

Owen County School District

Basic Financial Statements,
Supplementary Information,
And Independent Auditor's Reports

Year Ended June 30, 2012

Owen County School District
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 Year ended June 30, 2012

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Charles T. Mitchell Company, PLLC
ctmcpa.com

Partners
William G. Johnson, Jr., CPA
James E. Clouse, CPA
Kim Field, CPA
Greg Miklavcic, CPA

Consultants
Don C. Giles, CPA
Bernadette Smith, CPA

Independent Auditor's Report

Owen County Board of Education
1600 Highway 22 East
Owenton, KY 40359

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2012, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 33 through 34, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the required supplementary information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Board. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Charles T. Mitchell Co.

October 10, 2012

**Owen County School District – Owenton, Ky.
Management’s Discussion and Analysis (MD&A)
Year Ended June 30, 2012**

As management of the Owen County School District, “the 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 ending unassigned General Fund balance for FY12 was \$994,914.
- The District General Fund had \$13,699,643 in receipts (including transfers from other funds) above the beginning balance for year beginning July 1, 2011, which included \$2,687,691 of payments made by the State on behalf of the District for KTRS, health insurance, flexible spending, life insurance and state administrative fee.
- The major categories of revenue consisted primarily of state funding SEEK (Support Education Excellence of Kentucky) and local tax revenue. Breakdown of revenue sources for FY12 is as follows:

Local	\$ 3,045,340	22.229%
State-SEEK	7,471,492	54.538%
State-On-Behalf	2,687,691	19.619%
State-Other	49,433	0.361%
Federal	7,383	0.054%
Transfers from Other Funds	435,086	3.176%
Sale of Equipment	3,218	0.023%
Total	<u><u>\$ 13,699,643</u></u>	

- The District General Fund expenses were as follows (includes payments made by the State on behalf of the District for KTRS, health insurance, flexible spending, life insurance and state administrative fee (\$2,687,691):

Student Support Services	586,273	4.247%
Instructional Staff Support	460,992	3.340%
District Admin Support	365,934	2.651%
School Admin Support	1,091,279	7.905%
Business Support Services	497,592	3.605%
Plant O & M	1,570,137	11.374%
Student Transportation	1,140,362	8.261%
Food Service Operations	3,345	0.024%
Transfers	40,419	0.293%
	<u><u>\$ 13,804,139</u></u>	

- The District General Fund expenditures for salaries and benefits were \$9,321,583 excluding payments made by the State on behalf of the District for KTRS, health insurance, flexible spending, life insurance and state administrative fee (\$2,687,691). This amount represents 83.85% of the total District General Fund expenditures in FY12.

- The District received \$169,747 in state revenue for the Capital Outlay fund. A portion of these funds, \$142,878, was used to pay property insurance and maintenance of facilities expenses normally paid from the General Fund as permitted by the Kentucky Department of Education Capital Funds Request process. Districts have been given flexibility in the use of Local District Capital Funds without forfeiting the district's eligibility to participate in the School Facilities Construction Commission. This will continue in the 2012-13 fiscal year as the District faces further financial challenges due to the lack of adequate State funding.
- The District received local revenues (\$1,098,039) from property taxes and utility taxes in the Building Fund. In addition to the tax revenue, the District received \$568,443 from the State for FSPK and the Equalized Facility Funding Nickel. These funds were used to pay District debt service payments (\$1,365,307) and plant operation costs as permitted by the Kentucky Department of Education Capital Funds Request process (\$286,956).
- The District sold bonds on January 31, 2012, to fund the renovation of the former middle school which will house third and fourth grade students. The amount of the bond issue was \$1,545,000.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 8 and 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 vending and food service operations. All other activities of the District are

included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10 through 18 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 32 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a governmental financial position. In the case of the District, assets exceeded liabilities by \$18,392,091 for Governmental Activities and \$497,134 for Business-Type Activities as of June 30, 2012.

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

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

Comments on Budget Comparisons

- 1) Excluding on-behalf payments of \$2,687,691, the General Fund budget compared to actual revenue varied slightly from line item to line item with an ending actual balance being \$41,135 or 0.39% more than budgeted.
- 2) Actual General Fund expenditures, net of on-behalf payments of \$2,687,691, compared to budget expenditures, net of contingency allotments(580,825), was \$299,117 or 2.62% less than budget.

Net Assets for the period ending June 30, 2012 as compared to June 30, 2011:

	Governmental Activities		Business Type Activities		Total	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Assets						
Current and Other Assets	\$ 4,469,455	\$ 4,068,770	\$ 199,391	\$ 180,270	\$ 4,668,846	\$ 4,249,040
Capital Assets	35,940,688	35,620,069	300,248	50,895	36,240,936	35,670,964
Total Assets	<u>\$ 40,410,143</u>	<u>\$ 39,688,839</u>	<u>\$ 499,639</u>	<u>\$ 231,165</u>	<u>\$ 40,909,782</u>	<u>\$ 39,920,004</u>
Liabilities						
Long-term debt Outstanding	\$ 21,677,540	\$ 21,135,584	\$ -	\$ -	\$ 21,677,540	\$ 21,135,584
Other Liabilities	340,512	460,931	2,505	212	343,017	461,143
Total liabilities	<u>\$ 22,018,052</u>	<u>\$ 21,596,515</u>	<u>\$ 2,505</u>	<u>\$ 212</u>	<u>\$ 22,020,557</u>	<u>\$ 21,596,727</u>
Net Assets						
Investment In Capital Assets Net						
Of Related Debt	\$ 14,263,148	\$ 14,484,485	\$ 300,248	\$ 50,895	\$ 14,563,396	\$ 14,535,380
Restricted-Committed-Assigned	3,105,385	2,600,679	196,886	180,058	3,302,271	2,780,737
Unrestricted	1,023,558	1,007,160	-	-	1,023,558	1,007,160
Total Net Assets	<u>\$ 18,392,091</u>	<u>\$ 18,092,324</u>	<u>\$ 497,134</u>	<u>\$ 230,953</u>	<u>\$ 18,889,225</u>	<u>\$ 18,323,277</u>

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2012 for selected funds.

