(k) and 403(b) defined contribution pension plans for all employees. Employees are allowed to contribute to the plans up to the Internal Revenue Code maximum allowable amount. The District does not contribute to these plans.

**NOTE K - 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 and who 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 its financial statements. The District does not contribute to this plan.

**NOTE L - COMMITMENTS AND CONTINGENCIES**

As referenced in Note J, the District's employees are enrolled in KTRS. Based on the most recent data available, at June 30, 2011, KTRS had unfunded actuarial accrued liabilities of \$11.061 billion for pension funds and \$3.128 billion for medical insurance funds. The non-university KTRS employer contribution rate for 2012-2013 is 14.105%.

In addition, the District's employees are enrolled in CERS. Based on the most recent data available, at June 30, 2011, non-hazardous CERS had unfunded actuarial accrued liabilities of \$3.288 billion for pension funds and \$1.641 billion for insurance funds. The non-hazardous CERS employer contribution rate for 2012-2013 is 19.55%.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE L - COMMITMENTS AND CONTINGENCIES (CONCLUDED)**

The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor may request a refund of 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 contingent upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

Prior to year-end, the District awarded bids for major renovations to Custer Elementary School and the Area Technology Center (vocational school). The projects are expected to cost \$2.9 million and \$3 million, respectively. Financing sources include newly issued QZAB bonds (see Note E), transfers from Capital Project Funds and the General Fund, and leftover funding from prior construction projects. Construction in progress at year-end includes \$935,719 for Custer Elementary and \$1,164,168 for the vocational school. Amounts due to contractors at year-end total \$1,367,354 for both projects, which is recorded as accounts payable in the Construction Fund.

Prior to year-end, the District also hired an architect and approved accepting bids for the construction of a proposed athletic facility; however, the project was placed on hold subsequent to year-end.

**NOTE M - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Fund (Trust).

These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The district pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any other reasons by giving ninety days notice. In the event the Trust terminated coverage, any amount remaining in the fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

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

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE N - INSURANCE AND RELATED ACTIVITIES**

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

**NOTE O - COBRA**

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

**NOTE P - ON-BEHALF PAYMENTS**

For the year ended June 30, 2012, payments were made for life insurance, health insurance, health reimbursement accounts, KTRS matching retirement contributions, administrative fees, the vocational school, and technology by the Commonwealth of Kentucky on behalf of the District. In addition, debt service payments (principal and interest) made by the SFCC on behalf of the District were also made. These on-behalf payments were recorded as intergovernmental revenue and expenses/expenditures in the government-wide, General Fund, Proprietary Fund, and Debt Service Fund financial statements. On-behalf payments are not budgeted and therefore are not included in the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund. The on-behalf payments received are as follows:

Health insurance	\$2,838,624
Life insurance	6,685
Administrative fee	31,538
Health reimbursement account	149,625
Vocational education	104,359
KTRS retirement contributions	1,229,620
Federal reimbursement (pd by District)	(428,281)
Debt service (SFCC payments)	298,251
Technology (KEN, MUNIS, etc.)	79,834
Total on-behalf payments	\$4,310,255

The amount received for the fiscal year ended June 30, 2012 was allocated as follows:

General Fund	\$3,809,499
Proprietary Fund	202,505
Debt Service Fund	298,251
Total on-behalf payments	\$4,310,255

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE Q - FUND BALANCES**

The fund balances for the Governmental Funds were classified as follows:

Fund Balances	General Fund	Special Revenue (Grant) Fund	Construction Fund	Nonmajor Governmental Funds
Nonspendable:				
Prepaid items	\$ 229,531	\$ -	\$ -	\$ -
Restricted:				
Capital projects	-	-	3,882,705	56,095
Committed:				
Sick leave	87,093	-	-	-
Future construction	3,795,255	-	-	-
Assigned:				
Encumbrances	73,973	-	-	-
Site based councils	31,652	-	-	-
Educational programs	1,175,000	-	-	-
District improvement plan	264,100	-	-	-
Other programs	509,806	-	-	-
Unassigned	2,008,519	(22,226)	-	-
<b>Total Fund Balances</b>	<b>\$8,174,929</b>	<b>\$(22,226)</b>	<b>\$3,882,705</b>	<b>\$56,095</b>

**NOTE R - INTERFUND ACTIVITY**

Most program costs in the Special Revenue Fund must be paid for by District funds before reimbursement is requested from the Federal Government. The General Fund temporarily covered program expenditures, so an interfund balance resulted from the time lag between the dates expenditures were made and the date that grant funds were received. The General Fund did not transfer the entire amount of the SEEK funds due to the Building Fund, so an interfund balance was recorded. Interfund balances at June 30, 2012, consisted of the following:

Due From Fund	Due To Fund	Amount	Purpose
Special Revenue	General	\$ 50,315	Short- term loan
General	Building	5,202	SEEK allotment

The following interfund transfers were made during the year:

From Fund	To Fund	Amount	Purpose
General	Special Revenue	\$ 59,915	Fund local projects
General	Special Revenue	49,456	Technology match
General	Construction	1,404,085	Fund construction project
Special Revenue	General	39,053	Excess funding for local project
Special Revenue	Construction	72,455	Move local project
Food Service	General	23,467	Indirect costs
Capital Outlay	Construction	827,618	Fund construction project
Building	Construction	355,171	Fund construction project
Building	Debt Service	835,688	Debt service
		<b>\$3,666,908</b>	

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE S - NEW ACCOUNTING STANDARD**

During the fiscal year, the District implemented the following Governmental Accounting Standards Board (GASB) statement:

GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53" - The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. There was no current effect on the financial statements as a result of implementing this statement.

**NOTE T - SUBSEQUENT EVENTS**

Subsequent to year-end, the District approved a nickel tax to help fund future construction of two new elementary schools expected to cost approximately \$25 million. If the public does not present a valid petition and the new nickel tax holds, the District anticipates receiving \$440,000 in additional revenues, which will increase the bonding potential of the District.

