

MARSHALL COUNTY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS

Year ended June 30, 2012

MARSHALL COUNTY SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
and Members of the Board of Education
Marshall County School District
Benton, Kentucky

I 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 Marshall County School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Marshall County School District's management. My responsibility is to express opinions on these financial statements based on my audit.

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

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

In accordance with Government Auditing Standards, I have also issued my report dated October 29, 2012, on my consideration of the Marshall County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 35 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marshall County School District's financial statements taken as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Kim Glavin". The signature is written in a cursive, somewhat stylized font.

Benton, Kentucky
October 29, 2012

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

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

FINANCIAL HIGHLIGHTS

- The beginning balance of all funds (general, special revenue, capital outlay, building, construction and food service) for the District totaled \$4,205,728.73. The combination of “all funds” yielded \$46,848,200.30 in revenue (not including beginning balances or escrowed funds), which primarily consisted of the state program (SEEK), property, occupational, utilities, in lieu and motor vehicle taxes. The combination of “all funds” yielded \$47,522,172.16 in expenditures. The ending balance for all funds was \$3,531,756.87.
- In February 2009, the Governmental Accounting Standards Board (GASB) issued statement #54. The objective of this Statement, according to the GASB, is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The GASB goes on to say that this Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The five classifications for use are non-spendable, restricted, committed, assigned and unassigned. At the end of FY 11-12, the following balances were in each classification:

Balance sheet	non-spendable	restricted	committed	assigned	unassigned
<i>general</i>	77,455	449,191	1,023,268	84,529	2,884,645
<i>special revenue</i>					0
<i>capital outlay</i>		78,219			
<i>building</i>		591,770			
<i>construction</i>		222,570			

- The 2011-2012 local ad valorem tax rates and revenue statements were certified to the Kentucky Board of Education by the Commissioner of Education and then sent to our district office. These reports, dated July 27, 2011, showed total real and personal property valuation at \$1,854,499,725 and motor vehicle valuation at \$247,166,695. At a real estate rate and personal property rate of 38.9 cents per \$100 of assessed property, the calculated collection would yield \$7,214,004. The actual percentage collected was 94.7% for a total of \$6,834,912. At a motor vehicle property tax rate of 40.0 cents per \$100 of assessed property, the calculated collection would yield \$988,667. The actual percentage collected was 102.9% for a total of \$1,017,337.
- Districts are funded through the Support Education Excellence in Kentucky (SEEK) calculation. A vital component of this calculation is the Average Daily Attendance (ADA). The final funding ADA for FY12 was 4,352.55. The district ADA showed no growth during the year. Growth is calculated by taking the difference between the end of the second month attendance figures in the prior year (FY11) and the end of the second month attendance figures in the current year (FY12). In addition, KRS 157.360(15) provides school districts the permission to request that the Department of Education recalculate its funds through the terms of the “January Growth Factor Report”. However, even Districts that showed growth were not able to utilize this opportunity due to the SEEK formula being under-funded.
- During FY12, the District received \$15,871,871, net general fund SEEK. The guaranteed per pupil base was \$3,903 (compared to \$3,868 in FY 11). Transportation was once again not fully funded through the SEEK calculation during FY12. Full funding would have been \$2,337,521. Funding was prorated at 62.5% for a total of \$1,461,602 and a difference of \$875,919. Rising personnel costs and unpredictable fuel costs continue to make the under-funded transportation component increasingly difficult to manage.

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

FINANCIAL HIGHLIGHTS (Continued)

- There was no across the board salary increase during FY12. This marked the second continuous year with no across the board raise. Rank and step increases did apply to the salary schedule.
- Utilities receipts were down 7.2% from the prior year. At a dollar decrease of \$246,411, the total collection for the year was \$3,165,400. During any given year, the change can be attributed to a combination of usage, fluctuating prices and rate of collection. The Department of Revenue (DOR) collects the utilities tax on behalf of the school districts in Kentucky for a fee not to exceed one percent.
- The level at which grants are subsidized by the District remains significant. As a number of variables cause grant awards to fluctuate, the District must either subsidize the individual grant or make cuts in the program. During FY12, the District spent \$818,870 to supplement programs as follows: Technical Center, 72.37%, Safe Schools, 9.01%, Gifted and Talented, 6.01%, Title IV, 3.62%, Family Resource, 1.97% SEMP ARRA, 1.45%, Project Lead the Way, 1.30%. ESS, .91% and other combined, 3.36%. At 72.37% of the total, the District spent \$592,647 from the general fund to assist operations of the Technical Center in FY12.
- There remains a focus on investing in plant management, considering the age and size of our facilities. This process will be achieved using building priorities as compiled in the facilities plan, combined with available funding. During FY 11, a local planning committee (LPC) convened and developed, according to guidelines set forth by KDE, a new local facility plan. This plan showed capital construction priorities with a cost estimate of \$39,048,129. The plan was approved by the LPC and then presented to the Marshall County Board of Education at a regularly scheduled meeting on February 17, 2011. On June 8, 2011, the Kentucky Board of Education approved the plan. This plan remained in place for the FY 11-12 school year.
- Electricity expenses were up 1.45% over the prior year for a total expenditure of \$1,021,395. Natural gas expenditures were down 18.2% from the prior year with \$174,675 being spent as compared with \$213,544 in the prior year. These percentages only reflect actual dollars spent during the year and do not factor in any differences in usage from year to year.
- Funds spent on diesel fuel were up 10.59% from the prior year with a total expenditure of \$287,279. Gasoline expenditures were up 17.6% from the prior year with a total expenditure of \$59,774. The percentages noted only compare actual dollars spent during the years and do not factor in any differences in usage.
- Retiree health care legislation passed through the Kentucky House of Representatives and was signed into law by the Governor on April 13, 2010. The purpose of this legislation was to “insure that not only Kentucky’s current retired teachers, but active teachers when they retire as well, will continue to receive health benefits. It also helps the pension fund” (according to the April/May 2010 Kentucky Teachers’ Retirement System Active Member Edition newsletter). In this “shared responsibility solution”, districts would match the employee contribution for KTRS health as follows:

KTRS Health	10-11	11-12	12-13	13-14	14-15	15-16
Cost	\$49,730	\$93,973				
Rate	.25%	.5%	1.00%	1.5%	2.25%	3.0%

- Most classified personnel are covered under the County Employee’s Retirement System (CERS). This year, contributions to the plan consist of an employee contribution of 5.0% (members with a participation date on or after September 1, 2008 must contribute an additional 1%). The employer match for CERS increased aggressively for several years and then dropped in 08-09. Rates took another significant increase effective July 1, 2009. The employer match for FY 11-12 was 18.96%. The employer matching requirement from FY11 to FY12 (for all funds) increased by \$104,485 for a total expenditure of \$1,020,403.

fiscal year	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12
rate	6.34%	7.34%	8.48%	10.98%	13.19%	16.17%	13.50%	16.16%	16.93%	18.96%

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

FINANCIAL HIGHLIGHTS (Continued)

- The District purchased four buses during FY12 for a total cost of \$344,088. All four buses were 72-passenger. Due to recent economic conditions, the General Assembly 2010 special session HB1 permitted flexibility in the use of local district capital funds for FY 11 and FY 12. The district gained board approval at the October 20, 2011 board of education meeting to transfer funds from capital outlay to pay for buses.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 8 through 9 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 segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our food service operations, adult education, and our self-insurance dental fund. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10 through 13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 34 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$26,461,309 as of June 30, 2012. The largest portion of the District’s net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	Net Assets for the period ending	
	June 30, 2012	June 30, 2011
Current Assets	\$ 6,533,851	\$ 7,132,121
Noncurrent Assets	39,713,803	40,351,185
Other Assets	<u>144,152</u>	<u>120,447</u>
Total Assets	<u>46,391,806</u>	<u>47,603,753</u>
Current Liabilities	1,979,278	2,081,630
Noncurrent Liabilities	<u>17,951,219</u>	<u>19,091,346</u>
Total Liabilities	<u>19,930,497</u>	<u>21,172,976</u>
Net Assets		
Investment in capital assets (net of debt)	21,485,390	20,699,675
Restricted for:		
KSFCC escrow	591,770	591,770
Capital projects and construction	300,789	907,589
Debt service	98,996	95,080
Food service	214,526	230,596
Unrestricted	<u>3,769,838</u>	<u>3,906,067</u>
Total Net Assets	<u>\$ 26,461,309</u>	<u>\$ 26,430,777</u>

The following presents a summary of revenue and expense for the fiscal year ended June 30, 2012, compared to the fiscal year ended June 30, 2011.

	June 30, 2012	June 30, 2011
Program Revenues:		
Charges for Services-Governmental	\$ 98,266	\$ 154,896
Charges for Services-Food Service	881,011	879,000
Operating Grants-Governmental	11,590,692	13,532,027
Operating Grants-Food Service	1,832,854	1,752,084
Capital Grants-Governmental	<u>1,377,401</u>	<u>1,581,887</u>
Total program revenues	<u>15,780,224</u>	<u>17,899,894</u>
General Revenues:		
Taxes	14,668,124	14,220,060
Earnings on investments	109,772	176,961
State and formula grants	15,871,871	14,891,330
Gain on retirement of assets	182,548	27,487
Miscellaneous	<u>1,503</u>	<u>2,053</u>
Total general revenues	<u>30,833,818</u>	<u>29,317,891</u>

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	June 30, 2012	June 30, 2011
Expenses:		
Instruction	\$ 28,361,879	\$ 28,375,357
Student support services	1,736,141	1,587,232
Instructional support	1,357,166	1,361,030
District administration	1,712,629	1,436,588
School administration	1,959,823	1,969,829
Business support	861,998	792,310
Plant operations	4,511,411	4,433,255
Student transportation	2,312,951	2,359,360
Community services	318,555	326,321
Food Service Operation	2,789,898	2,803,585
Adult education	2,768	2,768
Interest on long-term debt	622,690	875,226
Loss on disposal of fixed assets	0	1,253
Other Debt Service	35,601	29,636
Total expenses	<u>46,583,510</u>	<u>46,353,750</u>
Change in Net Assets	30,532	864,035
Beginning Net Assets	<u>26,430,777</u>	<u>25,566,742</u>
Ending Net Assets	<u>\$ 26,461,309</u>	<u>\$ 26,430,777</u>

Revenue Recap

The majority of revenues were derived from state funding (46.00%) followed by local funding (39.65%), federal funding (11.16%), bond principal proceeds (1.22%), interfund transfers (1.16%), sale or comp for loss of assets (.55%), intermediate sources (.18%), and sale of equipment (.08%).

Expenditure Recap

Instruction expenditures made up the majority at (51.98%) followed by Plant Operations (9.20%), Fund Transfer (6.16%), Debt Services (6.10%), Food Services (5.88%), Student Transportation (5.08%), District Administration (3.64%), Student Administration (3.57%), Student Support Services (3.31%), Instructional Support (2.68%), Business Support (1.47%), Community Services (.75%), and Site Acquisition (.18%).

COMMENTS ON BUDGET COMPARISONS

Reported on-behalf payments are non-budgetary accounts as instructed by the Kentucky Department of Education. As such, they cause revenues and expenditures to be overstated in the areas in which they are reported. The on-behalf payments for FY 12 are as follows: Health/Life/Dental/Vision, \$4,663,404, Teacher Retirement, \$2,512,268, Debt Service, \$244,550, Technology, \$86,591. Of this amount, \$6,936,892 was allocated to the General Fund, \$244,550 to the debt service fund, \$238,780 was allocated to the Food Service Fund and \$86,591 to Technology. In the Statement of Revenues, Expenditures and Changes in Fund Balance located on page 35, the on-behalf payment is included in the “Intergovernmental – State” revenue line item and is prorated to each function according to the percentage of salaries.

ADDITIONAL NOTES

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal grants, operate on a different fiscal calendar, but are reflected in the District overall budget. By law the general fund budget must have a minimum 2% contingency. The Kentucky Department of Education recommends at least 4% and recognizes 10% as being appropriate. The FY12 working budget was approved at the September 15, 2011 Board of Education meeting. Over the course of the year, the District revised the annual operating budget several times. Kentucky districts are required to present to the Board of Education a Draft Budget, Tentative Working Budget, and Working Budget. Significant amendments after the passage of the Working Budget are brought to the Board of Education (during the Treasurer’s report) for subsequent review.

Questions regarding this report should be directed to the Superintendent or Finance Officer at (270)527-8628 or by mail at 86 High School Road, Benton, KY 42025.