Summary of Revenues	Governmental		Business Type		Total	
	Activities		Activities			
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Revenues:						
Program revenues:						
Charges for services	\$ 640	\$ 1,830	\$ 285,304	\$ 288,239	\$ 285,944	\$ 290,069
Operating grants & contributions	2,306,987	3,213,781	934,067	670,448	3,241,054	3,884,229
Capital grants & contributions	1,107,882	1,725,244			1,107,882	1,725,244
General revenues:						
Property taxes	3,579,400	3,607,748			3,579,400	3,607,748
Other taxes	529,960	539,044			529,960	539,044
Investment earnings	14,180	45,196	462	359	14,642	45,555
State and formula grants	7,528,308	6,576,236	10,113	9,980	7,538,421	6,586,216
Gain(loss) on sale of asset	3,217	6,645			3,217	6,645
State on behalf payments	2,687,691	2,540,452	72,106	83,996	2,759,797	2,624,448
Miscellaneous	29,320	593,506	-	-	29,320	593,506
Total Revenues	<u>17,787,585</u>	<u>18,849,682</u>	<u>1,302,052</u>	<u>1,053,022</u>	<u>19,089,637</u>	<u>19,902,704</u>
Summary of Expenses:						
Expenses:						
Instruction	9,423,313	9,819,239			9,423,313	9,819,239
Support Services:						
Student	587,949	581,438			587,949	581,438
Instructional Staff	655,610	583,412			655,610	583,412
District Administration	365,934	362,336			365,934	362,336
School Administration	1,091,279	1,075,262			1,091,279	1,075,262
Business	537,584	724,917			537,584	724,917
Plant Operations & Maintenance	1,572,969	1,610,880			1,572,969	1,610,880
Student Transportation	1,140,362	1,051,690			1,140,362	1,051,690
Central Office	3,345	6,598			3,345	6,598
Community Service	220,834	229,705			220,834	229,705
Food Services	-		1,035,871	1,004,819	1,035,871	1,004,819
Interest On Long-Term Debt	692,558	795,038			692,558	795,038
Depreciation	1,196,081	768,771	-	-	1,196,081	768,771
Total Expenses	<u>17,487,818</u>	<u>17,609,286</u>	<u>1,035,871</u>	<u>1,004,819</u>	<u>18,523,689</u>	<u>18,614,105</u>
Increase(Decrease) in Net Assets	299,767	1,240,396	266,181	48,203	565,948	1,288,599
Net Assets - Beginning	<u>18,092,324</u>	<u>16,851,928</u>	<u>230,953</u>	<u>182,750</u>	<u>18,323,277</u>	<u>17,034,678</u>
Net Assets - Ending	<u>\$ 18,392,091</u>	<u>\$ 18,092,324</u>	<u>\$ 497,134</u>	<u>\$ 230,953</u>	<u>\$ 18,889,225</u>	<u>\$ 18,323,277</u>

Budgetary Implications

In Kentucky the public school fiscal year is July 1-June 30; other programs such as federal programs operate on a different fiscal calendar, but are reflected in the overall District budget. By law the budget must have a minimum 2% contingency. The District Board of Education will adopt a Working Budget for the 2012-13 fiscal

year with a contingency of approximately 3.5%.

In an effort to reduce expenditures and maintain an adequate contingency, the District Board of Education revised the Staffing Formula which resulted in staff reductions for the 2012-13 fiscal year.

The District Board of Education levied the 4% Tax Rate for 2012-13. The total amount of estimated property tax revenue based on a 96% collection rate is \$3,284,766. A portion of which will be committed to the Building Fund.

Capital Assets & Debt Administration

Capital Assets (Net of Depreciation)

As of June 30, 2012, the District had invested \$47,670,727 in capital assets as reflected in the following table. Additional detailed information on Capital Assets is available in the Notes to the Financial Statements.

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Land	\$ 1,792,488	\$ 1,381,490	\$ -	\$ -	\$ 1,792,488	\$ 1,381,490
Buildings and Improvements	40,357,644	23,342,832			40,357,644	23,342,832
Technology Equipment	1,279,983	510,369	7,265	7,265	1,287,248	517,634
Vehicles	2,356,843	2,607,329			2,356,843	2,607,329
General Equipment	289,786	262,698			289,786	262,698
Construction in Progress	963,416	17,950,082			963,416	17,950,082
Food Service Equipment	-	-	623,302	355,051	623,302	355,051
Total Capital Assets	<u>\$ 47,040,160</u>	<u>\$ 46,054,800</u>	<u>\$ 630,567</u>	<u>\$ 362,316</u>	<u>\$ 47,670,727</u>	<u>\$ 46,417,116</u>
Bond Issuance Costs:						
Total Intangible Assets	<u>\$ 463,283</u>	<u>\$ 450,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 463,283</u>	<u>\$ 450,715</u>

Debt Administration

At June 30, 2012, the District had \$21,677,540 in bonds and lease payments outstanding. Of this amount \$3,063,038 is to be paid from the KSFCC funding.

At June 30, 2011, the District had \$ 21,131,584 in bonds outstanding. Of this amount \$2,942,485 was to be paid from the KSFCC funding provided by the State.

Questions regarding this report should be directed to the Superintendent, or to the Representative, Finance Officer Sheila Miller or by mail to the following address:

Owen County School District
1600 Highway 22 East
Owenton, Kentucky 40359

Owen County Board of Education
Statement of Net Assets
June 30, 2012

Assets	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Current Assets			
Cash and Cash Equivalents	\$ 3,391,414	\$ 142,322	\$ 3,533,736
Investments	767,300		767,300
Inventory		56,978	56,978
Accounts Receivable	310,741	91	310,832
Due from Other Funds			
Total Current Assets	<u>4,469,455</u>	<u>199,391</u>	<u>4,668,848</u>
Noncurrent Assets			
Capital Assets	47,040,160	630,567	47,670,727
Less: Accumulated Depreciation	(11,562,755)	(330,319)	(11,893,074)
Intangible Asset Net of Accumulated Amortization	463,283	-	463,283
Total Noncurrent Assets	<u>35,940,688</u>	<u>300,248</u>	<u>36,240,936</u>
Total Assets	<u>\$ 40,410,143</u>	<u>\$ 499,639</u>	<u>\$40,909,782</u>
Liabilities			
Current Liabilities			
Accounts Payable	\$ 127,057	\$ 2,505	\$ 129,562
Accrued Payroll & Related Expenses	110,210		110,210
Deferred Revenue	103,245		103,245
Current Portion of Bond Obligations	1,132,842		1,132,842
Total Current Liabilities	<u>1,473,354</u>	<u>2,505</u>	<u>1,475,859</u>
Noncurrent Liabilities			
Noncurrent Portion of Bond Obligations	<u>20,544,698</u>	<u>-</u>	<u>20,544,698</u>
Total Noncurrent Liabilities	<u>20,544,698</u>	<u>-</u>	<u>20,544,698</u>
Total Liabilities	<u>22,018,052</u>	<u>2,505</u>	<u>22,020,557</u>
Net Assets			
Restricted			
Invested in Capital Assets, Net of Related Debt	14,263,148	300,248	14,563,396
Restricted	2,173,281	139,908	2,313,189
Committed		56,978	56,978
Assigned	932,104		932,104
Unrestricted	<u>1,023,558</u>		<u>1,023,558</u>
Total Net Assets	<u>\$ 18,392,091</u>	<u>\$ 497,134</u>	<u>\$18,889,225</u>

The notes to the basic financial statements are an integral part of this statement.