**NOTE U - DEFICIT OPERATING/FUND BALANCES**

The Special Revenue fund ended the year with a deficit balance. In addition, the General Fund, Proprietary Fund, Capital Outlay Fund, and Building Fund had operations that resulted in a current year deficit of revenues over expenditures and a corresponding reduction of fund balance/net assets. The governmental activities and business-type activities also experienced a reduction in net assets.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BRECKINRIDGE COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
<b>Revenues</b>				
From local sources:				
Property taxes	\$ 3,547,294	\$ 3,577,900	\$ 3,569,224	\$ (8,676)
Motor vehicle taxes	738,665	625,091	747,529	122,438
Utility taxes	786,159	786,159	796,392	10,233
Tuition and textbook fees	6,200	6,200	7,409	1,209
Transportation reimbursement	90,000	90,000	116,950	26,950
Interest income	50,000	25,000	73,652	48,652
Donations/grants	-	-	7,993	7,993
Other income	131,656	115,994	193,723	77,729
Intergovernmental - state	10,737,775	10,610,546	10,629,544	18,998
Intergovernmental - direct federal	20,000	20,000	21,924	1,924
<b>Total Revenues</b>	16,107,749	15,856,890	16,164,340	307,450
<b>Expenditures</b>				
Instruction	8,505,529	8,630,127	8,390,774	239,353
Support services:				
Student	471,798	506,661	508,120	(1,459)
Instructional staff	367,126	367,486	367,830	(344)
District administration	2,104,138	2,114,964	827,413	1,287,551
School administration	1,412,731	1,450,028	1,366,267	83,761
Business	832,021	750,886	745,704	5,182
Plant operations and maintenance	2,069,569	2,606,263	2,109,966	496,297
Student transportation	1,892,482	1,652,463	1,719,455	(66,992)
Food service	2,159	2,159	2,171	(12)
Debt service:				
Payment of principal	-	-	415,258	(415,258)
Payment of interest and fiscal charges	-	-	37,405	(37,405)
<b>Total Expenditures</b>	17,657,553	18,081,037	16,490,363	1,590,674
<b>Deficiency of Revenues over Expenditures</b>	(1,549,804)	(2,224,147)	(326,023)	1,898,124
<b>Other Financing Sources (Uses)</b>				
Capital lease proceeds	-	-	9,960	9,960
Operating transfers in	22,000	22,879	62,520	39,641
Operating transfers out	(107,833)	(100,824)	(1,513,456)	(1,412,632)
Proceeds from sale of fixed assets	-	-	12,205	12,205
<b>Total Other Financing Sources (Uses)</b>	(85,833)	(77,945)	(1,428,771)	(1,350,826)
<b>Net Changes in Fund Balances</b>	(1,635,637)	(2,302,092)	(1,754,794)	547,298
<b>Fund Balances - Beginning of Year</b>	1,635,637	2,302,092	9,929,723	7,627,631
<b>Fund Balances - End of Year</b>	\$ -	\$ -	\$ 8,174,929	\$ 8,174,929

See accompanying notes to required supplementary information.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<b>Actual (Budgetary Basis)</b>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Favorable (Unfavorable) Final to Actual</b>
<b><u>Revenues</u></b>				
From local sources:				
Tuition and textbook fees	\$ 104,431	\$ 104,431	\$ 96,367	\$ (8,064)
Donations/grants	23,400	30,000	80,557	50,557
Other income	-	-	2,477	2,477
Intergovernmental - state	604,818	633,407	632,791	(616)
Intergovernmental - indirect federal	2,200,967	2,143,289	3,071,258	927,969
Intergovernmental - direct federal	977,422	977,422	984,771	7,349
<b>Total Revenues</b>	<u>3,911,038</u>	<u>3,888,549</u>	<u>4,868,221</u>	<u>979,672</u>
<b><u>Expenditures</u></b>				
Instruction	2,819,229	2,816,305	3,793,679	(977,374)
Support services:				
Student	174,358	174,603	181,803	(7,200)
Instructional staff	575,222	558,579	515,768	42,811
District administration	-	-	2,483	(2,483)
Business	45,239	46,895	46,246	649
Student transportation	28,133	20,024	9,649	10,375
Other support services	-	-	735	(735)
Community services	376,690	367,749	363,443	4,306
<b>Total Expenditures</b>	<u>4,018,871</u>	<u>3,984,155</u>	<u>4,913,806</u>	<u>(929,651)</u>
<b>Deficiency of Revenues over Expenditures</b>	<u>(107,833)</u>	<u>(95,606)</u>	<u>(45,585)</u>	<u>50,021</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Operating transfers in	107,833	95,606	109,371	13,765
Operating transfers out	-	-	(111,508)	(111,508)
Sale of fixed assets	-	-	3,958	3,958
<b>Total Other Financing Sources (Uses)</b>	<u>107,833</u>	<u>95,606</u>	<u>1,821</u>	<u>(93,785)</u>
<b>Net Changes in Fund Balances</b>	-	-	(43,764)	(43,764)
<b>Fund Balances - Beginning of Year</b>	-	-	21,538	21,538
<b>Fund Balances - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (22,226)</u>	<u>\$ (22,226)</u>

See accompanying notes to required supplementary information.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - BUDGETARY BASIS OF ACCOUNTING**

The District's budgetary basis of accounting used for budget versus actual reporting differs from accounting principles generally accepted in the United States of America (GAAP). The budget and all transactions are presented in accordance with the District's budgetary basis in the budgetary comparison schedules for the General Fund and Special Revenue Fund to provide a meaningful comparison of actual results with the budget. The major difference between budgetary and GAAP bases for the General Fund is the exclusion of on-behalf payments in budget amounts. There are no major differences between budgetary and GAAP bases for the Special Revenue Fund.