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities	Business- Type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 4,921,849	\$ 154,622	\$ 5,076,471
Accounts receivable:			
Taxes - current	932,874	0	932,874
Taxes - delinquent	18,423	0	18,423
Accounts receivable	14,719	556	15,275
Due from school activity funds	134	0	134
Interest	1	0	1
Intergovernmental - state	50,260	0	50,260
Intergovernmental - indirect federal	303,366	0	303,366
Inventory	0	59,592	59,592
Prepaid expenses	77,455	0	77,455
Total current assets	<u>6,319,081</u>	<u>214,770</u>	<u>6,533,851</u>
Noncurrent Assets:			
Capital assets	71,871,188	1,412,328	73,283,516
Less: Accumulated depreciation	<u>(32,515,337)</u>	<u>(1,054,376)</u>	<u>(33,569,713)</u>
Total noncurrent assets	<u>39,355,851</u>	<u>357,952</u>	<u>39,713,803</u>
Other Assets:			
Unamortized bond issue costs	144,152	0	144,152
Total other assets	<u>144,152</u>	<u>0</u>	<u>144,152</u>
TOTAL ASSETS	<u>\$ 45,819,084</u>	<u>\$ 572,722</u>	<u>\$ 46,391,806</u>
LIABILITIES :			
Current Liabilities:			
Accounts payable	\$ 276,498	\$ 244	\$ 276,742
Due to school activity funds	5,319	0	5,319
Deferred revenue	377,490	0	377,490
Current portion of bond obligations	1,203,000	0	1,203,000
Less: Current portion of unamortized bond discount	(21,505)	0	(21,505)
Less: Current portion of deferred loss on early debt retirement	(97,853)	0	(97,853)
Current portion of accrued sick leave	149,131	0	149,131
Interest payable	86,954	0	86,954
Total current liabilities	<u>1,979,034</u>	<u>244</u>	<u>1,979,278</u>
Noncurrent Liabilities:			
Noncurrent portion of bond obligations	18,493,000	0	18,493,000
Less: Noncurrent portion of unamortized bond discount	(214,650)	0	(214,650)
Less: Noncurrent portion of deferred loss on early debt retirement	(1,076,381)	0	(1,076,381)
Noncurrent portion of accrued sick leave	749,250	0	749,250
Total noncurrent liabilities	<u>17,951,219</u>	<u>0</u>	<u>17,951,219</u>
TOTAL LIABILITIES	<u>\$ 19,930,253</u>	<u>\$ 244</u>	<u>\$ 19,930,497</u>
NET ASSETS:			
Invested in capital assets, net of related debt	\$ 21,127,438	\$ 357,952	\$ 21,485,390
Restricted for:			
KSFCC escrow	591,770	0	591,770
Capital projects and construction	300,789	0	300,789
Debt service	98,996	0	98,996
Food service	0	214,526	214,526
Unrestricted	3,769,838	0	3,769,838
TOTAL NET ASSETS	<u>\$ 25,888,831</u>	<u>\$ 572,478</u>	<u>\$ 26,461,309</u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges	Operating	Capital	Governmental	Business-	Total
		for	Grants &	Grants &			
	Services	Contributions	Contributions	Activities	Activities		
Governmental Activities:							
Instruction	\$ 28,361,879	\$ 94,476	\$ 8,776,131	\$ 1,377,401	\$ (18,113,871)	\$ 0	\$ (18,113,871)
Support Services:							
Student	1,736,141	0	347,594	0	(1,388,547)	0	(1,388,547)
Instructional Staff	1,357,166	0	495,628	0	(861,538)	0	(861,538)
District Administration	1,712,629	0	100,717	0	(1,611,912)	0	(1,611,912)
School Administration	1,959,823	0	434,271	0	(1,525,552)	0	(1,525,552)
Business	861,998	0	227,890	0	(634,108)	0	(634,108)
Plant operations and maintenance	4,511,411	3,790	376,244	0	(4,131,377)	0	(4,131,377)
Student transportation	2,312,951	0	416,653	0	(1,896,298)	0	(1,896,298)
Food service	9,289	0	0	0	(9,289)	0	(9,289)
Community service activities	318,555	0	316,186	0	(2,369)	0	(2,369)
Interest on long-term debt	622,690	0	99,378	0	(523,312)	0	(523,312)
Other debt service	35,601	0	0	0	(35,601)	0	(35,601)
Total governmental activities	43,800,133	98,266	11,590,692	1,377,401	(30,733,774)	0	(30,733,774)
Business-Type Activities:							
Food service	2,780,609	881,011	1,832,854	0	0	(66,744)	(66,744)
Adult education	2,768	0	0	0	0	(2,768)	(2,768)
Total business-type activities	2,783,377	881,011	1,832,854	0	0	(69,512)	(69,512)
Total primary government	\$ 46,583,510	\$ 979,277	\$ 13,423,546	\$ 1,377,401	(30,733,774)	(69,512)	(30,803,286)
General Revenues:							
Taxes:							
Property					6,980,749	0	6,980,749
Motor Vehicle					1,017,337	0	1,017,337
Utilities					3,165,400	0	3,165,400
Occupational license tax					1,813,675	0	1,813,675
In Lieu of					1,690,963	0	1,690,963
Earnings on Investments					106,600	3,172	109,772
State and formula grants					15,871,871	0	15,871,871
Gain on retirement of assets					182,548	0	182,548
Miscellaneous					1,503	0	1,503
Transfers					(1,811)	1,811	0
Change in net assets					95,061	(64,529)	30,532
Net assets at July 1, 2011					25,793,770	637,007	26,430,777
Net assets at June 30, 2012					\$ 25,888,831	\$ 572,478	\$ 26,461,309

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General Fund	Special Revenue Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES:				
Cash and cash equivalents	\$ 3,886,424	\$ 43,870	\$ 991,555	\$ 4,921,849
Accounts receivable:				
Taxes - current	932,874	0	0	932,874
Taxes - delinquent	18,423	0	0	18,423
Accounts receivable	14,719	0	0	14,719
Due from school activity funds	134	0	0	134
Interest	1	0	0	1
Intergovernmental - state	0	50,260	0	50,260
Intergovernmental - indirect federal	0	303,366	0	303,366
Prepaid expenses	77,455	0	0	77,455
TOTAL ASSETS AND RESOURCES	\$ 4,930,030	\$ 397,496	\$ 991,555	\$ 6,319,081
 LIABILITIES AND FUND BALANCE:				
LIABILITIES:				
Accounts payable	\$ 256,492	\$ 20,006	\$ 0	\$ 276,498
Due to school activity funds	5,319	0	0	5,319
Deferred revenue	0	377,490	0	377,490
Current portion of accrued sick leave	149,131	0	0	149,131
TOTAL LIABILITIES	410,942	397,496	0	808,438
 FUND BALANCES:				
Nonspendable	77,455	0	0	77,455
Restricted	449,191	0	991,555	1,440,746
Committed	1,023,268	0	0	1,023,268
Assigned	84,529	0	0	84,529
Unassigned	2,884,645	0	0	2,884,645
TOTAL FUND BALANCES	4,519,088	0	991,555	5,510,643
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,930,030	\$ 397,496	\$ 991,555	\$ 6,319,081

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
 FUNDS TO THE STATEMENT OF NET ASSETS**

June 30, 2012

Total governmental fund balance per fund financial statements		\$ 5,510,643
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Cost	\$ 71,871,188	
Accumulated depreciation	<u>(32,515,337)</u>	39,355,851
Deferred charges including debt issue costs are amortized in the governmental activities, but were recognized in full in the governmental funds.		
		144,152
Certain liabilities including interest payable are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets.		
		(86,954)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bond and lease obligations	(18,285,611)	
Accrued sick leave payable	<u>(749,250)</u>	<u>(19,034,861)</u>
Net assets of governmental activities		<u>\$ 25,888,831</u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL 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 Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 5,929,916	\$ 0	\$ 1,050,833	\$ 6,980,749
Motor Vehicle	1,017,337	0	0	1,017,337
Utilities	3,165,400	0	0	3,165,400
Occupational license tax	1,813,675	0	0	1,813,675
In Lieu of	1,648,650	0	0	1,648,650
Earnings on Investments	102,488	1,017	4,112	107,617
Other local revenues	286,713	0	0	286,713
Intergovernmental - State	22,964,290	1,530,819	1,198,201	25,693,310
Intergovernmental - indirect federal	94,476	2,885,678	0	2,980,154
TOTAL REVENUES	37,022,945	4,417,514	2,253,146	43,693,605
EXPENDITURES:				
Current:				
Instruction	23,496,415	3,751,715	0	27,248,130
Support Services:				
Student	1,730,679	5,462	0	1,736,141
Instructional Staff	1,103,823	267,522	0	1,371,345
District Administration	1,586,920	31,926	0	1,618,846
School Administration	1,954,308	0	0	1,954,308
Business	853,316	0	0	853,316
Plant operations and maintenance	4,236,216	30,214	0	4,266,430
Student transportation	2,322,614	129,967	0	2,452,581
Food service	11,100	0	0	11,100
Community service activities	30,795	287,760	0	318,555
Facilities acquisition and construction	76,699	0	688,921	765,620
Debt service	0	0	2,007,028	2,007,028
TOTAL EXPENDITURES	37,402,885	4,504,566	2,695,949	44,603,400
Excess (deficit) of revenues over expenditures	(379,940)	(87,052)	(442,803)	(909,795)
OTHER FINANCING SOURCES (USES):				
Sale or comp for loss of assets	251,177	0	0	251,177
Proceeds of revenue refunding bonds	0	0	9,590,000	9,590,000
Payment to refunded bond escrow agent	0	0	(9,392,538)	(9,392,538)
Payment of bond issue costs	0	0	(72,800)	(72,800)
Discounts on bonds sold	0	0	(120,030)	(120,030)
Operating transfers in	344,088	87,052	2,423,632	2,854,772
Operating transfers out	(266,427)	0	(2,588,345)	(2,854,772)
TOTAL OTHER FINANCING SOURCES (USES)	328,838	87,052	(160,081)	255,809
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(51,102)	0	(602,884)	(653,986)
Fund Balance, July 1, 2011	4,570,190	0	1,594,439	6,164,629
Fund Balance, June 30, 2012	\$ 4,519,088	\$ 0	\$ 991,555	\$ 5,510,643

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES**
 For the Year Ended June 30, 2012

Net change in total governmental fund balances per fund financial statements		\$ (653,986)
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.</p>		
Depreciation expense	(2,170,241)	
Capital outlays	<u>1,649,947</u>	(520,294)
<p>Gross proceeds from the sale of capital assets are reported as revenue in the governmental funds because they provide current financial resources. However, in the statement of activities, the undepreciated cost of those assets is deducted from the proceeds to report gain or loss on the sale.</p>		
Gross proceeds from the sale of fixed assets	(251,177)	
Gain on the disposal of fixed assets	<u>182,548</u>	(68,629)
<p>Bond proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.</p>		
Bond proceeds	(9,590,000)	
Principal paid	<u>9,756,403</u>	166,403
<p>Governmental funds report the effect of issuance costs and discounts when debt is first issued; whereas, these amount are deferred and amortized in the statement of activities.</p>		
Bond issuance costs deferred on new bond issue	72,800	
Bond discounts deferred on new bond issue	120,030	
Deferred loss on early retirement of debt	1,272,087	
Bond issuance costs on defeased portion of debt	(64,550)	
Bond discount on defeased portion of debt	(34,999)	
Amortization of deferred bond issuance costs and discounts	<u>(35,601)</u>	1,329,767
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred. These net differences are as follows:</p>		
Interest payable	(73,073)	
Accrued sick leave	<u>(85,127)</u>	<u>(158,200)</u>
Change in net assets of governmental activities		<u>\$ 95,061</u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	Food Service Fund	Total Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS:				
Current Assets				
Cash and cash equivalents	\$ 154,622	\$ 0	\$ 154,622	\$ 333,509
Accounts receivable:				
Other accounts receivable	556	0	556	0
Inventory	59,592	0	59,592	0
Total current assets	<u>214,770</u>	<u>0</u>	<u>214,770</u>	<u>333,509</u>
Noncurrent Assets				
Capital assets	1,272,207	140,121	1,412,328	0
Less: accumulated depreciation	(939,325)	(115,051)	(1,054,376)	0
Total noncurrent assets	<u>332,882</u>	<u>25,070</u>	<u>357,952</u>	<u>0</u>
TOTAL ASSETS	<u><u>\$ 547,652</u></u>	<u><u>\$ 25,070</u></u>	<u><u>\$ 572,722</u></u>	<u><u>\$ 333,509</u></u>
LIABILITIES:				
Current Liabilities				
Accounts payable	\$ 244	\$ 0	\$ 244	\$ 0
Estimated claims payable, current	0	0	0	30,338
Total current liabilities	<u><u>\$ 244</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 244</u></u>	<u><u>\$ 30,338</u></u>
Net Assets				
Invested in capital assets, net of related debt	\$ 332,882	\$ 25,070	\$ 357,952	\$ 0
Nonspendable	59,592	0	59,592	0
Restricted	154,934	0	154,934	303,171
Total net assets	<u><u>\$ 547,408</u></u>	<u><u>\$ 25,070</u></u>	<u><u>\$ 572,478</u></u>	<u><u>\$ 303,171</u></u>