Owen County Board of Education
Statement of Activities
For the Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Governmental Activities:							
Instruction	\$ 9,423,313	640	1,847,034	\$	\$ (7,575,639)	\$	\$ (7,575,639)
Support Services:							
Student	587,949		1,677		(586,272)		(586,272)
Instruction Staff	655,610		194,618		(460,992)		(460,992)
District Administrative	365,934				(365,934)		(365,934)
School Administrative	1,091,279				(1,091,279)		(1,091,279)
Business	537,584		39,992		(497,592)		(497,592)
Plant Operation and Maintenance	1,572,969		2,832		(1,570,137)		(1,570,137)
Student Transportation	1,140,362		-		(1,140,362)		(1,140,362)
Central Office	3,345				(3,345)		(3,345)
Community Service Activities	220,834		220,834		-		-
Facility Acquisition	-			1,107,882	1,107,882		1,107,882
Interest on Long-Term Debt	692,558				(692,558)		(692,558)
Depreciation & Amortization	1,196,081				(1,196,081)		(1,196,081)
Total Governmental Activities	<u>17,487,818</u>	<u>640</u>	<u>2,306,987</u>	<u>1,107,882</u>	<u>(14,072,309)</u>	<u>-</u>	<u>(14,072,309)</u>
Business-Type Activities:							
Food Service	<u>1,035,871</u>	<u>285,304</u>	<u>944,180</u>			<u>193,613</u>	<u>193,613</u>
Total Business-Type Activities	<u>1,035,871</u>	<u>285,304</u>	<u>944,180</u>			<u>193,613</u>	<u>193,613</u>
Total Primary Government	<u>\$ 18,523,689</u>	<u>\$ 285,944</u>	<u>\$ 3,251,167</u>	<u>\$ 1,107,882</u>	<u>\$ (14,072,309)</u>	<u>\$ 193,613</u>	<u>\$ (13,878,696)</u>
General Revenues:							
Taxes:							
Property Taxes					\$ 3,179,321	\$	\$ 3,179,321
Motor Vehicle Taxes					400,079		400,079
Utility Taxes					508,160		508,160
Other					21,800		21,800
Investment Earnings					14,180	462	14,642
Other Local Revenues					29,320		
State and Formula Grants					7,528,308		7,528,308
Gain/Loss on Sale of Fixed Assets					3,217		3,217
On-Behalf Payments					<u>2,687,691</u>	<u>72,106</u>	<u>2,759,797</u>
Change in Net Assets					299,767	266,181	565,948
Net Assets - Beginning					<u>18,092,324</u>	<u>230,953</u>	<u>18,323,277</u>
Net Assets - Ending					<u>\$ 18,392,091</u>	<u>\$ 497,134</u>	<u>\$ 18,889,226</u>

The notes to the basic financial statements are an integral part of this statement.

Owen County Board of Education
Balance Sheet - Governmental Funds
June 30, 2012

	General Fund	Special Revenue	Other Non-Major Governmental Funds	Totals Governmental Funds
Assets & Resources				
Cash & Cash Equivalents	\$ 1,278,597	\$ 70,704	\$ 2,042,113	\$ 3,391,414
Investments			767,300	767,300
Accounts Receivable				
Accounts Receivable	173,272	52,497	84,972	310,741
Total Assets & Resources	\$ 1,451,869	\$ 123,201	\$ 2,894,385	\$ 4,469,455
Liabilities & Fund Balances				
Liabilities:				
Accounts Payable	\$ 90,573	\$ 19,956	\$ 16,528	\$ 127,057
Accrued Payroll Related Expenses	110,210			110,210
Deferred Revenue	-	103,245	-	103,245
Total Liabilities	200,783	123,201	16,528	340,512
Fund Balances				
Restricted	143,834		2,029,447	2,173,281
Assigned	112,338	12,632	807,134	932,104
Unassigned	994,914	(12,632)	41,276	1,023,558
Total Fund Balances	1,251,086	-	2,877,857	4,128,943
Total Liabilities & Fund Balances	\$ 1,451,869	\$ 123,201	\$ 2,894,385	\$ 4,469,455

The notes to the basic financial statements are an integral part of this statement.

Owen County Board of Education
Reconciliation of the Balance Sheet -
Governmental Funds to the State of Net Assets
June 30, 2012

Total Fund Balance per Fund Financial Statements	\$ 4,128,943
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.	35,940,688
Certain liabilities(such as bonds payable, the long-term portion of accrued sick leave) 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.	<u>(21,677,540)</u>
Net Assets for Governmental Activities	<u><u>\$18,392,091</u></u>

The notes to the basic financial statements are an integral part of this statement.

Owen County Board of Education
Statement of Revenues, Expenditures, & Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	General Fund	Special Revenue	Other Non-Major Governmental Funds	Totals (Memorandum Only)
Revenues:				
From Local Sources:				
Taxes:				
Property	\$ 2,592,088	\$	\$ 587,233	\$ 3,179,321
Motor Vehicle	400,079			400,079
Utilities			508,160	508,160
Other	22,440			22,440
Earnings on Investments	6,664	82	7,516	14,262
Other Local Revenues	24,069	58,584		82,653
Intergovernmental - State	7,520,925	698,200	1,107,882	9,327,007
Intergovernmental - Indirect Federal	7,383	1,555,372		1,562,755
On-Behalf- State	2,687,691			2,687,691
Total Revenues	13,261,339	2,312,238	2,210,791	17,784,368
Expenditures:				
Instruction	8,047,807	1,885,984		9,933,791
Support Services:				
Student	586,273	1,676		587,949
Instructional Staff	460,992	194,618		655,610
District Administration	365,934			365,934
School Administration	1,091,279			1,091,279
Business	497,592	39,992		537,584
Plant Operations and Maintenance	1,570,137	2,832		1,572,969
Student Transportation	1,140,362	-		1,140,362
Food Services	3,345			3,345
Community Service	-	220,834		220,834
Facilities Acquisition & Construction			1,068,013	1,068,013
Debt Service				
Principal	24,045		975,000	999,045
Interest	3,423		689,135	692,558
Total Expenditures	13,791,189	2,345,936	2,732,148	18,869,273
Excess (Deficit) of Revenues				
Over Expenditures	(529,850)	(33,698)	(521,357)	(1,084,905)
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	3,217		-	3,217
Bond Principal Proceeds			1,505,049	1,505,049
Operating Transfers In	435,086	38,950	2,318,128	2,792,164
Operating Transfers Out	(40,419)	(5,252)	(2,746,493)	(2,792,164)
Total Other Financing Sources(Uses)	397,884	33,698	1,076,684	1,508,266
Excess (Deficit) of Revenues and Other				
Financing Sources Over Expenditures and Other Financing Uses	(131,966)	-	555,327	423,361
Fund Balance, June 30, 2011	1,383,052	-	2,322,530	3,705,582
Fund Balance, June 30, 2012	<u>\$ 1,251,086</u>	<u>\$ -</u>	<u>\$ 2,877,857</u>	<u>\$ 4,128,942</u>