A reconciliation of the different bases of revenue and expenditure recognition for the year ended June 30, 2012 is as follows:

<u>General Fund</u>	
Revenues, GAAP basis	\$19,973,839
<i>Deduct:</i>	
On-behalf payments	<u>3,809,499</u>
Revenues, budgetary basis	<u><u>\$16,164,340</u></u>
Expenditures, GAAP basis	\$20,299,862
<i>Deduct:</i>	
On-behalf payments	<u>3,809,499</u>
Expenditures, budgetary basis	<u><u>\$16,490,363</u></u>

**SUPPLEMENTARY INFORMATION**

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012**

	<u>Capital Project Funds</u>		
	<u>SEEK</u>		<u>Total</u>
	<u>Capital</u>	<u>FSPK</u>	<u>Nonmajor</u>
	<u>Outlay</u>	<u>Building</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 3,927	\$ 46,966	\$ 50,893
Due from other funds	-	5,202	5,202
<b>Total Assets</b>	<b>\$ 3,927</b>	<b>\$ 52,168</b>	<b>\$ 56,095</b>
<b><u>Fund Balances</u></b>			
Restricted for capital projects	\$ 3,927	\$ 52,168	\$ 56,095
<b>Total Fund Balances</b>	<b>\$ 3,927</b>	<b>\$ 52,168</b>	<b>\$ 56,095</b>

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

	<u>Capital Project Funds</u>			
	<u>SEEK Capital Outlay Fund</u>	<u>FSPK Building Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b><u>Revenues</u></b>				
From local sources:				
Property taxes	\$ -	\$ 493,526	\$ -	\$ 493,526
Interest income	3,927	2,427	-	6,354
Intergovernmental - state	247,284	391,903	298,251	937,438
<b>Total Revenues</b>	<u>251,211</u>	<u>887,856</u>	<u>298,251</u>	<u>1,437,318</u>
<b><u>Expenditures</u></b>				
Debt service:				
Payment of principal	-	-	795,000	795,000
Payment of interest and fiscal charges	2,400	-	338,939	341,339
<b>Total Expenditures</b>	<u>2,400</u>	<u>-</u>	<u>1,133,939</u>	<u>1,136,339</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>248,811</u>	<u>887,856</u>	<u>(835,688)</u>	<u>300,979</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Operating transfers in	-	-	835,688	835,688
Operating transfers out	(827,618)	(1,190,859)	-	(2,018,477)
<b>Total Other Financing Sources (Uses)</b>	<u>(827,618)</u>	<u>(1,190,859)</u>	<u>835,688</u>	<u>(1,182,789)</u>
<b>Net Changes in Fund Balances</b>	<u>(578,807)</u>	<u>(303,003)</u>	<u>-</u>	<u>(881,810)</u>
<b>Fund Balances - Beginning of Year</b>	<u>582,734</u>	<u>355,171</u>	<u>-</u>	<u>937,905</u>
<b>Fund Balances - End of Year</b>	<u>\$ 3,927</u>	<u>\$ 52,168</u>	<u>\$ -</u>	<u>\$ 56,095</u>

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES  
BRECKINRIDGE COUNTY HIGH SCHOOL ACTIVITY FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Cash Balances</b>				<b>Cash Balances</b>	<b>Accounts Receivable</b>	<b>Accounts Payable</b>	<b>Fund Balances</b>
	<b>July 1, 2011</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Transfers In (Out)</b>	<b>June 30, 2012</b>	<b>June 30, 2012</b>	<b>June 30, 2012</b>	<b>June 30, 2012</b>
<b>ACCOUNTS:</b>								
Academic Team	\$ -	\$ 194	\$ 560	\$ 366	\$ -	\$ -	\$ -	\$ -
Archery	-	2,370	3,307	937	-	-	-	-
Art Club	753	-	200	-	553	-	100	453
Athletics	1,732	13,352	11,433	386	4,037	4,700	2,715	6,022
Athletic Concessions	923	28,438	18,691	(7,031)	3,639	79	-	3,718
Band	2,099	806	1,201	-	1,704	-	-	1,704
Baseball	643	11,220	14,107	4,058	1,814	-	240	1,574
Boys Basketball	4,478	31,996	26,176	-	10,298	-	-	10,298
Challenge Club	-	5,100	4,453	-	647	-	-	647
Charitable Gaming	369	11,540	11,909	-	-	-	-	-
Chorus	3,770	10,687	10,272	67	4,252	-	-	4,252
Concessions	15	407	-	(422)	-	-	-	-
Cross Country	47	6,237	4,812	(692)	780	-	-	780
Dance	7,966	10,555	10,604	-	7,917	-	350	7,567
FCA	119	-	-	-	119	-	-	119
FFA	1,466	19,142	19,572	-	1,036	600	-	1,636
FCCLA	1,975	4,652	4,986	319	1,960	-	-	1,960
5 K Run	-	450	75	-	375	-	-	375
Flower Fund	-	900	444	-	456	-	-	456
Football	676	49,550	39,079	-	11,147	-	1,221	9,926
FMD	107	-	-	-	107	-	-	107
General	2,013	25,455	20,655	(992)	5,821	360	4,883	1,298
Girls Basketball	671	20,273	20,282	-	662	-	-	662
Girls Regional Tournament	-	-	(25)	-	25	-	-	25
Girls Soccer	4,960	6,866	10,147	(204)	1,475	-	-	1,475
Girls Softball	11,666	9,442	14,073	1,266	8,301	-	-	8,301
Golf	-	4,235	3,240	-	995	-	-	995
Greenhouse	18,999	11,479	8,340	-	22,138	-	-	22,138
JV Cheerleaders	2,046	5,015	4,790	(120)	2,151	-	353	1,798
Mock Trial	57	562	721	102	-	-	-	-
Music Club	50	60	100	-	10	-	-	10
National Honor Society	521	1,918	2,005	-	434	-	-	434
Pep Club	1,561	3,000	2,020	-	2,541	-	-	2,541
Powderpuff	-	1,347	-	(1,347)	-	-	-	-
Problem Solving	551	-	-	-	551	-	-	551
Project Graduation	2,186	30,042	27,818	(300)	4,110	-	54	4,056
Prom	4,641	8,285	6,006	-	6,920	-	-	6,920
SADD	374	1,024	1,336	-	62	-	-	62
Scholarships	-	2,500	2,500	-	-	-	-	-
Spanish Club	324	-	-	-	324	-	-	324
Sports Flex	1,200	1,800	1,580	-	1,420	-	-	1,420
Student Council	227	-	-	-	227	-	-	227
Student Y Club	-	7,045	6,917	-	128	-	-	128
Teacher Concessions	269	2,227	2,059	-	437	-	-	437
Tiger Paws	2,249	16,486	16,383	3,515	5,867	-	-	5,867
Varsity Cheerleader	858	5,242	4,910	121	1,311	-	282	1,029
Volleyball	3,039	16,354	14,915	(109)	4,369	-	240	4,129
Yearbook	11,042	21,376	17,957	80	14,541	-	140	14,401
<b>Totals</b>	<b>\$ 96,642</b>	<b>\$ 409,629</b>	<b>\$ 370,610</b>	<b>\$ -</b>	<b>\$ 135,661</b>	<b>\$ 5,739</b>	<b>\$ 10,578</b>	<b>\$ 130,822</b>