See independent auditor's report and accompanying notes to financial statements

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

For the Year Ended June 30, 2012

	Food Service Fund	Total Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Operating Revenues:				
Lunchroom sales	\$ 868,761	\$ 0	\$ 868,761	\$ 0
Other operating revenues	12,250	0	12,250	0
Charges for services from other funds	0	0	0	293,115
COBRA revenues	0	0	0	1,017
Total operating revenues	881,011	0	881,011	294,132
Operating Expenses:				
Salaries and benefits	1,279,923	0	1,279,923	0
Contract services	41,113	0	41,113	29,645
Materials and supplies	1,347,337	0	1,347,337	0
Expendable equipment	876	0	876	0
Depreciation	52,869	2,768	55,637	0
Claims paid	0	0	0	264,536
Other operating expenses	58,491	0	58,491	0
Total operating expenses	2,780,609	2,768	2,783,377	294,181
Operating income (loss)	<u>(1,899,598)</u>	<u>(2,768)</u>	<u>(1,902,366)</u>	<u>(49)</u>
Non-Operating Revenues (Expenses):				
Federal grants	1,406,044	0	1,406,044	0
Donated commodities	161,549	0	161,549	0
State grants	265,261	0	265,261	0
Interest income	3,172	0	3,172	3,907
Total non-operating revenues	1,836,026	0	1,836,026	3,907
Net income (loss) before transfers	(63,572)	(2,768)	(66,340)	3,858
Transfers from other funds	1,811	0	1,811	0
Change in net assets	(61,761)	(2,768)	(64,529)	3,858
Net Assets, July 1, 2011	609,169	27,838	637,007	299,313
Net Assets, June 30, 2012	<u>\$ 547,408</u>	<u>\$ 25,070</u>	<u>\$ 572,478</u>	<u>\$ 303,171</u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Food Service Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Cash Flows from Operating Activities:				
Cash received from:				
Lunchroom sales	\$ 868,761	\$ 0	\$ 868,761	\$ 0
Other operating revenues	11,954	0	11,954	1,017
Charges for services from other funds	0	0	0	293,115
Cash paid to/for:				
Employees	(1,041,143)	0	(1,041,143)	0
Contract services	(42,311)	0	(42,311)	(29,645)
Materials and supplies	(1,188,885)	0	(1,188,885)	0
Expendable equipment	(876)	0	(876)	0
Other operating expenses	(58,491)	0	(58,491)	(262,739)
Net cash provided by (used in) operating activities	<u>(1,450,991)</u>	<u>0</u>	<u>(1,450,991)</u>	<u>1,748</u>
Cash Flows from Non-Capital Financing Activities:				
Operating grants received	1,432,525	0	1,432,525	0
Net cash provided by (used in) non-capital financing activities	<u>1,432,525</u>	<u>0</u>	<u>1,432,525</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities:				
Purchases of capital assets	(5,367)	0	(5,367)	0
Net cash provided by (used in) capital and related financing activities	<u>(5,367)</u>	<u>0</u>	<u>(5,367)</u>	<u>0</u>
Cash Flows from Investing Activities:				
Interest income received	3,172	0	3,172	3,907
Net cash provided by (used in) investing activities	<u>3,172</u>	<u>0</u>	<u>3,172</u>	<u>3,907</u>
Net increase (decrease) in cash and cash equivalents	(20,661)	0	(20,661)	5,655
Cash and cash equivalents, July 1, 2011	<u>175,283</u>	<u>0</u>	<u>175,283</u>	<u>327,854</u>
Cash and cash equivalents, June 30, 2012	<u>\$ 154,622</u>	<u>\$ 0</u>	<u>\$ 154,622</u>	<u>\$ 333,509</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (1,899,598)	\$ (2,768)	\$ (1,902,366)	\$ (49)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	52,869	2,768	55,637	0
In-kind grant from state	238,780	0	238,780	0
Commodities used	161,549	0	161,549	0
Changes in assets and liabilities:				
Inventory	(2,573)	0	(2,573)	0
Accounts receivable	(296)	0	(296)	0
Accounts payable	(1,722)	0	(1,722)	1,797
Net cash provided by operating activities	<u>\$ (1,450,991)</u>	<u>\$ 0</u>	<u>\$ (1,450,991)</u>	<u>\$ 1,748</u>
Non-Cash Investing, Capital, and Financing Activities:				
Food commodities received	\$ 161,549	\$ 0	\$ 161,549	\$ 0
In-kind grant from state for benefits	238,780	0	238,780	0
Total Non-Cash Investing, Capital, and Financing Activities	<u>\$ 400,329</u>	<u>\$ 0</u>	<u>\$ 400,329</u>	<u>\$ 0</u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

	Private Purpose Trust Funds	Agency Fund
ASSETS:		
Cash and cash equivalents	\$ 327,674	\$ 669,730
Accounts receivable	0	9,524
Due from Governmental Funds	0	5,319
Total Assets	\$ 327,674	\$ 684,573
LIABILITIES:		
Accounts payable	\$ 0	\$ 56,810
Due to Governmental Funds	0	134
Due to student groups	0	627,629
Total Liabilities	\$ 0	\$ 684,573
NET ASSETS HELD IN TRUST	\$ 327,674	\$ 0

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2012

	<u>Private Purpose Trust Funds</u>
Additions:	
Interest income	\$ 4,799
Contributions received	<u>48,415</u>
Total Additions	<u>53,214</u>
 Deductions:	
Fundraising expenses	1,255
Benefits paid	<u>47,825</u>
Total Deductions	<u>49,080</u>
Change in net assets	4,134
Net assets, July 1, 2011	<u>323,540</u>
Net assets, June 30, 2012	<u><u>\$ 327,674</u></u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year ended June 30, 2012

NOTE A – REPORTING ENTITY

The Marshall County Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Marshall 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 because board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Marshall County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and is not responsible for any debt of the organizations, nor has any influence over the operation of the organizations.

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

Marshall County School District Finance Corporation – In 1991, the Marshall County Board of Education resolved to authorize the establishment of the Marshall County School District Finance Corporation (a nonprofit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The board members of the Marshall County Board of Education also comprise the Corporation’s Board of Directors.

Marshall County Finance Office – On September 1, 1968, the Marshall County Fiscal Court formed the Marshall County Finance Office as an agency of the Board for collecting the .5% occupational license tax for schools. When the District began providing office space and the salary for the collector of the tax, the fund was included as an Agency Fund on the District’s financial statements. Based on format changes to the statements under GASB 34, the Finance Office Fund activities were combined with the General Fund.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the District’s accounting policies are described below.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 all 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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. The District does not allocate indirect expenses.

Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

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

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Accounting

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary 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 always classified as a major fund of the District per GASB 34.
- (B) The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources, such as grants, donations, or gifts (other than expendable trusts or major capital projects) that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes state, federal, and private grants where unused balances are returned to the grantor at the close of specified project periods. Project accounting codes are employed to distinguish specific revenue sources and expenditures. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 46. This is a major fund of the District.
- (C) Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets (other than those financed by Proprietary Funds). Common sources of revenue to these funds are the capital outlay allotment, building tax levies, technology allotment and sale of bonds.
 - 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 restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- (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 cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise and Internal Service Funds)

- (A) The Food Service Fund (Enterprise) 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). An amount of \$161,549 has been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.
- (B) The Adult Education Fund (Enterprise) is used to account for revenues from adult education programs.
- (C) The Self-insurance Dental Fund (Internal Service) is used to account for the financing of risk management for dental coverage.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting – continued

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) Agency funds account for assets held by the District in a purely custodial capacity. Since Agency Funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These activity funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- (B) The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, such as scholarships.

Basis of Accounting

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

Exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the 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 resources are 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 the 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 the modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

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.

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

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.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 within the School District. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending thirty days after the tax bill mailing. Property taxes collected are recorded as revenues in the fund for which they are levied.

The property tax rates assessed for the year ended June 30, 2012, to finance operations were \$.389 per \$100 valuation for real property, \$.389 per \$100 valuation for business personal property and \$.40 per \$100 valuation for motor vehicles.

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

In addition, the District levies an occupational license tax of .5% on salaries, wages, commissions, and other compensation of individuals for work done and services performed or rendered in the county by resident individuals and on the net profits of all businesses, professions, or occupations from activities conducted in the county.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for revenues and expenses on the same basis as the actual financial statements, which is Generally Accepted Accounting Principles (GAAP).

Once the budget is approved, it can be amended. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

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

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the proprietary (food service) fund. Inventory consists of purchased food and donated commodities and is expensed when used. The purchased food is stated at cost and donated commodity inventory is stated at estimated value on date of receipt, with both types using the first-in, first-out method.

Prepaid Assets

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

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Debt Costs

Unamortized debt issuance costs in the amount of \$144,152 and unamortized discounts of \$236,155 are included in the government-wide statements. Both debt issuance costs and discounts are amortized over the lives of the related debt issues using the straight-line method.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. At its July 17, 2012 meeting the Board approved a change to its Fixed Asset policy in order to follow guidelines developed by the Kentucky Department of Education in its latest update on January 25, 2012. Prior to the adoption of the new guidelines, the District maintained a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there was no threshold. The new guidelines establish a capitalization threshold of \$5,000 for real or personal property, including computer workstations. Larger thresholds apply to land improvements, buildings and building improvements, and leasehold improvements. The District does not possess any infrastructure. Improvements to land and to buildings in excess of the established thresholds are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental and business-type capital assets:

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

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accumulated Unpaid Sick Leave Benefits

For those employees who qualify, the District has adopted the policy of providing at retirement a percentage of their accumulated unused 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 District's past experience of making termination payments and the age and current pay rates of eligible employees.

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance Classifications

Nonspendable fund balances are amounts that are not in a spendable form (such as prepaid expenses or inventories) or are required to be maintained intact. At June 30, 2012, the District had \$77,455 in nonspendable fund balance – prepaid insurance.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2012, the District had \$449,191 as restricted for sick leave in the General Fund and \$991,555 restricted in the nonmajor funds (\$591,770 for KSFFC escrow, \$300,789 for construction, and \$98,996 for debt service).

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which, for the District, is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments at June 30, 2012: \$70,352 for SDBM carryforward, \$16,617 for playground equipment, \$719,759 for buses, and \$216,540 for digital curriculum.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Balance Classifications (Continued)

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows the program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2012, was \$53,740 in the General Fund. The General Fund also had \$30,789 assigned for equipment purchases. Assigned fund balance also includes (a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The District considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. The District does not have a policy regarding the use of unrestricted fund balance amounts. Therefore, the default order is used which considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Assets

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Use of Restricted Sources

When an expense is incurred for which there are both restricted and unrestricted net assets available, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Interfund Activity

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

Subsequent Events

In preparing these financial statements, management has evaluated other events and transactions for potential recognition or disclosure through October 29, 2012, the date the financial statements were available to be issued.

NOTE C – ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE D – CASH AND CASH EQUIVALENTS

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

Kentucky Revised Statutes authorize the Board 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 saving 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' acceptance for banks rated in one of the three highest categories by a nationally recognized rating agency. The District has no investment policy that would further limit its investment choices.

At year end, the carrying amount of the District's cash and cash equivalents was \$6,407,384. The bank balance was \$7,729,163. Of the bank balance, \$636,370 was covered by federal depository insurance and the remaining balance was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The remaining balance of \$7,092,793 was uninsured and collateralized with securities held by the pledging bank's agent, in the District's name.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2012

Note E - Capital Assets

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

Governmental Activities	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012
Capital Assets:				
Land	\$ 446,325	\$ 737,198	\$ 0	\$ 1,183,523
Land improvements	44,500	0	0	44,500
Buildings and improvements	58,817,437	44,190	0	58,861,627
Technology equipment	3,902,176	269,316	1,087,213	3,084,279
Vehicles	4,765,549	456,987	341,739	4,880,797
General Equipment	3,692,308	133,787	24,246	3,801,849
Construction	6,144	14,613	6,144	14,613
Totals at historical cost	<u>71,674,439</u>	<u>1,656,091</u>	<u>1,459,342</u>	<u>71,871,188</u>
Less: Accumulated depreciation				
Land improvements	5,192	2,225	0	7,417
Buildings and improvements	22,916,769	1,314,958	107	24,231,620
Technology equipment	3,050,775	346,922	1,054,104	2,343,593
Vehicles	3,274,762	302,795	312,356	3,265,201
General Equipment	2,482,167	203,341	18,002	2,667,506
Total accumulated depreciation	<u>31,729,665</u>	<u>2,170,241</u>	<u>1,384,569</u>	<u>32,515,337</u>
Governmental Activities Capital Assets - Net	<u><u>\$ 39,944,774</u></u>	<u><u>\$ (514,150)</u></u>	<u><u>\$ 74,773</u></u>	<u><u>\$ 39,355,851</u></u>
Business-Type Activities				
Capital Assets:				
Buildings and improvements	\$ 114,545	\$ 0	\$ 0	\$ 114,545
Technology equipment	106,892	0	39,816	67,076
General Equipment	1,228,898	7,178	5,369	1,230,707
Totals at historical cost	<u>1,450,335</u>	<u>7,178</u>	<u>45,185</u>	<u>1,412,328</u>
Less: Accumulated depreciation				
Buildings and improvements	88,200	2,291	0	90,491
Technology equipment	99,278	2,267	39,816	61,729
General Equipment	856,446	51,079	5,369	902,156
Total accumulated depreciation	<u>1,043,924</u>	<u>55,637</u>	<u>45,185</u>	<u>1,054,376</u>
Business-Type Activities Capital Assets - Net	<u><u>\$ 406,411</u></u>	<u><u>\$ (48,459)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 357,952</u></u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,516,110
Instructional staff support	1,253
District administration	73,864
School administrative support	6,942
Business support	23,170
Plant operation and maintenance	328,245
Student transportation	220,657
Total depreciation expense	<u><u>\$ 2,170,241</u></u>

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE F – BONDED DEBT AND CAPITAL LEASE OBLIGATIONS

The amount shown in the accompanying government-wide financial statements as bond obligations represent the District's future obligations to make lease payments related to school building revenue bonds issued by the Marshall County School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The District, through the General Fund, SEEK Capital Outlay Fund and the Facility Support Program Levy Fund is obligated to make lease payments. The lease agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Marshall County School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises should become the property of the District. The District is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security to the holders of the bonds.