The notes to the basic financial statements are an integral part of this statement.

Owen County Board of Education
 Reconciliation of the Statement of Revenues, Expenditures, &
 Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2012

Net change in total fund balances per fund financial statements	\$	423,361
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlays this year.</p>		280,668
<p>Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets.</p>		(502,004)
<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.</p>		97,742
Change in net assets of governmental activities	\$	299,767

The notes to the basic financial statements are an integral part of this statement.

Owen County Board of Education
Statement of Net Assets
Proprietary Funds
June 30, 2012

	<u>Food Service Fund</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 142,322
Inventory	56,978
Accounts Receivable	91
Total Current Assets	<u>199,391</u>
Noncurrent Assets	
Capital Assets	630,567
Less: Accumulated Depreciation	<u>(330,319)</u>
Total Noncurrent Assets	<u>300,248</u>
Total Assets	<u><u>\$ 499,639</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	\$ 2,505
Total Current Liabilities	<u>2,505</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	\$ 300,248
Committed-Inventories	56,978
Restricted-Net Assets-Food Service	<u>139,908</u>
Total Net Assets	<u>497,134</u>
Total Liabilities & Net Assets	<u><u>\$ 499,639</u></u>

The notes to the basic financial statements are an integral part of this statement.

Owen County Board of Education
Statement of Revenues, Expenses
And Changes in Net Assets - Proprietary Funds
For the Year Ended June 30, 2012

	<u>Food Service Fund</u>
Operating Revenues:	
Lunchroom sales	\$ 285,304
Total Operating Revenues	<u>285,304</u>
Operating Expenses:	
Salaries and benefits	555,504
Contract Services	2,964
Materials and Supplies	440,589
Depreciation Expense	21,650
Other operating expenses	<u>15,164</u>
Total Operating Expenses	<u>1,035,871</u>
Operating income (loss)	<u>(750,567)</u>
Non-Operating Revenues (Expenses)	
Federal Grants	602,489
General Fund Contributions to Purchased Equipment	271,526
On-Behalf Payments	72,106
Donated Commodities	60,052
State grants	10,113
Interest income	<u>462</u>
Non-Operating Revenues (Expenses)	<u>1,016,748</u>
Change in Net Assets	266,181
Net Assets June 30, 2011	<u>230,953</u>
Net Assets June 30, 2012	<u>\$ 497,134</u>

The notes to the basic financial statements are an integral part of this statement.

Owen County Board of Education
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

Cash Flows From Operating Activities:	
Change in Net Assets	\$ 266,181
Adjustments To Reconcile Net Income To Cash Provided	
By Operating Activities:	
Changes In Assets & Liabilities:	
Depreciation	21,650
Change In Inventory	(16,604)
Accounts Receivable	12,697
Accounts Payable	<u>2,293</u>
Net Cash Provided By Operating Activities:	<u>286,217</u>
Cash Flows From Capital & Related Financial Activities:	
Acquisition Of Capital Assets	<u>(271,002)</u>
Net Cash Used By Capital & Related Financial Activities	<u>(271,002)</u>
Increase In Cash & Cash Equivalents	15,215
Cash & Cash Equivalents, June 30, 2011	<u>127,107</u>
Cash & Cash Equivalents, June 30, 2012	<u>\$ 142,322</u>
Schedule of Non-Cash Transactions:	
Donated Commodities Received From Federal Government	<u>\$ 60,052</u>

The notes to the basic financial statements are an integral part of this statement.

Owen County Board of Education
Statement of Net Assets
Fiduciary Funds
June 30, 2012

	Private Purposes Trust Funds	Agency Fund	Total
Assets			
Cash and Cash Equivalents	\$ 277,409	\$ 249,217	\$ 526,626
Total Assets	<u>\$ 277,409</u>	<u>\$ 249,217</u>	<u>\$ 526,626</u>
Liabilities & Net Assets			
Liabilities			
Accounts Pyaable	\$ 750	\$ -	\$ 750
Total Liabilities	<u>750</u>	<u>-</u>	<u>750</u>
Net Assets			
Restricted For:			
Scholarships	\$ 276,659	\$	\$ 276,659
Student Groups	-	249,217	249,217
Total Net Assets	<u>276,659</u>	<u>249,217</u>	<u>525,876</u>
Total Liabilities & Net Assets	<u>\$ 277,409</u>	<u>\$ 249,217</u>	<u>\$ 526,626</u>

The notes to the basic financial statements are an integral part of this statement.

Owen County Board of Education
Statement of Changes in Net Assets
Fiduciary Funds
For the Year Ended June 30, 2012

	Private Purpose Trust Funds	Agency Fund	Total
Revenues:			
From Local Sources:			
Student Activities	\$	\$ 642,850	\$ 642,850
Interest Income	749		749
Total Revenues	749	642,850	643,599
Expenditures:			
Other	7,750		7,750
Student Activities		630,626	630,626
Total Expenditures	7,750	630,626	638,376
Excess (Deficit) Of Revenues Over Expenditures	(7,001)	12,224	5,223
Fund Balance, June 30, 2011	283,660	236,993	520,653
Fund Balance, June 30, 2012	\$ 276,659	\$ 249,217	\$ 525,876

The notes to the basic financial statements are an integral part of this statement.

Notes to the Basic Financial Statements

Note A – Summary Of Significant Accounting Policies

Reporting Entity

The Owen County School District (“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 Owen County School District (“District”). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

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

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

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

Owen County School District Finance Corporation

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

Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District’s

Note A – Summary Of Significant Accounting Policies (Continued)

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

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

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.