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES  
ACTIVITY FUNDS BY SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>ACTIVITY FUND:</b>	<b>Cash Balances July 1, 2011</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Cash Balances June 30, 2012</b>	<b>Accounts Receivable June 30, 2012</b>	<b>Accounts Payable June 30, 2012</b>	<b>Fund Balances June 30, 2012</b>
Ben Johnson Elementary School	\$ 28,338	\$ 35,923	\$ 36,215	\$ 28,046	\$ 1,005	\$ 538	\$ 28,513
Custer Elementary School	23,618	26,368	25,168	24,818	-	1,608	23,210
Hardinsburg Elementary School	58,082	99,855	113,206	44,731	171	118	44,784
Irvington Elementary School	25,165	51,705	55,278	21,592	1,030	1,516	21,106
Breckinridge County Middle School	50,282	156,121	161,341	45,062	1,185	865	45,382
Totals	<u>\$ 185,485</u>	<u>\$ 369,972</u>	<u>\$ 391,208</u>	<u>\$ 164,249</u>	<u>\$ 3,391</u>	<u>\$ 4,645</u>	<u>\$ 162,995</u>



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

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Breckinridge County School District  
Hardinsburg, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Breckinridge County School District (District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 22, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the *Independent Auditor's Contract - General Audit Requirements*, Appendix II of the *Independent Auditor's Contract - State Audit Requirements*, 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*.

### Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 12-1 to be a material weakness.

#### Compliance and Other Matters

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

In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Appendix II of the *Independent Auditor's Contract - State Audit Requirements*.

We noted certain matters that we reported to management of the Breckinridge County School District in a separate letter dated October 22, 2012.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

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

*Drane & Company, PLLC*

Drane & Company, PLLC  
Certified Public Accountants

October 22, 2012



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

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Breckinridge County School District  
Hardinsburg, Kentucky

### Compliance

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

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

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

## Internal Control over Compliance

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

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

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

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

*Drane & Company, PLLC*

Drane & Company, PLLC  
Certified Public Accountants

October 22, 2012

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Local Code	Grant or Pass-Through Number	Federal Expenditures
<b>U.S. Department of Health and Human Services</b>				
<b>Direct Programs:</b>				
Head Start Cluster*:				
Head Start*	93.600	655X	04CH2675 42/43	\$ 984,770
Total Head Start Cluster*				<u>984,770</u>
<b>Total U.S. Department of Health and Human Services</b>				<u>984,770</u>
<b>U.S. Department of Agriculture</b>				
<b>Passed Through Kentucky Department of Education:</b>				
Child Nutrition Cluster*:				
School Breakfast Program*	10.553	203X	7760005 11/12	360,055
National School Lunch Program* [Cash Assistance]	10.555	205X	7750002 11/12	789,105
National School Lunch Program* [Noncash Assistance]	10.555	205X	7750002 11/12	85,887
Total National School Lunch Program*				<u>874,992</u>
Summer Food Service Program for Children*	10.559	209X	7690024 11	1,775
Summer Food Service Program for Children*	10.559	209X	7740023 11	17,142
Total Summer Food Service Program for Children*				<u>18,917</u>
Total Child Nutrition Cluster*				<u>1,253,964</u>
Child and Adult Care Food Program	10.558	208X	7790021 11/12	17,361
Child and Adult Care Food Program	10.558	208X	7800016 11/12	142
Total Child and Adult Care Food Program				<u>17,503</u>
<b>Total U.S. Department of Agriculture</b>				<u>1,271,467</u>
<b>U.S. Department of Education</b>				
<b>Passed Through Kentucky Department of Education:</b>				
Special Education Cluster (IDEA)*:				
Special Education - Grants to States*	84.027	337X	3810002 10/11	668,780
Special Education - Preschool Grants*	84.173	343X	3800002 10/11	24,526
ARRA - Special Education - Grants to States, Recovery Act*	84.391	424X	4810002 09	59,231
Total Special Education Cluster (IDEA)*				<u>752,537</u>
Title I, Part A Cluster*:				
Title I Grants to Local Educational Agencies*	84.010	310X	3100002 09/10/11	1,039,468
Title I Grants to Local Educational Agencies*	84.010	320X	3100202 09/10	144,481
Total Title I Grants to Local Educational Agencies*				<u>1,183,949</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act*	84.389	391X	4100002 09	27,536
Total Title I, Part A Cluster*				<u>1,211,485</u>
Educational Technology State Grants Cluster:				
Educational Technology State Grants	84.318	425X	3210002 10	249
ARRA - Educational Technology State Grants, Recovery Act	84.386	485X	4210002 09	3,538
Total Educational Technology State Grants Cluster				<u>3,787</u>
School Improvement Grants Cluster:				
ARRA - School Improvement Grants, Recovery Act	84.388	560XA	4100302 09	78,623
Total School Improvement Grants Cluster				<u>78,623</u>
Education of Homeless Children and Youth Cluster:				
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	321X	4990002 09	1,371
Total Education of Homeless Children and Youth Cluster				<u>1,371</u>
Migrant Education - State Grant Program				
Career and Technical Education - Basic Grants to States	84.048	348X	4621032 09	716
Career and Technical Education - Basic Grants to States	84.048	348X	4621132 10	1,058
Career and Technical Education - Basic Grants to States	84.048	348X	4621232 11	23,736
Total Career and Technical Education - Basic Grants to States				<u>25,510</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	406X	3410002	1,500
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	395X	3920001 04	845
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	379XG	P334A060133	132,391
Rural Education	84.358	350X	3140002 09/10	92,023
Improving Teacher Quality State Grants	84.367	401X	3230002 09/10	198,202
ARRA - Education Jobs Fund*	84.410	441X	EJOB00 10	574,623
Hurricane Education Recovery	84.938	692X	6925	1,620
<b>Total U.S. Department of Education</b>				<u>3,085,065</u>
<b>Total Expenditures of Federal Awards (All Programs)</b>				<u>\$ 5,341,302</u>