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
1998B	\$ 4,640,000	3.500% - 4.100%
1999	1,635,000	4.000% - 5.000%
2003	680,000	1.800% - 3.450%
2004	12,170,000	3.000% - 5.000%
2007	3,880,000	4.000% - 4.125%
2008	4,005,000	2.200% - 3.300%
2010	509,000	3.625%
2011	9,590,000	2.000% - 2.625%

In 1991 the District entered into a "participation agreement" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards in meeting school construction needs. The table on the following page 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 financial statements.

On November 30, 2011, the Board issued \$9,590,000 of School Building Revenue Refunding Bonds to advance refund outstanding 2004 School Building Revenue Bonds that were scheduled to mature on or after June 1, 2014. The liabilities for the defeased bonds are not included in the District's financial statements. On June 30, 2012, \$8,220,000 of bonds outstanding is considered defeased. The advance refunding reduced total debt service payments over the next thirteen years by \$813,987, with a net present value savings of 8.613%. This results in an economic gain (the difference between the present value of the old and the new debt service payments) of \$707,991. In the Statement of Net Assets, the net costs associated with the early retirement of the issue are deferred and amortized over the remaining life of the defeased debt. The amount deferred is reported as a decrease to the book value of the new debt issued to finance the refunding. Total deferred costs were \$1,272,087. Amortization for the year was \$97,853 and is included as a component of interest expense.

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:

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE F – BONDED DEBT AND CAPITAL LEASE OBLIGATIONS – CONTINUED

Year	Marshall County School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2012-2013	\$ 1,057,109	\$ 523,380	\$ 145,891	\$ 98,007	\$ 1,824,387
2013-2014	1,097,306	488,598	151,694	92,534	1,830,132
2014-2015	1,127,320	453,867	157,680	86,840	1,825,707
2015-2016	1,162,057	414,498	163,943	80,835	1,821,333
2016-2017	1,211,496	371,810	169,504	74,512	1,827,322
2017-2018	1,245,669	326,521	176,331	67,906	1,816,427
2018-2019	1,319,094	278,663	163,906	60,970	1,822,633
2019-2020	1,349,242	248,740	169,758	55,266	1,823,006
2020-2021	1,379,156	216,451	175,844	49,292	1,820,743
2021-2022	1,413,884	183,435	182,116	43,096	1,822,531
2022-2023	1,443,360	147,834	188,640	36,611	1,816,445
2023-2024	1,472,632	111,562	195,368	29,887	1,809,449
2024-2025	568,403	72,725	150,597	22,853	814,578
2025-2026	593,539	49,989	156,461	16,920	816,909
2026-2027	618,322	25,506	162,678	10,597	817,103
2027-2028	0	0	32,000	4,024	36,024
2028-2029	0	0	33,000	2,846	35,846
2029-2030	0	0	34,000	1,631	35,631
2030-2031	0	0	28,000	508	28,508
	<u>\$ 17,058,589</u>	<u>\$ 3,913,579</u>	<u>\$ 2,637,411</u>	<u>\$ 835,135</u>	<u>\$ 24,444,714</u>

The District financed some technology equipment through Dell Financial Services during 2010. This was considered to be a capital lease, as it was a lease/purchase with a buyout of \$1 at the end of the lease term. The amounts are not reflected on the fund financial statements. The lease was for \$223,965, with annual payments of \$78,993 for three years. The District paid the first and second payment during the fiscal year ended June 30, 2011 and the final payment during the fiscal year ended June 30, 2012.

Interest incurred and charged to expense for fiscal year ended June 30, 2012 was \$622,690.

A summary of changes in long-term debt is as follows:

Type	Balance	Increase	Decrease	Balance
	June 30, 2011			June 30, 2012
Bonds payable	\$ 19,789,000	\$ 9,590,000	\$ 9,683,000	\$ 19,696,000
Capital lease - Dell	73,403	0	73,403	0
Non-current portion of sick leave	664,123	304,093	218,966	749,250
Totals	<u>\$ 20,526,526</u>	<u>\$ 9,894,093</u>	<u>\$ 9,975,369</u>	<u>\$ 20,445,250</u>

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE G – RETIREMENT PLANS

Plan Descriptions

The Marshall County School District contributes to the Teachers' Retirement System of Kentucky (KTRS) and the County Employee's Retirement System (CERS), both cost-sharing, multiple employer defined benefit pension plans. Certified employees are covered under KTRS and substantially all other employees (classified employees) are covered under CERS. Both plans administer retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by Kentucky Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

The Kentucky Revised Statutes provided for the establishment of both systems and benefit amendments are authorized by the State legislature. 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). Each plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. The KTRS report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS website at <http://www.ktrs.ky.gov/>. The CERS report can be obtained by writing to Kentucky Employee's Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601.

Funding Policy

Contribution rates are established by KRS. Plan members of KTRS who established an account in a state retirement system before July 2008 are required to contribute 10.355% of their salaries to KTRS. Members after July 1, 2008 contribute an additional .5%. The Commonwealth of Kentucky is required to contribute 13.605% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions. Plan members of CERS are required to contribute 5% of their annual covered salary, and the Marshall County School District provides a contribution of 18.96% of that salary. For employees hired on September 1, 2008, or thereafter, an additional 1% must be contributed to a health insurance account.

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

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE G – RETIREMENT PLANS – CONTINUED

The Marshall County School District's total payroll for the year was \$26,386,897. The payroll for employees covered under KTRS was \$20,521,305 and for CERS was \$5,385,259. For the year ended June 30, 2012, the Commonwealth contributed \$2,512,268 to KTRS for the benefit of participating employees. The District's contributions to KTRS for the year ended June 30, 2012, was \$202,581, which represents those employees covered by federal programs. The contribution requirement and the amount contributed to CERS for the year ended June 30, 2012 was \$1,298,133 which consisted of \$1,021,045 from the Board and \$277,088 from the employees. The contributions required and paid for CERS for the years ended June 30, 2011 and 2010 were \$1,193,834 and \$1,140,442, respectively.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

NOTE H – BENEFITS FUNDED BY KENTUCKY STATE DEPARTMENT OF EDUCATION

The Kentucky Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2012:

Contributions to Kentucky Teachers' Retirement System	\$ 2,512,268
Technology	86,591
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	<u>4,663,404</u>
Total	<u>\$ 7,262,263</u>

These payments are recorded in the General and Food Service Funds as revenues and expenditures. The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District.

On-behalf contributions were charged to governmental functions as follows:

Instruction	\$ 5,089,577
Support services:	
Student	342,132
Instructional staff	228,106
District administration	68,791
School administration	434,271
Business	227,890
Plant operations and maintenance	346,030
Student transportation	286,686
Food services	<u>238,780</u>
Total	<u>\$ 7,262,263</u>

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE I – COMMITMENTS AND CONTINGENCIES

Grant Contingencies

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not 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 predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE J – INSURANCE AND RELATED ACTIVITIES

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

NOTE K – 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. Employees of the District were covered by the District's dental and vision self-insurance plan (the "Plan"). The District contributed \$24.99 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Claims were paid by a third party administrator acting on behalf of the District. The administrative contract between the District and the third party administrator is renewable annually and administrative fees are included in the contractual provisions. The costs associated with this self-insurance plan are reported as interfund transactions to the extent of amounts determined to be needed to fund the plan based on past history. Accordingly, they are treated as operating revenues of the Internal Service Fund and operating expenditures of the General, Special Revenue and Proprietary Funds. The liabilities of the Plan are based on estimated claims incurred but not yet reported to the third party administrator.

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

NOTE L - COBRA

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

NOTE M – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District has no funds with a deficit fund balance. However, the Special Revenue Fund had excess current year expenditures over current year appropriations totaling \$582,664. The General Fund had \$2,726,932 less in expenditures than appropriations when excluding on-behalf payments of \$7,023,483 which are not required to be budgeted.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE N - TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching	General	Special Revenue	Technology Match	\$ 87,052
Operating	General	Debt Service	Debt Service	179,375
Operating	Capital Outlay	Debt Service	Debt Service	12,949
Operating	FSPK	Debt Service	Debt Service	1,569,229
Operating	Capital Outlay	Construction	Construction	578,782
Operating	Construction-CCES	Construction-MS	Transfer to new project	83,297
Operating	Capital Outlay	General	Capital spending	344,088

NOTE O – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2012 consisted of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund:		
Agency Fund	\$ 134	\$ 5,319
Agency Fund:		
General Fund	5,319	134

NOTE P – LITIGATION

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

NOTE Q – SUBSEQUENT EVENTS

At their September, 2012 meeting, the Board approved a BG-1 form for construction of a press box/concession area at the girls' softball facility for an approximate cost of \$87,750.

REQUIRED SUPPLEMENTARY INFORMATION

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Favorable (Unfavorable)
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 5,622,567	\$ 5,875,560	\$ 5,929,916	\$ 54,356
Motor Vehicle	988,667	1,010,000	1,017,337	7,337
Utilities	3,200,000	3,100,000	3,165,400	65,400
Occupational license tax	1,400,000	1,648,000	1,813,675	165,675
In Lieu of	1,632,501	1,648,650	1,648,650	0
Earnings on Investments	111,105	98,000	102,488	4,488
Other local revenues	301,500	262,426	286,713	24,287
Intergovernmental - State	15,770,159	15,941,418	22,964,290	7,022,872
Intergovernmental - indirect federal	120,000	88,000	94,476	6,476
TOTAL REVENUES	<u>29,146,499</u>	<u>29,672,054</u>	<u>37,022,945</u>	<u>7,350,891</u>
EXPENDITURES:				
Current:				
Instruction	18,760,457	19,058,387	23,496,415	(4,438,028)
Support Services:				
Student	1,381,106	1,421,866	1,730,679	(308,813)
Instructional Staff	980,552	964,791	1,103,823	(139,032)
District Administration	1,492,266	1,633,013	1,586,920	46,093
School Administration	1,611,278	1,598,102	1,954,308	(356,206)
Business	724,365	735,272	853,316	(118,044)
Plant operations and maintenance	3,986,865	3,994,731	4,236,216	(241,485)
Student transportation	1,751,159	2,176,527	2,322,614	(146,087)
Food services	6,886	14,386	11,100	3,286
Community services	5,681	5,774	30,795	(25,021)
Facilities acquisition and construction	75,000	76,580	76,699	(119)
Debt service	2,250	0	0	0
Contingency	1,534,136	1,413,957	0	1,413,957
TOTAL EXPENDITURES	<u>32,312,001</u>	<u>33,093,386</u>	<u>37,402,885</u>	<u>(4,309,499)</u>
Excess (deficit) of revenues over expenditures	<u>(3,165,502)</u>	<u>(3,421,332)</u>	<u>(379,940)</u>	<u>3,041,392</u>
OTHER FINANCING SOURCES (USES):				
Sale or comp for loss of assets	13,000	232,055	251,177	19,122
Operating transfers in	0	344,088	344,088	0
Operating transfers out	(283,750)	(279,375)	(266,427)	12,948
TOTAL OTHER FINANCING SOURCES (USES)	<u>(270,750)</u>	<u>296,768</u>	<u>328,838</u>	<u>32,070</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(3,436,252)</u>	<u>(3,124,564)</u>	<u>(51,102)</u>	<u>3,073,462</u>
Fund Balance, July 1, 2011	<u>3,436,252</u>	<u>3,124,564</u>	<u>4,570,190</u>	<u>1,445,626</u>
Fund Balance, June 30, 2012	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,519,088</u>	<u>\$ 4,519,088</u>

See independent auditor's report and accompanying notes to financial statements

NOTE: The on-behalf payments of \$7,023,483 from the state are included in both revenues and expenditures in the actual column; however, this amount was not required to be included in the budget.