Note A – Summary Of Significant Accounting Policies (Continued)

2. The Facility Support Program of Kentucky (FSPK) 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. funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
4. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

II. Proprietary Fund Types (Enterprise Fund)

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

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

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

- A. The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These 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, private organizations or other governments.

Basis of Accounting

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

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing

Note A – Summary Of Significant Accounting Policies (Continued)

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

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

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

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

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

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

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. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

Note A – Summary Of Significant Accounting Policies (Continued)

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

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as “inter-fund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive a calculated amount of the value of accumulated sick leave.

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

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

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

Budgetary Process

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Note A – Summary Of Significant Accounting Policies (Continued)

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

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

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

Cash and Cash Equivalents

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

Inventories

On government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

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

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any

Note A – Summary Of Significant Accounting Policies (Continued)

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 School District, those revenues are primarily charges for meals provided by the various schools.

Note B – Estimates

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

Note C – Cash and Cash Equivalents

At year-end, the carrying amount of the District's total cash and cash equivalents was \$3,391,414. The District also had an investment account in the amount of \$767,300 which was to be used in Construction. The investment account is also considered cash and cash equivalent but has been presented as "Investments." Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Note D – Capital Assets(see next page)

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

<u>Governmental Activities</u>	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Land	\$ 1,381,490	\$ 410,998	\$	\$ 1,792,488
Buildings and Improvements	23,342,832	17,014,812		40,357,644
Technology Equipment	510,369	811,215	(41,601)	1,279,983
Vehicles	2,607,329	199,302	(449,788)	2,356,843
General Equipment	262,698	27,088		289,786
Construction In Progress	<u>17,950,082</u>	<u>(16,986,666)</u>		<u>963,416</u>
Totals At Historical Cost	<u>46,054,800</u>	<u>1,476,749</u>	<u>(491,389)</u>	<u>47,040,160</u>
Less: Accumulated Depreciation				
Buildings and improvements	8,395,652	686,614		9,082,266
Technology equipment	425,480	262,093	(41,601)	645,972
Vehicles	1,881,040	205,250	(449,788)	1,636,502
General Equipment	<u>183,274</u>	<u>14,741</u>	<u>-</u>	<u>198,015</u>
Total Accumulated Depreciation	<u>10,885,446</u>	<u>1,168,698</u>	<u>(491,389)</u>	<u>11,562,755</u>
Governmental Activities Capital Assets-Net	<u>\$ 35,169,354</u>	<u>\$ 308,051</u>	<u>\$ -</u>	<u>35,477,405</u>
<u>Business-Type Activities</u>				
Food Service and Equipment	355,051	271,526	(3,275)	623,302
Technology Equipment	<u>7,265</u>	<u>-</u>	<u>-</u>	<u>7,265</u>
Totals at Historical Cost	<u>362,316</u>	<u>271,526.00</u>	<u>(3,275)</u>	<u>630,567</u>
Less: Accumulated Depreciation				
Food Service and Equipment	304,392	21,414	(2,752)	323,054
Technology Equipment	<u>7,029</u>	<u>236</u>	<u>-</u>	<u>7,265</u>
Total Accumulated Depreciation	<u>311,421</u>	<u>21,650</u>	<u>(2,752)</u>	<u>330,319</u>
Business-Type Activities Capital Assets-Net	<u>\$ 50,895</u>	<u>\$ 249,876</u>	<u>\$ (523)</u>	<u>300,248</u>
Bond Issuance and Underwriters Discounts	490,592	39,951		530,543
Less: Accumulated Amortization	<u>39,877</u>	<u>27,383</u>	<u>-</u>	<u>67,260</u>
Totals at Historical Cost	<u>\$ 450,715</u>	<u>\$ 12,568</u>	<u>\$ -</u>	<u>\$ 463,283</u>

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

Note E – Bonded Debt and Lease Obligations

The amount shown in the accompanying financial statements as lease obligations represents the District’s future obligations to make lease payments relating to the bonds issued by the Owen County School District Finance Corporation, with original amounts of issue totaling \$24,291,584.

The General Fund, including utility taxes, the Facility Support Program Fund and the SEEK Capital Outlay Fund are obligated to make lease payments. The lease agreements provide, among other things, (1) for rentals sufficient to satisfy debt service requirements on bonds issued by the Owen County School District Finance Corporation, and Kentucky School Facility Construction Commission (KSFCC) to construct school facilities, and (2) the District with the option to purchase the property under lease at any time by retiring the bonds then outstanding. The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The bonds may be called prior to maturity dates at redemption premiums specified in each issue. The original amount of the issue, the issue dates, and interest rates are summarized below:

Issue	Original Principal Amount	Interest Rates	Principal Outstanding at 6/30/2012	Maturity Date
Series of June 1, 2011	\$ 211,584	1.00% - 3.60%	\$ 187,540	3/11/2021
Series of August 8, 2010	6,460,000	1.00% - 1.40%	\$ 5,345,000	4/1/2021
Series of May 28, 2009	15,720,000	2.00% - 4.00%	14,500,000	5/1/2029
Series of March 1, 2003	355,000	2.00% - 2.90%	100,000	9/1/2014
Series of January 31, 2012	1,545,000	1.73% - 3.25%	1,545,000	2/1/1932
	<u>\$ 24,291,584</u>		<u>\$ 21,677,540</u>	

See next page.

Note E – Bonded Debt and Lease Obligations(continued):

Assuming no issues are called prior to scheduled maturity, the minimum obligations of the funds at June 30, 2012, for debt service, (principal and interest) are as shown below:

Year	Owen County School District		Kentucky School Facilities Construction Commission		Total
	Principal	Interest	Principal	Interest	
2013	\$ 899,673	\$ 612,937	\$ 233,169	\$ 88,006	\$ 1,833,785
2014	912,524	595,920	237,913	83,263	1,829,620
2015	928,677	576,737	236,760	78,225	1,820,399
2016	950,883	556,522	224,554	73,262	1,805,220
2017	970,873	534,542	229,564	68,252	1,803,231
2018	996,749	511,214	234,890	62,925	1,805,778
2019	1,021,080	486,562	240,559	57,257	1,805,458
2020	1,047,096	457,587	247,139	50,677	1,802,499
2021	1,082,508	423,428	252,929	42,888	1,801,753
2022	1,093,866	388,090	96,134	34,902	1,612,993
2023	1,140,304	345,240	99,696	31,343	1,616,583
2024	1,181,610	300,695	103,390	27,647	1,613,343
2025	1,232,772	254,407	107,228	23,810	1,618,218
2026	1,212,190	206,235	107,810	19,827	1,546,063
2027	1,263,478	157,748	111,522	15,627	1,548,375
2028	1,314,617	107,209	115,383	11,279	1,548,488
2029	1,365,602	54,624	124,398	6,776	1,551,400
2030	-	-	20,000	1,950	21,950
2031	-	-	20,000	1,300	21,300
2032	-	-	20,000	650	20,650
	<u>\$ 18,614,502</u>	<u>\$ 6,569,696</u>	<u>\$ 3,063,038</u>	<u>\$ 779,867</u>	<u>\$ 29,027,103</u>

Note F – Retirement Plans

The District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky.