\* Denotes major program

See accompanying notes to Schedule of Expenditures of Federal Awards.

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

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (schedule) includes the federal grant activity of the Breckinridge 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 requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. As the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

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

Expenditures on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments*.

**NOTE C - FOOD DONATION**

Non-monetary assistance in the form of commodities received and disbursed, which is equivalent to a fair market value of \$85,887, is included in the schedule under National School Lunch Program [Noncash Assistance] (CFDA 10.555).

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

**Section I: Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- |   |   |   |
|---|---|---|
| Any material weakness(es) identified?                     | <input checked="" type="checkbox"/> yes | <input type="checkbox"/> no                       |
| Any significant deficiency(ies) identified?               | <input type="checkbox"/> yes            | <input checked="" type="checkbox"/> none reported |
| Any noncompliance material to financial statements noted? | <input type="checkbox"/> yes            | <input checked="" type="checkbox"/> no            |

**Federal Awards**

Internal control over major programs:

- |   |                              |   |
|---|------------------------------|---|
| Any material weakness(es) identified?       | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no            |
| Any significant deficiency(ies) identified? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> none reported |

Type of auditors' report issued on compliance for major programs: Unqualified

- |  |                              |  |
|--|------------------------------|--|
| Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |
|--|------------------------------|--|

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
<b>•Child Nutrition Cluster:</b>	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
<b>•Title I, Part A Cluster:</b>	
Title I Grants to Local Educational Agencies	84.010
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389
<b>•Special Education Cluster (IDEA):</b>	
Special Education - Grants to States	84.027
Special Education - Preschool Grants	84.173
ARRA - Special Education - Grants to States, Recovery Act	84.391
<b>•ARRA - Education Jobs Fund</b>	<b>84.410</b>
<b>•Head Start Cluster:</b>	
Head Start	93.600

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

- |  |                              |  |
|--|------------------------------|--|
| Auditee qualified as low-risk auditee? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |
|--|------------------------------|--|

**Section II: Financial Statement Findings**

Finding 12-1.

**Section III: Federal Awards Findings**

None reported.

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

**Finding: 12-1 (Repeat)**

<i>Condition:</i>	Certain material adjustments were required as part of the audit process.
<i>Criteria:</i>	Audit adjustments are indicative of a deficiency in the internal controls over financial reporting.
<i>Cause:</i>	Traditionally, small governments have expected such adjustments to be part of the audit process. However, accounting pronouncements have placed a greater expectation on the government to make all material adjustments itself.
<i>Effect:</i>	Assets, liabilities, revenues, and expenditures were overstated or understated.
<i>Recommendation:</i>	Staff should obtain any necessary training to familiarize themselves with the applicable accounting principles for the preparation of complete governmental financial statements, as well as routinely perform a final review to determine that all known adjustments have been made.
<i>Management Response:</i>	<i>The District Finance Officer will ensure all material adjustments are made. The District will ensure all financial staff receives and maintains all necessary training for preparation of the financial statements.</i>

**BRECKINRIDGE COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Finding: 05-1**

*Finding:* Time and Effort

*Status:* This was partially corrected this fiscal year. We will continue working on the planned corrective action during the next fiscal year.

**Finding: 11-1**

*Finding:* Annual Report Card

*Status:* This was corrected during the fiscal year.

**Finding: 11-2**

*Finding:* Maintenance of Fiscal Effort

*Status:* This was partially corrected this fiscal year. We will continue working on the planned corrective action during the next fiscal year.

## **MANAGEMENT LETTER POINTS**



# DRANE & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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Members of the Board of Education  
Breckinridge County School District  
Hardinsburg, Kentucky

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

However, during our audit we became aware of matters that are opportunities for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated October 22, 2012 contains our report on internal control. This letter does not affect our report dated October 22, 2012 on the basic financial statements of the Breckinridge 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.

*Drane & Company, PLLC*

Drane & Company, PLLC  
Certified Public Accountants

October 22, 2012

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

**PRIOR YEAR**

**CENTRAL OFFICE**

**Bonding**

The District's public employee dishonesty coverage may be inadequate, as it is limited to \$50,000 per occurrence. 702 KAR 3:080(4) stipulates, "A district board of education shall require the bonding of **all** employees who are responsible for board funds." In addition to a possible violation of state statute, the current coverage may be inadequate to safeguard the funds of the District. The District should review its coverage for compliance with 702 KAR 3:080(4), and at a minimum, the superintendent should be bonded for the same amount as the finance officer.