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
From Local Sources:				
Earnings on Investments	\$ 0	\$ 0	\$ 1,017	\$ 1,017
Other local revenues	8,896	8,896	0	(8,896)
Intergovernmental - State	1,085,560	1,410,185	1,530,819	120,634
Intergovernmental - Indirect federal	2,490,535	2,415,769	2,885,678	469,909
TOTAL REVENUES	<u>3,584,991</u>	<u>3,834,850</u>	<u>4,417,514</u>	<u>582,664</u>
EXPENDITURES:				
Current:				
Instruction	3,132,669	3,280,595	3,751,715	(471,120)
Support Services:				
Student support services	10,482	10,665	5,462	5,203
Instructional Staff	142,191	218,011	267,522	(49,511)
District admin support	29,914	30,247	31,926	(1,679)
Plant operations and maintenance	64,000	30,228	30,214	14
Student transportation	12,930	64,342	129,967	(65,625)
Community service activities	292,805	287,814	287,760	54
TOTAL EXPENDITURES	<u>3,684,991</u>	<u>3,921,902</u>	<u>4,504,566</u>	<u>(582,664)</u>
Excess (deficit) of revenues over expenditures	<u>(100,000)</u>	<u>(87,052)</u>	<u>(87,052)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	100,000	87,052	87,052	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>100,000</u>	<u>87,052</u>	<u>87,052</u>	<u>0</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	0	0	0	0
Fund Balance, July 1, 2011	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30, 2012	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See independent auditor's report and accompanying notes to financial statements

OTHER SUPPLEMENTARY INFORMATION

MARSHALL COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	SEEK Capital Outlay Fund	SFPK Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES:					
Cash and cash equivalents	\$ 78,219	\$ 591,770	\$ 222,570	\$ 98,996	\$ 991,555
TOTAL ASSETS AND RESOURCES	\$ 78,219	\$ 591,770	\$ 222,570	\$ 98,996	\$ 991,555
 LIABILITIES AND FUND BALANCE:					
LIABILITIES:					
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL LIABILITIES	0	0	0	0	0
 EQUITY AND FUND BALANCES:					
Restricted					
KSFCC escrow	0	591,770	0	0	591,770
Construction projects	78,219	0	222,570	0	300,789
Debt service	0	0	0	98,996	98,996
TOTAL FUND BALANCES	78,219	591,770	222,570	98,996	991,555
TOTAL LIABILITIES AND FUND BALANCES	\$ 78,219	\$ 591,770	\$ 222,570	\$ 98,996	\$ 991,555

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	SEEK Capital Outlay Fund	SFPK Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:					
From Local Sources:					
Taxes:					
Property	\$ 0	\$ 1,050,833	\$ 0	\$ 0	\$ 1,050,833
Earnings on Investments	0	0	3,903	209	4,112
Intergovernmental - State	435,255	518,396	0	244,550	1,198,201
TOTAL REVENUES	435,255	1,569,229	3,903	244,759	2,253,146
EXPENDITURES:					
Facilities acquisition and construction	0	0	688,921	0	688,921
Debt service	0	0	0	2,007,028	2,007,028
TOTAL EXPENDITURES	0	0	688,921	2,007,028	2,695,949
Excess (deficit) of revenues over expenditures	435,255	1,569,229	(685,018)	(1,762,269)	(442,803)
OTHER FINANCING SOURCES (USES):					
Proceeds of revenue refunding bonds	0	0	0	9,590,000	9,590,000
Payment to refunded bond escrow agent	0	0	0	(9,392,538)	(9,392,538)
Payment of bond issue costs	0	0	0	(72,800)	(72,800)
Discounts on bonds sold	0	0	0	(120,030)	(120,030)
Operating transfers in	0	0	662,079	1,761,553	2,423,632
Operating transfers out	(935,819)	(1,569,229)	(83,297)	0	(2,588,345)
TOTAL OTHER FINANCING SOURCES (USES)	(935,819)	(1,569,229)	578,782	1,766,185	(160,081)
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(500,564)	0	(106,236)	3,916	(602,884)
Fund Balance, July 1, 2011	578,783	591,770	328,806	95,080	1,594,439
Fund Balance, June 30, 2012	\$ 78,219	\$ 591,770	\$ 222,570	\$ 98,996	\$ 991,555

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
For the Year Ended June 30, 2012

	1998B BONDS FUND	1999 BONDS FUND	2003 BONDS FUND	2004 BONDS FUND	2007 BONDS FUND
REVENUES:					
From local sources:					
Earnings on investments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental - State	0	0	0	38,632	137,109
TOTAL REVENUES	<u>0</u>	<u>0</u>	<u>0</u>	<u>38,632</u>	<u>137,109</u>
EXPENDITURES:					
Debt Service:					
Principal	450,000	175,000	75,000	40,000	90,000
Interest	9,225	4,375	6,814	156,961	144,437
TOTAL EXPENDITURES	<u>459,225</u>	<u>179,375</u>	<u>81,814</u>	<u>196,961</u>	<u>234,437</u>
Excess (deficit) of revenues over expenditures	<u>(459,225)</u>	<u>(179,375)</u>	<u>(81,814)</u>	<u>(158,329)</u>	<u>(97,328)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds of revenue refunding bonds	0	0	0	0	0
Payment to refunded bond escrow agent	0	0	0	0	0
Payment of bond issue costs	0	0	0	0	0
Discounts on bonds sold	0	0	0	0	0
Operating transfers in	459,225	179,375	85,520	158,330	97,328
TOTAL OTHER FINANCING SOURCES (USES)	<u>459,225</u>	<u>179,375</u>	<u>85,520</u>	<u>158,330</u>	<u>97,328</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	0	0	3,706	1	0
Fund balance July 1, 2011	<u>543</u>	<u>386</u>	<u>79,054</u>	<u>547</u>	<u>0</u>
Fund balance June 30, 2012	<u>\$ 543</u>	<u>\$ 386</u>	<u>\$ 82,760</u>	<u>\$ 548</u>	<u>\$ 0</u>

See independent auditor's report and accompanying notes to financial statements

<u>2008 BONDS FUND</u>	<u>2010 BONDS FUND</u>	<u>2011 BONDS FUND</u>	<u>NOW ACCOUNT</u>	<u>Totals Debt service Fund</u>
\$ 0	\$ 0	\$ 0	\$ 209	\$ 209
<u>19,545</u>	<u>36,125</u>	<u>13,139</u>	<u>0</u>	<u>244,550</u>
<u>19,545</u>	<u>36,125</u>	<u>13,139</u>	<u>209</u>	<u>244,759</u>
385,000	18,000	230,000	0	1,463,000
<u>88,433</u>	<u>18,125</u>	<u>115,658</u>	<u>0</u>	<u>544,028</u>
<u>473,433</u>	<u>36,125</u>	<u>345,658</u>	<u>0</u>	<u>2,007,028</u>
<u>(453,888)</u>	<u>0</u>	<u>(332,519)</u>	<u>209</u>	<u>(1,762,269)</u>
0	0	9,590,000	0	9,590,000
0	0	(9,392,538)	0	(9,392,538)
0	0	(72,800)	0	(72,800)
0	0	(120,030)	0	(120,030)
<u>453,888</u>	<u>0</u>	<u>327,887</u>	<u>0</u>	<u>1,761,553</u>
<u>453,888</u>	<u>0</u>	<u>332,519</u>	<u>0</u>	<u>1,766,185</u>
0	0	0	209	3,916
<u>0</u>	<u>0</u>	<u>0</u>	<u>14,550</u>	<u>95,080</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 14,759</u>	<u>\$ 98,996</u>

MARSHALL COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET--ALL ACTIVITY FUNDS
 June 30, 2012

	<u>Benton</u> Elementary	<u>Calvert</u> Elementary	<u>Central</u> Elementary	<u>Jonathan</u> Elementary	<u>Sharpe</u> Elementary	<u>South</u> Elementary
ASSETS:						
Cash and cash equivalents	\$ 40,226	\$ 43,843	\$ 10,315	\$ 45,839	\$ 11,204	\$ 14,225
Accounts Receivable	106	1,000	1,889	0	315	95
Due from Governmental Funds	<u>0</u>	<u>0</u>	<u>937</u>	<u>0</u>	<u>0</u>	<u>0</u>
 TOTAL ASSETS	 <u>\$ 40,332</u>	 <u>\$ 44,843</u>	 <u>\$ 13,141</u>	 <u>\$ 45,839</u>	 <u>\$ 11,519</u>	 <u>\$ 14,320</u>
LIABILITIES:						
Accounts Payable	\$ 289	\$ 490	\$ 2,907	\$ 0	\$ 144	\$ 0
Due to Governmental Funds	0	134	0	0	0	0
Due to Student Groups	40,043	44,219	10,234	45,839	11,375	14,320
TOTAL LIABILITIES	<u>\$ 40,332</u>	<u>\$ 44,843</u>	<u>\$ 13,141</u>	<u>\$ 45,839</u>	<u>\$ 11,519</u>	<u>\$ 14,320</u>
 NET ASSETS HELD IN TRUST	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 0</u>

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<u>Benton Middle</u>	<u>North Middle</u>	<u>South Middle</u>	<u>Marshall County High School</u>	<u>Marshall County Technical Center</u>	<u>Totals (Memorandum Only)</u>
\$ 22,664	\$ 29,847	\$ 10,402	\$ 385,246	\$ 55,919	\$ 669,730
196	0	61	5,862	0	9,524
0	0	0	3,647	735	5,319
<u>\$ 22,860</u>	<u>\$ 29,847</u>	<u>\$ 10,463</u>	<u>\$ 394,755</u>	<u>\$ 56,654</u>	<u>\$ 684,573</u>
\$ 2,733	\$ 709	\$ 506	\$ 43,341	\$ 5,691	\$ 56,810
0	0	0	0	0	134
20,127	29,138	9,957	351,414	50,963	627,629
<u>\$ 22,860</u>	<u>\$ 29,847</u>	<u>\$ 10,463</u>	<u>\$ 394,755</u>	<u>\$ 56,654</u>	<u>\$ 684,573</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

MARSHALL COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN DUE TO STUDENT GROUPS
ALL ACTIVITY FUNDS
For the Year Ended June 30, 2012

	Benton Elementary	Calvert Elementary	Central Elementary	Jonathan Elementary	Sharpe Elementary	South Elementary
REVENUES:						
From local sources:						
Earnings on Investments	\$ 682	\$ 631	\$ 59	\$ 553	\$ 256	\$ 266
Student activities	<u>103,300</u>	<u>65,948</u>	<u>72,690</u>	<u>71,721</u>	<u>84,688</u>	<u>58,927</u>
Total Revenues	<u>103,982</u>	<u>66,579</u>	<u>72,749</u>	<u>72,274</u>	<u>84,944</u>	<u>59,193</u>
EXPENDITURES						
Student Activities	<u>97,510</u>	<u>63,759</u>	<u>72,198</u>	<u>60,456</u>	<u>85,377</u>	<u>58,877</u>
Total expenditures	<u>97,510</u>	<u>63,759</u>	<u>72,198</u>	<u>60,456</u>	<u>85,377</u>	<u>58,877</u>
Excess (deficit) of revenues over expenditures	6,472	2,820	551	11,818	(433)	316
Due to student groups, July 1, 2011	<u>33,571</u>	<u>41,399</u>	<u>9,683</u>	<u>34,021</u>	<u>11,808</u>	<u>14,004</u>
Due to student groups, June 30, 2012	<u><u>\$ 40,043</u></u>	<u><u>\$ 44,219</u></u>	<u><u>\$ 10,234</u></u>	<u><u>\$ 45,839</u></u>	<u><u>\$ 11,375</u></u>	<u><u>\$ 14,320</u></u>

See independent auditor's report and accompanying notes to financial statements

Benton Middle	North Middle	South Middle	Marshall County High School	Marshall County Technical Center	Totals (Memorandum only)
\$ 359	\$ 598	\$ 280	\$ 5,815	\$ 811	\$ 10,310
<u>108,752</u>	<u>131,108</u>	<u>60,471</u>	<u>728,707</u>	<u>84,908</u>	<u>1,571,220</u>
<u>109,111</u>	<u>131,706</u>	<u>60,751</u>	<u>734,522</u>	<u>85,719</u>	<u>1,581,530</u>
<u>106,719</u>	<u>135,190</u>	<u>66,729</u>	<u>789,453</u>	<u>91,916</u>	<u>1,628,184</u>
<u>106,719</u>	<u>135,190</u>	<u>66,729</u>	<u>789,453</u>	<u>91,916</u>	<u>1,628,184</u>
2,392	(3,484)	(5,978)	(54,931)	(6,197)	(46,654)
<u>17,735</u>	<u>32,622</u>	<u>15,935</u>	<u>406,345</u>	<u>57,160</u>	<u>674,283</u>
<u>\$ 20,127</u>	<u>\$ 29,138</u>	<u>\$ 9,957</u>	<u>\$ 351,414</u>	<u>\$ 50,963</u>	<u>\$ 627,629</u>