Certified employees are covered under KTRS. Funding for the Plan is provided through payroll withholdings of 10.355% and matching state contributions. The Commonwealth of Kentucky is required to contribute 13.605% of salaries. The federal program that pays for salaries also pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either a four year college degree or certification by KY Department of Education (KDE).

Note F – Retirement Plans (continued)

Substantially all other employees (classified personnel) are covered under the County Employees Retirement System (“CERS”), a cost sharing, multiple-employer, public employer’s retirement system. Funding for the Plan is provided through payroll withholdings of 5% and a Board contribution of 18.96% of the employee’s total compensation subject to contribution.

Employees hired after September 1, 2008 have a 1% increase on the employee and employer portion of withholdings.

The Board’s total payroll for the year was \$10,460,522. The payroll for employees covered under KTRS was \$7,706,528 and for CERS was \$2,561,075.

The contribution requirement for CERS for the year ended June 30, 2012 was \$613,983 which consisted of \$485,684 from the Board and \$128,299 from the employees. The contribution requirement for KTRS for the year ended June 30, 2012 was \$919,031 which consisted of \$117,612 from the Board and \$801,419 from the employees. For June 30, 2011 and June 30, 2010 the Board’s contributions to CERS and KTRS were: CERS \$433,431 and \$418,746; KTRS \$123,479 and \$93,690.

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

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

Ten-year historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2011 comprehensive annual financial reports.

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

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 G – Contingencies

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

Note H - Litigation

The District is subject to various other 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, except as described elsewhere in this report.

Note I – Insurance and Related Activities

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

Note J – Risk Management

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

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

Note K – Deficit Operating Balances

There are no funds of the District that currently have a deficit fund balance. The General Fund did have expenditures in excess of revenues in the amount of \$131,966. The Building Fund also had expenditures in excess of revenues in the amount of \$937,133.

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 school district at risk for a substantial loss (contingency).

Note N – Transfer of Funds

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Special Revenue	General	Indirect Cost-MOA(NAEP)	\$ 3,288
Special Revenue	General	MOA-Indirect Cost	1,965
General	Special Revenue	Community Ed Matching	5,000
General	Special Revenue	KETS 1st offer	20,370
General	Special Revenue	KETS 2nd offer	13,580
Capital Outlay	General	Capital Funds Requests	142,878
Building	General	Capital Funds Requests	252,467
Building	General	Capital Funds Requests	34,488
Building	Debt Service	Debt Service	1,365,307
Building	Construction	Upper Elementary Renovatio	451,352
General	Construction	Field House Construction	1,469
Building	Construction	Field House Construction	500,000

Note O – GASB 54 Adoption-Fund Equity

Beginning with fiscal year 2011, the Owen County School District implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors(such as those through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the governments 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.
- 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 program supervisors to complete purchase orders which result in encumbrance of funds. Assigned fund balances 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. The classification represents fund balance that has not been assigned to the other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Note P – Subsequent Events

Subsequent events have been evaluated through October 10, 2012, which is the date the financial statements were available to be issued.

Budgetary Comparison

Owen County Board of Education
Statement of Revenues,
Expenditures & Changes in Fund Balance
Budget & Actual - General Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Favorable
	Original	Final		(Unfavorable)
Revenues:				
From Local Sources:				
Taxes	\$ 2,915,779	\$ 2,981,319	\$ 3,014,607	\$ 33,288
Other Local Revenues	6,400	5,300	6,664	1,364
Intergovernmental - State	7,285,570	7,527,394	7,520,925	(6,469)
On-Behalf- State	-	-	2,687,691	2,687,691
Intergovernmental - Indirect Federal	9,000	9,000	7,383	(1,617)
Other Sources	15,875	9,500	24,069	14,569
Total Revenues	<u>10,232,624</u>	<u>10,532,513</u>	<u>13,261,339</u>	<u>2,728,826</u>
Expenditures:				
Instruction	5,483,305	6,180,298	8,047,807	(1,867,509)
Support Services:				
Student	380,730	462,467	586,273	(123,806)
Instructional Staff	231,892	349,515	460,992	(111,477)
District Administration	477,328	351,250	365,934	(14,684)
School Administration	910,893	910,107	1,091,279	(181,172)
Business	520,659	450,416	497,592	(47,176)
Plant Operations and Maintenance	1,521,668	1,616,770	1,570,137	46,633
Student Transportation	1,016,800	1,078,403	1,140,362	(61,959)
Food Services	20,424	3,389	3,345	44
Community Service	1,710	-	-	-
Debt Service			27,468	(27,468)
Other	796,127	580,825	-	580,825
Total Expenditures	<u>11,361,536</u>	<u>11,983,440</u>	<u>13,791,189</u>	<u>(1,807,749)</u>
Excess (Deficit) of Revenues				
Over Expenditures	<u>(1,128,912)</u>	<u>(1,450,927)</u>	<u>(529,850)</u>	<u>921,077</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	913	2,384	3,217	833
Operating Transfers In	5,547	462,276	435,086	(27,190)
Operating Transfers Out	(46,913)	(46,825)	(40,419)	6,406
Total Other Financing Sources(Uses)	<u>(40,453)</u>	<u>417,835</u>	<u>397,884</u>	<u>(19,951)</u>
Excess (Deficit) of Revenues and Other				
Financing Sources Over Expenditures				
and Other Financing Uses	(1,169,365)	(1,033,092)	(131,966)	901,126
Fund Balance, June 30, 2011	<u>1,169,365</u>	<u>1,033,092</u>	<u>1,383,052</u>	<u>349,960</u>
Fund Balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,251,086</u>	<u>\$ 1,251,086</u>

The notes to the basic financial statements are an integral part of this statement.