*Management Response: The District will review 702 KAR 3:080 (4) to determine compliance. If the District determines that additional bonding is required, then the District will ensure compliance.*

**Construction**

As in the prior year, the District did not obtain performance and payment bonds for a construction contract. In addition, the vendor did not provide the proper bid bond as required by the bid package. 702 KAR 4:160 and KRS 45A.435 require a contractor's performance and payment bond prior to executing a construction contract. As the District may have executed a contract not in compliance with all state requirements, we continue to recommend that more effort be made to adhere to state regulations for future construction projects.

*Management Response: The District will make every effort to comply with state regulations regarding construction projects. The District will also consult with the Kentucky Department of Education School Facilities Department to further ensure compliance will all applicable regulations and statutes.*

**INDIVIDUAL SCHOOL ACTIVITY FUNDS**

**Breckinridge County High School**

**Receipts**

As in the prior year, we noted problems with the sixty receipts tested. There were six instances where the Fundraiser Approval Forms and Worksheets were not completed. Five receipts were not supported by Multiple Receipt Forms. We continue to recommend that support forms available in the Redbook accompany receipts when applicable.

**Concessions**

As in the prior year, the gross profit earned on concessions was low (29.4%). Ordinarily, gross profits on concessions should be in the range of 40% to 50%. We continue to recommend that the inventory control worksheet and the sales and cost activity be reviewed on a monthly basis. Emphasis should be placed on thoroughly documenting any items not sold but used for rewards or other purposes for which no income is received.

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

**Breckinridge County High School (Concluded)**

Credit Cards

We again noted instances in which the Credit Card Sign-In/Out Form was not completed properly. There was one instance where the employee that checked out the credit card did not sign the form and one instance where the return of the card was not witnessed. There were four instances where the employee that checked out the card also witnessed its return. There were nine instances where the date and/or time the card was issued or returned was not documented. We continue to recommend that more effort be made to ensure that the Credit Card Sign-In/Out Form is completed properly.

Annual Reports

As in the prior year, a list of accounts receivable did not accompany the annual school activity report for the fiscal year. The audit revealed receivables of \$5,739. We recommend that a list of receivables accompany the annual school activity report as required by the Redbook.

Disbursements

As in the prior year, school activity funds were used to purchase staff appreciation gifts. As outlined in the Redbook, we recommend that only staff generated funds such as proceeds from vending machines in staff areas be used for staff gifts, dinners, etc.

*Management Response: A meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.*

**Hardinsburg Elementary School**

Annual Reports

In the prior year, an annual financial report was not submitted timely by one of the school's support organizations. Although a report was submitted this fiscal year, it was not in the prescribed format, and it did not appear that a budget was presented at the beginning of the year. The Redbook states that support/booster organizations should submit a budget at the start of the school year and report receipts, expenditures, and beginning and ending balances to the principal by July 25 for the year ended June 30. We recommend that more effort be made to obtain the required reports in the prescribed format.

Credit Cards

As in the prior year, we noted two instances in which the Credit Card Sign-In/Out Form was not completed properly. There were two instances where the employee that checked out the credit card did not sign the log. We continue to recommend that more effort be made to ensure that the Credit Card Sign-In/Out Form is completed properly.

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

**Hardinsburg Elementary School (Concluded)**

Receipts

As in the prior year, we noted problems during the testing of twenty-five receipts. Four had incomplete Multiple Receipt Forms and six appeared to lack Fundraiser Worksheet/Approval Forms. One receipt was coded to the wrong fund. We recommend that more effort be made to ensure that any applicable forms are properly completed and that all receipts are coded to the proper funds.

*Management Response: A meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.*

**Custer Elementary School**

Annual Reports

In prior years, a list of accounts payable did not accompany the annual school activity report for the fiscal year. In the current year, the school reported \$2,486 in payables, but the audit revealed only \$1,608. We continue to recommend that more effort be made to ensure that an accurate list of payables accompanies the annual school activity report as required by the Redbook.

In the prior year, an annual financial report was not submitted timely by one of the school's support organizations. Although the report was submitted timely in the current fiscal year, it was not in the prescribed format. The Redbook states that support/booster organizations should report receipts, expenditures, and beginning and ending balances to the principal by July 25 for the year ended June 30. We recommend that more effort be made to obtain the required reports in the prescribed format.

Receipts

We again noted problems with the receipt transactions tested. Concession sales were supported by a substitute concession form, but we continue to recommend that the support forms available in the Redbook accompany receipts when applicable. The totals from two Multiple Receipt Forms did not agree with the deposits made. Ideally, deposits should agree with the total collected, but any discrepancies should be documented.

Ticket Sales

As in the prior year, the recorded beginning ticket number was the same as the ticket attached. The beginning number should be the number after the attached ticket. It is our recommendation that more attention be given to the accurate preparation of ticket sale forms. In addition, outdated ticket sale forms are being used, so we recommend that these be replaced with the most recent forms available.

*Management Response: A meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.*

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

**Ben Johnson Elementary School**

Annual Reports

In the prior year, an annual financial report was not submitted timely by one of the school's support organizations. Although a report was submitted this fiscal year, it was not in the prescribed format, and it did not appear that a budget was presented at the beginning of the year. The Redbook states that support/booster organizations should submit a budget at the start of the school year and report receipts, expenditures, and beginning and ending balances to the principal by July 25 for the year ended June 30. We recommend that more effort be made to obtain the required reports in the prescribed format.

Credit Cards

In prior years, we observed instances in which the Credit Card Sign-In/Out Form was not completed properly. We noted no repeat occurrences in the items tested in the current fiscal year.