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

	Cash Balance	Receipts		Disbursements	
	July 1, 2011	Actual	Budget	Actual	Budget
Student Fees	\$ 1,731.83	\$ 23,108.55	\$ 27,000.00	\$ 23,604.77	\$ 26,000.00
Interest	114,630.66	93,845.41	25,000.00	123,961.07	25,000.00
MC Mason Benefit Fund	1,114.34	3,329.12	2,500.00	2,419.31	2,500.00
Student Activity	91.80	2,086.16	6,500.00	1,405.44	6,000.00
Student Incentive	0.00	500.00	500.00	450.00	500.00
Academic Celebration	0.00	715.00	0.00	162.50	0.00
Student Benefit Fund	470.47	150.00	0.00	0.00	0.00
Student ID Fund	1,238.29	375.00	350.00	0.00	300.00
Book Fees	61,429.20	24,931.14	25,000.00	45,572.81	25,000.00
Parking	269.67	929.00	1,600.00	515.95	1,600.00
Academic	253.71	100.00	350.00	295.25	200.00
Administration	880.55	6,266.09	2,000.00	6,945.71	1,500.00
Art Club	124.00	0.00	115.00	124.00	95.00
Beta/NHS Club	1,070.95	661.88	700.00	291.00	350.00
Business Management	154.95	0.00	2,000.00	93.82	1,900.00
Club Interact	26.00	250.00	26.00	92.50	26.00
Dream Green	342.60	0.00	1,200.00	0.00	800.00
Drama Club	12,260.52	2,606.61	350.00	9,089.62	290.00
Drama Musical	0.00	9,598.50	0.00	2,830.01	0.00
FEA Club	3,032.90	1,734.75	2,300.00	1,775.62	1,300.00
Focus	5.79	325.21	400.00	331.00	400.00
FBLA	1,005.98	10,943.69	8,240.00	10,877.27	4,105.00
FFA	24,735.76	18,844.15	30,650.00	28,194.16	26,800.00
Purchase Region FFA	0.00	5,280.25	0.00	420.00	0.00
Hometown Scholarship	3,019.76	0.00	1,500.00	0.00	1,500.00
French Club	31.75	809.20	968.00	734.98	838.00
Marshall Girls	2,911.69	7,036.15	6,600.00	3,743.25	4,000.00
Psychology Club	398.24	0.00	300.00	398.24	160.00
Marshall Militia (Pep)	2,902.26	8,992.00	5,000.00	9,809.51	4,300.00
Science Club	2,422.05	0.00	250.00	369.96	200.00
Science Dept.	778.49	0.00	0.00	150.00	0.00
Science Olympiad	0.00	1,646.25	450.00	1,089.07	400.00
NSSP	664.21	0.00	300.00	664.21	60.00
Spanish Club	266.91	649.55	746.00	457.83	360.00
Student Council	116.04	1,563.65	2,400.00	1,395.00	2,250.00
Sign Making Club	60.00	0.00	110.00	60.00	80.00
Photography Club	18.03	0.00	1,200.00	18.03	1,000.00
Agriculture	22.23	1,847.50	1,500.00	1,869.73	1,500.00
Technology Fund	347.71	67.60	40.00	0.00	0.00
Art II	236.88	2,181.03	2,000.00	1,919.89	2,000.00
Art I	180.75	4,401.50	2,000.00	4,297.94	2,000.00
The Bass Club	0.00	3,665.00	0.00	3,624.20	0.00
Band	1,199.98	2,904.23	700.00	3,702.08	500.00
The Bookworms	21.00	0.00	130.00	21.00	125.00
Internet Fund	1,428.45	491.12	325.00	60.20	250.00
History/Govt. Trip	1,224.46	0.00	15,000.00	0.00	15,000.00
English Dept.	605.67	0.00	0.00	605.67	0.00
FCCLA	19,259.49	22,937.30	15,435.00	23,080.03	15,435.00
Go Club	189.80	0.00	100.00	0.00	90.00
Journalism	210.17	0.00	0.00	210.07	0.00
JCA	116.72	225.00	299.75	108.88	170.00
Library Dept.	954.48	4,095.55	4,500.00	4,085.87	4,000.00
Speech Team	0.00	2,443.55	0.00	1,488.41	0.00
MC Special Olympics	0.00	559.00	0.00	559.00	0.00
Math Department	0.00	0.00	0.00	0.00	0.00
Music/Choir	1,359.97	1,200.00	1,500.00	675.32	1,300.00
Math Club	30.00	0.00	0.00	30.00	0.00
Mock Trial	0.00	650.00	2,000.00	150.00	2,000.00
P. E. Dept.	9.00	0.00	0.00	9.00	0.00
TV Studio	0.00	10.00	0.00	0.00	0.00

See independent auditor's report and accompanying notes to financial statements

	Cash Balance June 30, 2012	Accounts Receivable	Accounts Payable	Due to June 30, 2012
Student Fees	\$ 1,235.61	\$ 60.00	\$ 733.66	\$ 561.95
Interest	84,515.00	5,102.39	5,818.88	83,798.51
MC Mason Benefit Fund	2,024.15	15.74	0.00	2,039.89
Student Activity	772.52	0.00	0.00	772.52
Student Incentive	50.00	0.00	0.00	50.00
Academic Celebration	552.50	0.00	0.00	552.50
Student Benefit Fund	620.47	0.00	0.00	620.47
Student ID Fund	1,613.29	0.00	0.00	1,613.29
Book Fees	40,787.53	1,954.78	1,323.16	41,419.15
Parking	682.72	0.00	0.00	682.72
Academic	58.46	0.00	0.00	58.46
Administration	200.93	391.25	469.40	122.78
Art Club	0.00	0.00	0.00	0.00
Beta/NHS Club	1,441.83	0.00	0.00	1,441.83
Business Management	61.13	0.00	0.00	61.13
Club Interact	183.50	0.00	0.00	183.50
Dream Green	342.60	0.00	0.00	342.60
Drama Club	5,777.51	0.00	0.00	5,777.51
Drama Musical	6,768.49	0.00	0.00	6,768.49
FEA Club	2,992.03	0.00	0.00	2,992.03
Focus	0.00	0.00	0.00	0.00
FBLA	1,072.40	0.00	0.00	1,072.40
FFA	15,385.75	100.00	1,769.40	13,716.35
Purchase Region FFA	4,860.25	0.00	0.00	4,860.25
Hometown Scholarship	3,019.76	0.00	0.00	3,019.76
French Club	105.97	0.00	0.00	105.97
Marshall Girls	6,204.59	0.00	0.00	6,204.59
Psychology Club	0.00	0.00	0.00	0.00
Marshall Militia (Pep)	2,084.75	0.00	0.00	2,084.75
Science Club	2,052.09	0.00	0.00	2,052.09
Science Dept.	628.49	0.00	0.00	628.49
Science Olympiad	557.18	0.00	0.00	557.18
NSSP	0.00	0.00	0.00	0.00
Spanish Club	458.63	0.00	0.00	458.63
Student Council	284.69	0.00	0.00	284.69
Sign Making Club	0.00	0.00	0.00	0.00
Photography Club	0.00	0.00	0.00	0.00
Agriculture	0.00	0.00	0.00	0.00
Technology Fund	415.31	0.00	0.00	415.31
Art II	498.02	25.00	0.00	523.02
Art I	284.31	95.00	0.00	379.31
The Bass Club	40.80	0.00	0.00	40.80
Band	402.13	0.00	0.00	402.13
The Bookworms	0.00	0.00	0.00	0.00
Internet Fund	1,859.37	0.00	0.00	1,859.37
History/Govt. Trip	1,224.46	0.00	0.00	1,224.46
English Dept.	0.00	0.00	0.00	0.00
FCCLA	19,116.76	95.00	30.00	19,181.76
Go Club	189.80	0.00	0.00	189.80
Journalism	0.10	0.00	0.00	0.10
JCA	232.84	0.00	0.00	232.84
Library Dept.	964.16	676.71	0.00	1,640.87
Speech Team	955.14	0.00	0.00	955.14
MC Special Olympics	0.00	0.00	0.00	0.00
Math Department	0.00	0.00	0.00	0.00
Music/Choir	1,884.65	50.00	0.00	1,934.65
Math Club	0.00	0.00	0.00	0.00
Mock Trial	500.00	0.00	0.00	500.00
P. E. Dept.	0.00	0.00	0.00	0.00
TV Studio	10.00	0.00	0.00	10.00

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

	Cash Balance	Receipts		Disbursements	
	July 1, 2011	Actual	Budget	Actual	Budget
Young Conservative	327.55	1,575.00	490.00	1,616.91	200.00
Young Liberals	0.00	549.52	0.00	451.87	0.00
One Chance Club	199.47	0.00	0.00	194.10	0.00
Write Now Club	6.60	0.00	156.60	0.00	135.00
Real World Publishing	5,439.58	2,218.05	1,400.00	2,229.27	250.00
Athletic Scholarship	0.00	2,000.00	0.00	0.00	0.00
Bball District	2,801.66	0.00	0.00	0.00	0.00
Athletics	25,458.37	191,799.88	180,000.00	204,895.65	150,000.00
Athletics-Tennis (A)	737.66	1,072.24	700.00	848.65	700.00
Athletics-Boys Basketball (A)	2,286.94	10,139.75	5,000.00	12,233.80	5,000.00
Athletics-Volleyball (A)	2,101.85	1,000.00	1,000.00	23.66	1,000.00
Athletics-Girls Basketball (A)	4,732.06	17,734.41	5,000.00	16,513.73	5,000.00
Athletics-Boys Golf (A)	77.36	1,075.00	400.00	600.46	400.00
Athletics-Football (A)	82.04	2,500.00	1,000.00	2,503.89	1,000.00
Athletics-Baseball (A)	590.38	6,257.12	1,000.00	6,847.50	1,000.00
Athletics - Girls Soccer (A)	3,599.49	4,462.23	1,000.00	6,128.99	1,000.00
Athletics-Boys Soccer (A)	1,146.37	6,595.00	1,000.00	4,707.26	1,000.00
Athletics-Track (A)	19.18	6,752.84	700.00	6,310.24	700.00
Athletics - Softball (A)	3,873.84	1,392.45	2,000.00	4,756.75	2,000.00
Athletics-Cross Country (A)	305.00	2,051.64	0.00	0.00	0.00
Athletics - Hoop Fest	37,271.57	78,305.00	80,000.00	77,538.67	60,000.00
Athletics - Alliance Bowl	75.00	13,173.24	0.00	0.00	0.00
Athletics-B/G District Soccer	2,598.77	17,285.60	0.00	12,922.79	0.00
Athletics-Soccer Subsectional	1,152.29	0.00	0.00	1,081.14	0.00
Athletics-Girls Golf (A)	750.00	0.00	750.00	678.00	500.00
Athletics-Swim Fund (A)	600.00	600.00	600.00	1,200.00	600.00
Athletics - Baseball (B)	0.00	1,750.00	1,750.00	1,750.00	1,750.00
Athletics-Girls Basketball (B)	0.00	11,622.16	107,090.16	11,622.16	10,709.16
Athletics-Boys Basketball (B)	0.00	10,709.16	10,709.16	10,709.16	10,709.16
Athletics-Football (B)	0.00	20,032.55	19,927.55	20,032.55	19,927.55
Athletics - Golf (B)	0.00	750.00	750.00	750.00	750.00
Athletics-Girls Golf (B)	0.00	788.00	750.00	788.00	750.00
Athletics - Boys Soccer (B)	712.72	3,736.66	3,486.66	4,449.38	3,486.66
Athletics - Girls Soccer (B)	0.00	3,486.66	3,486.66	3,486.66	3,486.66
Athletics - Softball (B)	0.00	1,750.00	1,750.00	1,750.00	1,750.00
Athletics - Swim Team (B)	70.00	500.00	500.00	570.00	500.00
Athletics - Tennis (B)	0.00	700.00	700.00	700.00	700.00
Athletics - Volleyball (B)	0.00	1,540.00	1,540.00	457.85	1,540.00
Athletics-Track (B)	0.00	3,726.74	2,000.00	3,726.74	2,000.00
Athletics - Cross Country (B)	0.00	2,000.00	2,000.00	2,000.00	2,000.00
Cheer Competition	20,695.76	33,653.59	45,000.00	50,305.89	35,000.00
Cheer Spirit	0.00	2,090.50	0.00	0.00	0.00
Athletics - Middle School	1,098.88	1,380.00	1,200.00	1,766.01	700.00
Athletics - MS Football	492.99	5,160.00	5,160.00	5,652.99	5,160.00
Athletics - MS Soccer	1,475.99	4,440.00	4,440.00	4,544.18	3,000.00
Athletics - MS Softball	393.85	2,400.00	2,400.00	2,724.97	2,000.00
Athletics - MS Track	669.49	3,480.00	1,080.00	4,149.49	1,080.00
Athletics - MS Cross Country	0.00	1,320.00	1,320.00	831.93	1,320.00
Junior/Senior Class	6,550.82	9,084.40	8,400.00	9,845.52	6,000.00
Project Graduation	2,111.22	16,841.45	17,075.00	15,323.64	4,050.00
Annual	4,243.36	28,802.00	35,000.00	305.84	30,000.00
Green Alliance	80.48	100.00	100.00	0.00	40.00
Guidance Testing	4,980.24	26,838.95	13,000.00	27,688.70	9,000.00
Fine Arts Fund	6,596.74	1,245.00	1,500.00	1,129.57	800.00
Fine Arts Scholarship	5,701.02	545.00	2,000.00	500.00	2,000.00
Total Central Fund	417,962.75	843,967.48	778,446.54	876,683.74	574,878.19
Less: Interfund Transfers	0.00	116,887.22	0.00	116,887.22	0.00
Total	\$ 417,962.75	\$ 727,080.26	\$ 778,446.54	\$ 759,796.52	\$ 574,878.19