Owen County Board of Education
Statement of Revenues,
Expenditures & Changes in Fund Balance
Budget & Actual - Special Revenue Fund
For the Year Ended June 30, 2012

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues:				
From Local Sources:				
Other Local Revenues	\$ 14,300	\$ 21,347	\$ 58,666	\$ 37,319
Intergovernmental - State	600,808	684,628	698,200	13,572
Intergovernmental - Indirect Federal	2,254,799	1,249,839	1,555,372	305,533
Total Revenues	2,869,907	1,955,814	2,312,238	356,424
Expenditures:				
Instruction	2,268,702	1,564,914	1,885,984	(321,070)
Support Services:				
Student	87,328	-	1,676	(1,676)
Instructional Staff	217,683	194,210	194,618	(408)
Business	117,967	34,700	39,992	(5,292)
Plant Operations and Maintenance	2,760	3,000	2,832	168
Student Transportation	13,455	-	-	-
Community Service	203,793	192,690	220,834	(28,144)
Total Expenditures	2,911,688	1,989,514	2,345,936	(356,422)
Excess (Deficit) of Revenues Over Expenditures	(41,781)	(33,700)	(33,698)	2
Other Financing Sources (Uses):				
Operating Transfers In	46,913	38,950	38,950	-
Operating Transfers Out	(5,132)	(5,250)	(5,252)	(2)
Total Other Financing Sources(Uses)	41,781	33,700	33,698	(2)
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	-	-	-
Fund Balance, June 30, 2011				
Fund Balance, June 30, 2012	\$	\$	\$	\$

The notes to the basic financial statements are an integral part of this statement.

Supplementary Information

Owen County Board of Education
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2012

	Debt Service Fund	Construction Fund	Building Fund	Capital Outlay Fund	Total Nonmajor Governmental Funds
Assets & Resources:					
Cash & Cash Equivalents	\$ 12,053	\$ 1,600,671	\$ 348,796	\$ 80,593	\$ 2,042,113
Investments		767,300			767,300
Accounts Receivable			84,972		84,972
Total Assets & Resources	\$ 12,053	\$ 2,367,971	\$ 433,768	\$ 80,593	\$ 2,894,385
Liabilities & Fund Balances:					
Liabilities:					
Accounts Payable	\$ 12,053	\$ 4,475	\$ -	\$ -	\$ 16,528
Total Liabilities	12,053	4,475	-	-	16,528
Fund Balances					
Restricted		1,556,362	419,549	53,536	2,029,447
Assigned		807,134			807,134
Unassigned			14,219	27,057	41,276
Total Fund Balances	-	2,363,496	433,768	80,593	2,877,857
Total Liabilities & Fund Balances	\$ 12,053	\$ 2,367,971	\$ 433,768	\$ 80,593	\$ 2,894,385

The notes to the basic financial statements are an integral part of this statement.

Owen County Board of Education
Combining Statement of Revenues, Expenditures,
And Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Debt Service Fund	Construction Fund	Building Fund	SEEK Capital Outlay Revenue	Total Nonmajor Governmental Fund
Revenues:					
From Local Sources:					
Taxes		\$			
Property	\$		\$ 587,233	\$	\$ 587,233
Utilities			508,160		508,160
Earnings on Investments		4,682	2,646	188	7,516
Intergovernmental - State	298,828	70,864	568,443	169,747	1,107,882
Total Revenues	298,828	75,546	1,666,482	169,935	2,210,791
Expenditures:					
Facilities Acquisition & Construction		1,068,013			1,068,013
Debt Service					
Principal	975,000				975,000
Interest	689,135				689,135
Total Expenditures	1,664,135	1,068,013	-	-	2,732,148
Excess(Deficit) of Revenues Over Expenditures	(1,365,307)	(992,467)	1,666,482	169,935	(521,357)
Other Financing Sources (Uses):					
Bond Principal Proceeds		1,505,049			1,505,049
Operating Transfers In	1,365,307	952,821		-	2,318,128
Operating Transfers Out			(2,603,615)	(142,878)	(2,746,493)
Total Other Financing Sources(Uses)	1,365,307	2,457,870	(2,603,615)	(142,878)	1,076,684
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	1,465,403	(937,133)	27,057	555,327
Fund Balance, June 30, 2011	-	898,093	1,370,901	53,536	2,322,530
Fund Balance, June 30, 2012	\$ -	\$ 2,363,496	\$ 433,768	\$ 80,593	\$ 2,877,857

The notes to the basic financial statements are an integral part of this statement.

Statements of Receipts, Disbursements, & Changes
In Fund Balances

Owen County High School &
Combined Middle & Elementary Schools'
Activity Funds

Owen County Board of Education
Statement of Receipts, Disbursements, & Fund Balances
Owen County High School Activity Funds
For the Year Ended June 30, 2012

Accounts	Cash Balances July 1, 2011	Receipts	Disbursements	Transfers	Cash Balances June 30, 2012	Accounts Receivable June 30, 2012	Accounts Payable June 30, 2012	Fund Balances June 30, 2012
Athletics Director	\$ 11,870	\$ 68,406	\$ 67,200	\$ (9,447)	\$ 3,629	\$ -	\$ -	\$ 3,629
Concessions	43	29,608	15,637	(14,014)	-			-
Football	2,166	3,984	6,700	7,432	6,882			6,882
Boys Basketball	4,544	12,839	13,178	1,185	5,390			5,390
Girls Basketball	6,361	11,528	12,605	1,400	6,684			6,684
Baseball	1,266	21,901	21,648	2,247	3,766			3,766
Softball	2,757	17,279	14,649	1,219	6,606			6,606
Veteran's Program Fund	1	160	456	310	15			15
Boys Soccer	3,968	2,324	2,365	930	4,857			4,857
Soccer - All 'A' State	1	-	1	-	-			-
Girls Soccer	2,193	689	1,761	620	1,741			1,741
Boys Golf	830	-	461	534	903			903
Girls Golf	-	7,898	7,628	(86)	184			184
Varsity Cheerleaders	1,237	13,518	16,284	1,963	434			434
BEKA Memorial Scholarship Fund	-	540	500	250	290			290
Cross Country	1,816	778	2,317	274	551			551
Track	91	5,051	4,068	620	1,694			1,694
Volleyball	1,371	16,715	20,111	2,116	91			91
Academic Team	-	-	-	-	-			-
Yearbook	18,955	13,860	19,700	310	13,425			13,425
Art Club	16	448	(1)	-	465			465
Band	3,708	26,805	27,580	75	3,008			3,008
Beta Club	1,177	865	995	-	1,047			1,047
Rebel Yell Newspaper	-	-	-	-	-			-
FBLA	61	3,141	3,569	367	-			-
FCA	2	427	405	-	24			24
FEA	55	587	449	-	193			193
FFA	1,121	16,317	16,847	823	1,414			1,414
FHA/FCCLA	118	1,519	1,453	12	196			196
Foreign Language	37	1	-	-	38			38
Great Outdoors Club	-	-	-	-	-			-
Historical Society	-	-	-	-	-			-
Industrial Arts	1,625	19,431	20,705	391	742			742
Science Club	765	820	807	(10)	768			768
National Honor Society	1,165	2,314	2,255	-	1,224			1,224
O Club	1	1,011	1,325	600	287			287
SADD	67	520	(25)	-	612			612
Star Events	-	-	-	-	-			-
Student Council	1,296	910	942	-	1,264			1,264
Upward Bound	-	-	-	-	-			-
Judo Club	417	1,988	2,752	436	89			89
"Y" Club	276	172	453	5	-			-
Chess Club	174	-	-	(174)	-			-
Walking & Running Club	91	-	-	(91)	-			-
Senior Class	27	4,216	8,160	4,786	869			869
Junior Class	4,802	10,193	9,332	(3,288)	2,375			2,375
Sophomore Class	107	393	305	69	264			264
Freshman Class	168	448	255	(168)	193			193
Girl Power	2	-	2	-	-			-
Tech Ed	2,289	618	2,392	310	825			825
Math Department	684	235	-	-	919			919
Ag Class	330	185	366	-	149			149
Banking & Finance	2,196	1,262	1,497	(185)	1,776			1,776