Receipts

As in the prior year, we noted problems with the receipt transactions tested. Of the twenty-five receipts tested, we noted the following problems. One receipt had a Multiple Receipt Form (MRF) attached, but the form only had a total instead of individual signatures. We recommend that more effort be made to ensure the proper completion of the MRF by obtaining the required signatures. We noted six instances where the name of the remitter on the receipt did not match the name of the remitter on the MRF. The person collecting the money should be the same as the person remitting the money to the school bookkeeper.

Transfers

During testing, we noted that two out of eighteen transfers were missing the faculty signature. We continue to recommend that the sponsor of the remitting activity and the principal sign the Transfer Form as outlined in the Redbook.

*Management Response: A meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.*

**Irvington Elementary School**

Annual Reports

As in the prior year, an annual financial report was not submitted timely by one of the school's support organizations. In addition, it did not appear that a budget was presented at the beginning of the year. The Redbook states that support/booster organizations should submit a budget at the start of the school year and report receipts, expenditures, and beginning and ending balances to the principal by July 25 for the year ended June 30. We continue to recommend that more effort be made to obtain the required reports in a timely manner.

Transfers

In the prior year, we noted that one transfer was missing the faculty signature, and one transfer form was missing. We noted no repeat occurrences in the current fiscal year.

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

**Irvington Elementary School (Concluded)**

**Credit Cards**

In the prior years, we noted instances in which the Credit Card Sign-In/Out Form was not completed properly. We only noted one instance of a missing signature on the form in the current fiscal year. We continue to recommend that more effort be made to ensure that the Credit Card Sign-In/Out Form is completed properly.

**Receipts**

As in the prior year, we noted problems with the receipt transactions tested. Of the twenty-five receipts tested, we noted the following problems. The amount on one Multiple Receipt Form did not agree with the deposit, and the totals on two did not agree with the total number of students listed on the forms. Three receipts were coded to the wrong funds, and one was missing the treasurer's signature. One deposit over \$100 was made seventeen days after collection. Money collected by teachers or sponsors should be given to the school treasurer on the day collected, and deposits over \$100 should be made daily. We continue to recommend that more effort be made to ensure all forms are completed properly and that receipts are coded to the proper funds.

*Management Response: A meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.*

**Breckinridge County Middle School**

**Annual Reports**

In the prior year, an annual financial report was not submitted timely by one of the school's support organizations. This appears to have been rectified during the current year.

**Credit Cards**

As in the prior year, we observed some issues with the credit card log. During testing, we noted three instances where the employee that checked out the credit card also witnessed its return. We also noted an instance where the time and date of check-out did not agree with the time and date on the receipt. We recommend that more effort be made to ensure that the Credit Card Sign-In/Out Form is completed properly.

*Management Response: A meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.*

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

**CURRENT YEAR**

**CENTRAL OFFICE**

**Disbursements**

In order to ensure payments are made by the due date, one of the District's credit cards is paid by automatic bank draft; however, the District still prepares a paper check through the accounts payable function. Although the check is typically voided (on paper only), there has been at least one instance when the check was accidentally mailed to the vendor. The amount of the check does not always agree with the amount of the bank draft, so a reconciling item is then created during the bank reconciliation. The check has to be cleared in the system even though it never actually cleared the bank. This failure to maintain document control effectively removes any audit trail and could permit misappropriation. We recommend that the District discontinue this practice as soon as possible. The District should either cancel the automatic bank draft and resume payment by paper check or enter the amount paid by automatic bank draft as a journal entry.

*Management Response: The District will evaluate the recommendation in 2012-2013 and make any necessary changes needed to ensure proper control in all points of the process.*

During the testing of sixty disbursements, ten errors were found, consisting of three invoices that were not cancelled, five purchases made without a proper purchase order, and two without a receiving report. Every effort should be made to obtain purchase orders, when applicable, prior to the purchase, and the person receiving the goods or services should sign the invoice, packing slip, or receivership section of the purchase order to indicate receipt. All invoices should be cancelled to avoid duplicate payment.

*Management Response: The Finance Officer will ensure that all purchasing procedures are being followed. This will be done by meeting with Central Office personnel and reviewing proper purchasing procedures. The Finance Officer will also conduct periodic audits to ensure all necessary paperwork is included with payment vouchers.*

**Property Taxes**

Per the final SEEK calculation, the District should have deposited \$493,526 in property taxes to the Building Fund. As the District used the forecasted amount instead of the final amount, only \$488,324 was recorded. The difference will be transferred in 2012-2013. We recommend that the District verify that the proper amount of property tax has been transferred to the Building Fund when the final SEEK calculation is obtained.

*Management Response: The Finance Officer will ensure the correct amount is deposited in the Building Fund from property taxes. This will be done by reconciling the final SEEK amount with all general ledger entries for the Building Fund as part of the year-end closing processes.*

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

**INDIVIDUAL SCHOOL ACTIVITY FUNDS**

**Breckinridge County High School**

Disbursements

Of the sixty disbursements tested, we noted the following problems. Four purchase orders were made after the purchase, three invoices were not cancelled, and sales tax was paid on one invoice. We also noted one instance where the proper form was not used for a travel advance. Purchase orders should be made prior to purchases, sales tax should be deducted before payment, and all invoices should be cancelled to avoid duplicate payments. Travel advances should be accompanied by Form F-SA-9 School Activity Fund Expense Report.

Annual Reports

A copy of the Annual Financial Report could not be provided during the audit. In addition, the audit revealed \$10,579 of accounts payable, while only \$2,841 were recorded. We recommend that the school bookkeeper retain a copy of the annual report and that more effort be made to record all accounts payable at year-end.