See independent auditor's report and accompanying notes to financial statements

	Cash Balance June 30, 2012	Accounts Receivable	Accounts Payable	Due to June 30, 2012
Young Conservative	285.64	0.00	0.00	285.64
Young Liberals	97.65	0.00	0.00	97.65
One Chance Club	5.37	0.00	0.00	5.37
Write Now Club	6.60	0.00	0.00	6.60
Real World Publishing	5,428.36	24.00	0.00	5,452.36
Athletic Scholarship	2,000.00	0.00	0.00	2,000.00
Bball District	2,801.66	0.00	0.00	2,801.66
Athletics	12,362.60	869.04	6.92	13,224.72
Athletics-Tennis (A)	961.25	0.00	0.00	961.25
Athletics-Boys Basketball (A)	192.89	0.00	0.00	192.89
Athletics-Volleyball (A)	3,078.19	0.00	0.00	3,078.19
Athletics-Girls Basketball (A)	5,952.74	0.00	400.40	5,552.34
Athletics-Boys Golf (A)	551.90	0.00	0.00	551.90
Athletics-Football (A)	78.15	0.00	0.00	78.15
Athletics-Baseball (A)	0.00	0.00	0.00	0.00
Athletics - Girls Soccer (A)	1,932.73	0.00	0.00	1,932.73
Athletics-Boys Soccer (A)	3,034.11	0.00	0.00	3,034.11
Athletics-Track (A)	461.78	0.00	0.00	461.78
Athletics - Softball (A)	509.54	0.00	0.00	509.54
Athletics-Cross Country (A)	2,356.64	0.00	0.00	2,356.64
Athletics - Hoop Fest	38,037.90	0.00	0.00	38,037.90
Athletics - Alliance Bowl	13,248.24	0.00	0.00	13,248.24
Athletics-B/G District Soccer	6,961.58	0.00	0.00	6,961.58
Athletics-Soccer Subsectional	71.15	0.00	0.00	71.15
Athletics-Girls Golf (A)	72.00	0.00	0.00	72.00
Athletics-Swim Fund (A)	0.00	0.00	0.00	0.00
Athletics - Baseball (B)	0.00	0.00	0.00	0.00
Athletics-Girls Basketball (B)	0.00	0.00	0.00	0.00
Athletics-Boys Basketball (B)	0.00	0.00	0.00	0.00
Athletics-Football (B)	0.00	0.00	0.00	0.00
Athletics - Golf (B)	0.00	0.00	0.00	0.00
Athletics-Girls Golf (B)	0.00	0.00	0.00	0.00
Athletics - Boys Soccer (B)	0.00	0.00	0.00	0.00
Athletics - Girls Soccer (B)	0.00	0.00	0.00	0.00
Athletics - Softball (B)	0.00	0.00	0.00	0.00
Athletics - Swim Team (B)	0.00	0.00	0.00	0.00
Athletics - Tennis (B)	0.00	0.00	0.00	0.00
Athletics - Volleyball (B)	1,082.15	0.00	0.00	1,082.15
Athletics-Track (B)	0.00	0.00	0.00	0.00
Athletics - Cross Country (B)	0.00	0.00	0.00	0.00
Cheer Competition	4,043.46	0.00	0.00	4,043.46
Cheer Spirit	2,090.50	0.00	0.00	2,090.50
Athletics - Middle School	712.87	0.00	0.00	712.87
Athletics - MS Football	0.00	0.00	0.00	0.00
Athletics - MS Soccer	1,371.81	0.00	0.00	1,371.81
Athletics - MS Softball	68.88	0.00	0.00	68.88
Athletics - MS Track	0.00	0.00	0.00	0.00
Athletics - MS Cross Country	488.07	0.00	0.00	488.07
Junior/Senior Class	5,789.70	0.00	0.00	5,789.70
Project Graduation	3,629.03	0.00	0.00	3,629.03
Annual	32,739.52	50.00	32,789.52	0.00
Green Alliance	180.48	0.00	0.00	180.48
Guidance Testing	4,130.49	0.00	0.00	4,130.49
Fine Arts Fund	6,712.17	0.00	0.00	6,712.17
Fine Arts Scholarship	5,746.02	0.00	0.00	5,746.02
Total Central Fund	<u>385,246.49</u>	<u>9,508.91</u>	<u>43,341.34</u>	<u>351,414.06</u>
Less:Interfund Transfers	0.00	0.00	0.00	0.00
Total	<u>\$ 385,246.49</u>	<u>\$ 9,508.91</u>	<u>\$ 43,341.34</u>	<u>\$ 351,414.06</u>

MARSHALL COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET--ALL PRIVATE PURPOSE TRUST FUNDS
 June 30, 2012

	Benton High Alumni	Don Buffington Memorial	Lola Collier	Coy Creason Memorial	John Draffen	Genoa Filbeck	Robert Glick Memorial	William Heath	Charles Hensley
ASSETS:									
Cash and cash equivalents	\$ 4,461	\$ 54,745	\$ 27,593	\$ 5,919	\$ 1,998	\$ 26,053	\$ 1,441	\$ 33,285	\$ 5,191
TOTAL ASSETS	<u>\$ 4,461</u>	<u>\$ 54,745</u>	<u>\$ 27,593</u>	<u>\$ 5,919</u>	<u>\$ 1,998</u>	<u>\$ 26,053</u>	<u>\$ 1,441</u>	<u>\$ 33,285</u>	<u>\$ 5,191</u>
NET ASSETS HELD IN TRUST	<u>\$ 4,461</u>	<u>\$ 54,745</u>	<u>\$ 27,593</u>	<u>\$ 5,919</u>	<u>\$ 1,998</u>	<u>\$ 26,053</u>	<u>\$ 1,441</u>	<u>\$ 33,285</u>	<u>\$ 5,191</u>

See independent auditor's report and accompanying notes to financial statements

J. Burnett Holland	Holland Rose	W. & L. Holland Memorial	Steve Martin	Anthony McCarty	Mary Alice Newton	Andy Riley	Charlie & Cora Walker	North Marshall Alumni	Buddy Poe Memorial	Reed Vocational Technical	Totals (Memorandum Only)
\$ 28,380	\$ 2,969	\$ 106,149	\$ 8,369	\$ 76	\$ 1,004	\$ 8,242	\$ 8,022	\$ 1,085	\$ 2,692	\$ 0	\$ 327,674
<u>\$ 28,380</u>	<u>\$ 2,969</u>	<u>\$ 106,149</u>	<u>\$ 8,369</u>	<u>\$ 76</u>	<u>\$ 1,004</u>	<u>\$ 8,242</u>	<u>\$ 8,022</u>	<u>\$ 1,085</u>	<u>\$ 2,692</u>	<u>\$ 0</u>	<u>\$ 327,674</u>
<u>\$ 28,380</u>	<u>\$ 2,969</u>	<u>\$ 106,149</u>	<u>\$ 8,369</u>	<u>\$ 76</u>	<u>\$ 1,004</u>	<u>\$ 8,242</u>	<u>\$ 8,022</u>	<u>\$ 1,085</u>	<u>\$ 2,692</u>	<u>\$ 0</u>	<u>\$ 327,674</u>

MARSHALL COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS HELD IN TRUST
ALL PRIVATE PURPOSE TRUST FUNDS
For the Year Ended June 30, 2012

	Benton High Alumni	Don Buffington Memorial	Lola Collier	Coy Creason Memorial	John Draffen	Genoa Filbeck	Robert Glick Memorial	William Heath	Charles Hensley
REVENUES:									
From local sources:									
Earnings on Investments	\$ 64	\$ 838	\$ 356	\$ 82	\$ 32	\$ 782	\$ 20	\$ 437	\$ 67
Contributions	250	3,630	0	0	0	0	0	0	100
Total Revenues	314	4,468	356	82	32	782	20	437	167
EXPENDITURES									
Fundraising expenses	0	1,255	0	0	0	0	0	0	0
Benefits paid	1,000	500	500	500	1,000	0	300	1,500	500
Total expenditures	1,000	1,755	500	500	1,000	0	300	1,500	500
Excess (deficit) of revenues over expenditures	(686)	2,713	(144)	(418)	(968)	782	(280)	(1,063)	(333)
Net Assets Held in Trust at July 1, 2011	5,147	52,032	27,737	6,337	2,966	25,271	1,721	34,348	5,524
Net Assets Held in Trust at June 30, 2012	\$ 4,461	\$ 54,745	\$ 27,593	\$ 5,919	\$ 1,998	\$ 26,053	\$ 1,441	\$ 33,285	\$ 5,191

See independent auditor's report and accompanying notes to financial statements

J. Burnett Holland	Holland Rose	W. & L. Holland Memorial	Steve Martin	Anthony McCarty	Mary Alice Newton	Andy Riley	Charlie & Cora Walker	North Marshall Alumni	Buddy Poe Memorial	Reed Vocational Technical	Totals (Memorandum Only)
\$ 327	\$ 41	\$ 1,383	\$ 111	\$ 1	\$ 4	\$ 108	\$ 105	\$ 14	\$ 27	\$ 0	\$ 4,799
5,500	500	0	0	0	1,000	0	0	0	1,060	36,375	48,415
5,827	541	1,383	111	1	1,004	108	105	14	1,087	36,375	53,214
0	0	0	0	0	0	0	0	0	0	0	1,255
1,000	0	2,000	500	150	0	500	1,000	0	500	36,375	47,825
1,000	0	2,000	500	150	0	500	1,000	0	500	36,375	49,080
4,827	541	(617)	(389)	(149)	1,004	(392)	(895)	14	587	0	4,134
23,553	2,428	106,766	8,758	225	0	8,634	8,917	1,071	2,105	0	323,540
<u>\$ 28,380</u>	<u>\$ 2,969</u>	<u>\$ 106,149</u>	<u>\$ 8,369</u>	<u>\$ 76</u>	<u>\$ 1,004</u>	<u>\$ 8,242</u>	<u>\$ 8,022</u>	<u>\$ 1,085</u>	<u>\$ 2,692</u>	<u>\$ 0</u>	<u>\$ 327,674</u>

REPORTS REQUIRED BY THE SINGLE AUDIT ACT

MARSHALL 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	Pass- Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Education:</u>			
Passed Through State Dept. of Education:			
Special Education Grants to States	84.027	3810002-10 & 11	\$ 897,851
Special Education Preschool Grants	84.173	3800002-09, 10 & 11	118,080
ARRA - Special Education Preschool Grants	84.392	4800002-09	21,522
<i>Total Special Education Cluster</i>			1,037,453
Title I Grants to Local Educational Agencies	84.010	3100002-10 & 11	904,326
ARRA - Title I Grants to Local Educational Agencies	84.389	4100002-09	27,788
<i>Total Title I, Part A Cluster</i>			932,114
Education Technology State Grants	84.318	3210002-10	2,795
Education Jobs Fund	84.410	EJOB00-10	365,021
Improving Teacher Quality State Grants	84.367	3230002-11 & 3230003-10	184,607
Career and Technical Education Basic Grants to States	84.048	4621110-10, 4621010-09, 4621132-10, 4621232-11, & 4621032-09	55,972
Passed through State Workforce Cabinet: Adult Education State Grant Program	84.002	3732, 3732S, 3731S, & 3651	81,051
TOTAL U.S. DEPARTMENT OF EDUCATION			2,659,013
<u>U.S. Department of Health & Human Services:</u>			
Passed through Murray Board of Education:			
Head Start	93.600	6551 & 6552	198,827
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			198,827
<u>Corporation for National and Community Service:</u>			
Passed Through State Dept. of Education:			
Learn and Serve America - School and Community Based Programs	94.004	1000001-10	1,330
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			1,330
<u>U.S. Department of Energy:</u>			
Passed through Kentucky School Board Association:			
State Energy Program	81.041	5692	30,214
TOTAL U.S. DEPARTMENT OF ENERGY			30,214
<u>U.S. Department of Agriculture:</u>			
Passed through State Dept. of Education:			
National School Lunch Program - cash	10.555	7750002-11 & 10	1,027,810
National School Lunch Program - donated foods (Note B)	10.555	7750002-11 & 10	161,549
School Breakfast Program	10.553	7760005-11 & 10	378,234
<i>Total Child Nutrition Cluster</i>			1,567,593
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,567,593
TOTAL FEDERAL ASSISTANCE			\$ 4,456,977

See accompanying notes to schedule
of expenditures of federal awards

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

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. Per USDA instructions, commodities expended are recorded at an amount equal to commodities received and the inventory at June 30, 2012 is combined with purchased food inventory.