Annual financial reports were not submitted timely by the school's support organizations. Reports submitted after the due date were not in the prescribed format. It also could not be determined whether the lists of officers and budgets were filed at the beginning of the school year. The Redbook states that support/booster organizations should submit a list of officers at the start of the school year and a final budget within thirty days after the school year begins. Support/booster organizations must also report receipts, expenditures, and beginning and ending balances to the principal by July 25 for the year ended June 30. We recommend that more effort be made to obtain the required reports in a timely manner.

Receipts

We noted two instances where commissions for athletic concessions were coded to the general fund. We recommend that more effort be made to ensure the proper coding of receipts. Account ledgers should be scanned monthly to verify that receipts were coded to the correct accounts.

Transfers

During testing, we noted that fourteen out of twenty-five transfers were missing the faculty signature. We recommend that the sponsor of the remitting activity and the principal sign the Transfer Form as outlined in the Redbook.

Donations

A list of donations was not submitted to the Board, and a grant/donation in the amount of \$6,500 was not remitted to the Board for deposit and tracking. Per Board regulation, deposits over \$2,500 should be remitted to the Board for deposit and tracking. Redbook requires the school treasurer to prepare a list of all donations to the school for the Board. We recommend that more effort be made to ensure these requirements are met.

*Management Response: A meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.*

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

**Hardinsburg Elementary School**

Donations

A list of donations was not submitted to the Board. Redbook requires the school treasurer to prepare a list of all donations to the school for the Board. We recommend that more effort be made to ensure this requirement is met.

Annual Reports

A list of accounts receivable did not accompany the annual school activity report for the fiscal year. The audit revealed receivables of \$171. Likewise, \$118 of payables was noted during the audit, while only \$25 was recorded. We recommend that a list of receivables accompany the annual school activity report as required by the Redbook and that more effort be made to ensure that all payables are recorded at year-end.

Disbursements

For checks issued from the gaming account to cover prizes, there was no supporting documentation. We recommend that an itemized statement showing where the proceeds went be kept on file as support.

*Management Response: A meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.*

**Custer Elementary School**

Donations

A list of donations was not submitted to the Board. Redbook requires the school treasurer to prepare a list of all donations to the school for the Board. We recommend that more effort be made to ensure this requirement is met.

*Management Response: A meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.*

**Ben Johnson Elementary School**

Donations

A list of donations was not submitted to the Board. Redbook requires the school treasurer to prepare a list of all donations to the school for the Board. We recommend that more effort be made to ensure this requirement is met.

Annual Reports

A list of accounts receivable did not accompany the annual school activity report for the fiscal year. The audit revealed receivables of \$1,005. We recommend that a list of receivables accompany the annual school activity report as required by the Redbook.

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

**Ben Johnson Elementary School (Concluded)**

Ticket Sales

We noted two ticket sale forms that were completed incorrectly. The recorded beginning ticket number was the same as the ticket attached. The beginning number should be the number after the attached ticket. In addition, the calculations on the forms were incorrect. It is our recommendation that more attention be given to the accurate preparation of ticket sale forms.

*Management Response: A meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.*

**Irvington Elementary School**

Annual Reports

The annual financial report was prepared incorrectly. The receipts, disbursements, and ending book balance listed on the Recapitulation and Bank Reconciliation did not agree with the annual financial report. We recommend that more effort be made to ensure that all reports are correct.

A list of accounts receivable did not accompany the annual school activity report for the fiscal year. The audit revealed receivables of \$1,030. Likewise, \$1,516 of payables was noted during the audit, while only \$1,323 was recorded. We recommend that a list of receivables accompany the annual school activity report as required by the Redbook and that more effort be made to ensure that all payables are recorded at year-end.

Disbursements

Of the twenty-five disbursements tested, we noted the following problems. One payment was made with no supporting documentation, three purchases were made without purchase orders, and one invoice was paid late. Purchase orders should be properly completed prior to a purchase, and payments should be made from an original or standard invoice by the due date.

Donations

A list of donations was not submitted to the Board. Redbook requires the school treasurer to prepare a list of all donations to the school for the Board. We recommend that more effort be made to ensure this requirement is met.

Support Organizations

The Parent Teacher Organization (PTO) was given control over ticket sales and concessions at ballgames. Some proceeds appear to be remitted to the school, while the remainder is retained by the PTO. The PTO also pays the ballgame referees, so 1099 reporting requirements may not have been met. This arrangement affords little to no control over receipts and disbursements, and a large portion of the proceeds are being retained by the PTO. We recommend that the school resume control over ticket sales and concessions at ballgames.

*Management Response: A meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.*

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

**Breckinridge County Middle School**

Annual Reports

A list of accounts receivable did not accompany the annual school activity report for the fiscal year. The audit revealed receivables of \$1,185. Likewise, \$865 of payables was noted during the audit, while only \$665 was recorded. We recommend that a list of receivables accompany the annual school activity report as required by the Redbook and that more effort be made to ensure that all payables are recorded at year-end.

Donations

A list of donations was not submitted to the Board. Redbook requires the school treasurer to prepare a list of all donations to the school for the Board. We recommend that more effort be made to ensure this requirement is met.

Receipts

Of the twenty-five receipts tested, we noted the following problems. One Multiple Receipt Form (MRF) listed students individually but did not include the amount collected from each. Another MRF was missing both the teacher and activity fund names. The total on one MRF was changed to agree with the amount deposited, which was less than the amount originally written on the MRF. In addition, one deposit was made six days after it was collected. Per Redbook guidelines, deposits over \$100 should be made daily. In the event the school treasurer is absent, the principal or a designated substitute should make deposits. We also recommend that more effort be made to ensure that receipts agree with the supporting forms or documentation and that all forms are properly completed.

Disbursements

Of the twenty-five disbursements tested, we noted two instances where the statements were cancelled instead of the invoices and one instance where the check number in the system did not match the pre-printed check number. All invoices should be cancelled to avoid duplicate payments, and check numbers in the system should agree with the pre-printed check numbers to provide a proper audit trail.

*Management Response: A meeting will be held with the Principal and school bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.*