NOTE C – RECONCILIATION OF SCHEDULE TO FINANCIAL STATEMENTS

The following is a reconciliation of the total in the schedule of expenditures of federal awards to the total federal revenue included in the statement of revenues, expenditures and changes in fund balances – governmental funds on page 12 of the audit report and in the statement of revenues, expenses, and changes in net assets – proprietary funds on page 15 of the audit report:

Total intergovernmental – indirect federal from page 12	\$	2,980,154
Total federal grants from page 15		1,406,044
Donated commodities from page 15		161,549
Plus: Amount of federal codes coded as a negative expenditure		3,706
Less: Amount of federal funds received as services, such as Medicaid		<u>(94,476)</u>
Total on page 46	\$	<u><u>4,456,977</u></u>

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

Kentucky State Committee for School District Audits
and Members of the Board of Education
Marshall County School District
Benton, Kentucky

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marshall County School District as of and for the year ended June 30, 2012, which collectively comprise the Marshall County School District's basic financial statements and have issued my report thereon dated October 29, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request* and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

I noted certain matters that I reported to management of the Marshall County School District in a separate letter dated October 29, 2012.

This report is intended solely for the information and use of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Marshall 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. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Kim Glavin". The signature is written in a cursive, slightly slanted style.

Benton, Kentucky
October 29, 2012

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

Kentucky State Committee for School District Audits
and Members of the Board of Education
Marshall County School District
Benton, Kentucky

Compliance

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

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

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

Internal Control Over Compliance

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

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

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Marshall 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. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Kim Ham". The signature is written in a cursive style and is positioned above the typed name and date.

Benton, Kentucky
October 29, 2012

**MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

I. SUMMARY OF AUDITOR'S RESULTS:

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

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Title I, Part A Cluster:	
Title I Grants to Local Educational Agencies	84.010
ARRA – Title I Grants to Local Educational Agencies	84.389
Child Nutrition Cluster:	
National School Lunch Program	10.555
School Breakfast Program	10.553

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Marshall County School District did qualify as a low-risk auditee.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the current year required to be reported in this schedule.

III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the current year required to be reported in this schedule.

**MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2012**

I. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the prior year required to be reported in this schedule.

II. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the prior year required to be reported in this schedule.

MANAGEMENT LETTER POINTS

Kentucky State Committee for School District Audits
and Members of the Board of Education of
Marshall County School District
Benton, Kentucky

I have audited the financial statements of the Marshall County School District for the year ended June 30, 2012, and have issued my report thereon dated October 29, 2012. In planning and performing my audit of the financial statements of Marshall County School District, I considered the District's internal control to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls or operating efficiency. These comments and recommendations have been discussed with the appropriate members of management and are intended to help the District comply with applicable laws and regulations, improve the internal control, or result in other operational efficiencies. These comments are summarized on the following pages.

This report is intended solely for the Board, management, and others within the organization as deemed appropriate.

Respectfully,

A handwritten signature in black ink that reads "Kim Glavin". The signature is written in a cursive, slightly slanted style.

Benton, Kentucky
October 29, 2012

**MARSHALL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
June 30, 2012**

CORRECTED PRIOR YEAR COMMENTS

Calvert Elementary – In the prior year, we noted several interfund transfer forms that did not have signatures to approve the transfer. In the current year, we noted the principal had approved the computer printout that listed the transfers, and for any that required a sponsor signature, forms were properly completed and signed.

Jonathan Elementary – In the prior year, we noted that none of the interfund transfer forms had proper approval signatures. In the current year, we noted that the principal had signed all forms to indicate approval; however, the transferring fund sponsors had not signed the forms. When discussing this with the treasurer, she stated that she did not realize that the sponsor also had to sign the forms and said she would begin having the sponsors sign when necessary.

South Marshall Elementary – In the prior year, we noted charges on a credit card that were not supported by detailed receipts and bills that were paid late. In the current year, we noted that detailed receipts were retained with the credit cards and bills were paid in a timely manner.

Benton Middle – In the prior year, we noted the signature line was being cut from electronic checks and that inventory control worksheets were not being used for the sale of inventory. In the current year, electronic checks were being retained in the proper manner. We also noted that inventory control worksheets were being used; however, the forms were not used correctly, as noted in the current year comments.

North Middle – In the prior year, we noted that inventory control worksheets were not being used for the sale of concessions. In the current year, inventory control worksheets were being used; however, they were not completed accurately, as noted in the current year comments.

South Middle – In the prior year, we noted that inventory control worksheets for paper and pencils sold were not being completed in an accurate manner. In the current year, we noted the worksheets for these items were properly completed; however, worksheets were not being used for concessions, as noted in the current year comments.

Marshall County High – In the prior year, we noted the worksheets used to account for items sold in the library did not list a beginning inventory. In the current year, we noted the beginning inventory was listed on each sheet; however, when a particular item was not sold in one month, that inventory was not listed on the sheet for that month. We were able to trace items out to the ending inventory for the year in order to satisfy ourselves that procedures are being followed and no current year comment was made on this item.

Marshall County Technical Center – In the prior year, we noted that cash receipt tickets were not pre-numbered, that no inventory control worksheets were being used for the sale of safety items, and that the ticket sales form for an event was not completed properly to account for tickets sold. In the current year, we noted that pre-numbered receipt ticket books were being used, inventory control worksheets were used for the safety item sales, and we did not note any event for which tickets were used that would require the use of the form to account for ticket sales.

MARSHALL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
June 30, 2012

CURRENT YEAR COMMENTS

Benton Elementary – When examining documentation for cash receipts, we noted two instances where one teacher did not complete a multiple receipt form in the correct manner. We also noted sales tax of \$29.41 was included in a reimbursement to a teacher for the purchase of a snow cone machine. We recommended that teachers be properly trained in the use of the multiple receipt form and that all staff should be reminded to use the sales tax exempt number. If the number is not used, the employee should not be reimbursed for the amount of the sales tax.

Management's Response: The teacher that did not properly complete the multiple receipt forms had not yet received training in Red Book procedures. She has received training now and understands how to use the form. Teachers and staff are aware that sales tax should not be paid and we will be more aware of not reimbursing sales tax to employees when the sales tax exempt number is not used.

Calvert Elementary – We noted that one individual activity account ended the fiscal year with a deficit balance of \$99.00. Interfund transfers should be made so that no account ends the year with a deficit.

Management's Response: We will make sure that no activity account ends the year with a deficit balance in the future.

Central Elementary – When examining FSA-10 forms for interfund transfers, we noted the principal was not signing the forms to indicate approval and, in some cases, the sponsor had not signed the form. We discussed the required signatures with the treasurer. We also noted one disbursement to the Board for which the only supporting documentation was an email from the Board's accounts payable clerk stating there was a charge made on the Board credit card to Holiday World for \$607.55. We recommended that if an employee uses any type of credit card, the detailed invoice be signed by the person making the purchase and submitted to the treasurer.

Management's Response: Interfund transfer forms will be signed by appropriate personnel prior to making transfers. We will also remind employees that credit card charges should be documented by detailed invoices.

Jonathan Elementary – When examining FSA-10 forms for interfund transfers, we noted that although the principal had approved the forms, none were approved by the transferring fund's sponsor. We discussed this with the treasurer so she will better understand who should sign the forms. We tested one inventory control worksheet for which the beginning inventory was not the same as the prior month ending inventory. We discussed how to properly complete this form with the treasurer also, who stated she would relay the information to teachers responsible for completion of the forms. We also noted one individual activity account that ended the fiscal year with a deficit balance of \$10.49. Interfund transfers should be made so that no account ends the year with a deficit.

Management's Response: We now have a better understanding of the interfund transfer form and who should sign to indicate approval of the transfer. Signatures will be obtained from the principal and, when applicable, the sponsor. We also understand the inventory control worksheet better and will explain how to properly prepare them to the teachers who will fill them out. We will make sure that no activity account ends the year with a deficit in the future.

**MARSHALL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
June 30, 2012**

CURRENT YEAR COMMENTS (Continued)

Sharpe Elementary – In a random test of cash receipts, we noted that five multiple receipt forms were not properly completed. We discussed the form with the treasurer; however, the teachers who complete the forms should also be trained in the proper preparation. Inventory control worksheets were not being used for the sale of pencils. We discussed the form with the treasurer, who is new. In a random test of disbursements, we noted the detail documentation attached to one credit card statement did not match the charges on the card. After discussing this with the treasurer, it was noted that there was more than one credit card and the sign-out sheet did not indicate which card was being used. Procedures should be changed to include the card number on the sign-out sheet.

Management's Response: We will be sure that teachers understand the proper use of the multiple receipt form. We will begin using the inventory control worksheets to account for sales of pencils and other items as necessary. We have already changed procedures to include the card number on the credit card sign-out sheet and the person making the charge must sign the receipt.

South Marshall Elementary – In a random test of cash receipts, we noted the multiple receipt forms were not being used properly. On some forms, it appeared that the form was used to list the teachers' names with a total collected from that teacher. The proper use of the form would be to have the teacher complete the form as students turn in money for each particular item, such as field trips, another for shirts, another for yearbooks, etc. Then each teacher would turn in the form (while retaining a copy) with the funds collected. Other forms were completed by various teachers with a list of checks, but for the cash received, only a total was listed instead of individual student names on each line of the form. Teachers need to be trained to complete the forms properly. Also, when attempting to compare anticipated fundraiser collections with actual amounts deposited, we could not always match the two amounts. For example, we noted that 1193 tubs of cookie dough were listed on the invoice from the vendor. Based on the selling price of \$14, collections should have been \$16,702. Cash receipt tickets that indicated the source as cookie dough only totaled \$16,318. Also, the book fair invoice paid with check #20662 indicated that \$2,674.85 should have been collected. Only \$2,169.85 was listed on receipts as being from the book fair. We scanned the receipt listing for any item that was listed for the difference of \$505, in case the source was listed wrong. We noted one receipt #3973 for \$505 with the source listed as "end of year field trips". When the treasurer was asked about the receipt, she stated the source was correct as being for field trips. If that is the case, then the book fair receipts were still \$505 short. We recommend that a fund raiser worksheet be used to accumulate the information needed to compare the anticipated collections with the amount deposited at the time of the event in order to determine the reasons for any differences in a timely manner.

Management's Response: We have already begun changing how the multiple receipt forms are completed and will be sure to use them properly. We will begin using the fund raiser worksheet in efforts to show that potential collections and actual deposits agree.

Benton Middle – When examining the inventory control worksheets, we noted that the section for deliveries listed the purchase price of the items instead of the sales price; therefore the shortage was not accurate. This was the first year for the school to use these worksheets and we explained the sheet in more detail to the treasurer so that future worksheets can be prepared properly.

Management's Response: We have a better understanding of the use of these worksheets and how to prepare them and will list the sales price for deliveries instead of the purchase price.

**MARSHALL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
June 30, 2012**

CURRENT YEAR COMMENTS (Continued)

North Marshall Middle – In our test of inventory control procedures, we were unable to trace the deliveries of drinks listed to an invoice and one collection amount was listed at \$610.95, while the actual deposit was \$585.95. The difference on the sheet tested was a shortage of \$750.55, with no explanations noted. If the delivery of drinks was listed in error and should be omitted from the total, as well as correcting the collection amount that was listed wrong, the actual shortage may have only been \$91.55. When we asked about the shortage, we were told that items are given away to coaches, workers, and referees. Also, a student worker had left out a case of hot dogs and one-half case of hamburgers, which ruined them. We recommend that items given away be listed by amount, as well as other items that may explain shortages at the time the form is prepared. If there is still a significant difference, the calculations on the form should be checked for accuracy.

Management's Response: A different person will be completing these forms who will be properly trained and will list reasons for significant differences.

South Marshall Middle – In our test of inventory control procedures, we noted that while the worksheet is being used properly for paper and pencils sold, the only documentation for concessions sold was a form that was signed by the person turning in the funds that only listed the total being remitted. We recommend that an inventory control worksheet be used for concessions also and should be prepared at least monthly, but would need to be prepared more often if different clubs or organizations are selling the concessions. In this case, a worksheet would need to be prepared by a club if a different organization is going to be selling concessions at the next event.

Management's Response: We will begin using the inventory control worksheet for concessions and will review the forms that are completed by each club.

Marshall County Technical Center – When examining FSA-10 forms for interfund transfers, we noted some that were not signed as approved by either the principal or the sponsor. Forms should always be approved by the principal and if there is a sponsor for the transferring fund, the sponsor should sign to indicate approval for the transfer. If there is not a sponsor, the treasurer should sign and state that there is no sponsor for that activity.

Management's Response: We will have the forms signed by the principal and sponsors, if applicable to the transferring fund.