Owen County Board of Education
Statement of Receipts, Disbursements, & Fund Balances
Owen County High School Activity Funds
For the Year Ended June 30, 2012

Accounts	Cash Balances July 1, 2011	Receipts	Disbursements	Transfers	Cash Balances June 30, 2012	Accounts Receivable June 30, 2012	Accounts Payable June 30, 2012	Fund Balances June 30, 2012
Business Classes	-	19,655	20,061	406	-			-
Comm. Based Int.	548	44	469	-	123			123
Drama Club	5,237	-	419	-	4,818			4,818
English	1,049	87	-	(148)	988			988
Charitable Gaming Account		1,703	300	(1,403)	-			-
Food-Dews	-	-	-	-	-			-
Webster-Supplies	125	4,362	4,310	720	897			897
Webster-Emb	116	-	116	-	-			-
PE Fees	289	-	-	-	289			289
Special Education	105	-	93	-	12			12
Strength Training	-	-	-	-	-			-
Student Body	317	1,028	257	215	1,303			1,303
Student Fees	12,061	9,631	12,197	(500)	8,995			8,995
Student Rewards	18,253	4,277	2,807	(450)	19,273			19,273
Student Trips	1,360	405	719	-	1,046			1,046
Peps/Teacher	725	1,405	1,098	(270)	762			762
Guidance	1,838	14,680	14,746	148	1,920			1,920
Media Center	497	319	166	(150)	500			500
STLP	1,233	2,101	484	208	3,058			3,058
STEP	3,913	1,886	4,273	903	2,429			2,429
CATS	5	-	-	(5)	-			-
Landscape Fund	30	-	-	-	30			30
Novel Star	-	-	-	-	-			-
Café Rebel	369	11,348	6,932	(2,382)	2,403			2,403
Project Graduation	1	-	(14)	(15)	-			-
YSC	243	425	458	28	238			238
Fellowship of Christian Hunter	282	-	-	-	282			282
Outdoor Adventure	45	100	355	300	90			90
Scholarship Fund	3,651	31	20	-	3,662			3,662
Military Club	-	-	-	-	-			-
USDA Grant Greenhouse	8,342	8,243	8,935	590	8,240			8,240
Scrapbooking Club	16	-	-	(16)	-			-
Kentucky Jr. Historical Society	-	-	-	-	-			-
Future Nurses	53	170	-	-	223			223
Due to Student Body	2	-	-	-	2	-	-	2
	<u>\$ 142,952</u>	<u>\$ 403,804</u>	<u>\$ 409,290</u>	<u>\$ -</u>	<u>\$ 137,466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,466</u>

Owen County Board of Education
Statement of Receipts, Disbursements, & Fund Balances
Middle, Primary, & Elementary Schools
For the Year Ended June 30, 2012

School	Cash Balances July 1, 2011	Receipts	Disbursements	Cash Balances June 30, 2012	Accounts Receivable June 30, 2012	Accounts Payable June 30, 2012	Fund Balances June 30, 2012
Primary	\$ 16,101	\$ 73,496	\$ 62,739	\$ 26,858	\$	\$	\$ 26,858
Elementary	26,049	28,501	32,282	22,268			22,268
Middle School	<u>51,891</u>	<u>137,049</u>	<u>126,315</u>	<u>62,625</u>	<u>-</u>	<u>-</u>	<u>62,625</u>
Total	<u>\$ 94,041</u>	<u>\$239,046</u>	<u>\$ 221,336</u>	<u>\$ 111,751</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$111,751</u>

Schedule of Expenditures of Federal Awards

Owen County Board of Education
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

	CFDA Number	Pass-Through Number	Disbursements
<u>U.S. Department of Education</u>			
Service Learning Grant	84.004	10000020 11	\$ 5,165
Title I, Grants to Local Educational Agencies	84.010	3100002 11	398,814
Title I, Grants to Local Educational Agencies	84.010	3100002 10	62,221
			<u>461,035</u>
Adult Ed	84.002	3730	33,920
Adult Ed Professional Staff Development	84.002	3730	9,877
			<u>43,797</u>
Vocational Education_Basic Grants to States	84.048	4621232 11	15,317
Vocational Education_Basic Grants to States	84.048	4621132 10	920
Vocational Education_Basic Grants to States	84.048	4621032 09	574
			<u>16,811</u>
Enhancing Education Through Technology	84.386	4210002 09	5,917
Special Education Cluster:			
Special Education_Grants to States	84.027	3810002 11	344,774
Special Education_Grants to States	84.027	3810002 10	171,614
Ttle II Part A Teacher & Principal	84.173	4011	28,705
IDEA-B Preschool	84.173	3800002 10	7,463
IDEA-B Preschool	84.173	3800002 11	13,455
			<u>566,011</u>
Improving Teacher Quality State Grants	84.367	3230002 10	98,114
Safe and Drug Free Schools and Communities_State Grants	84.186	3410002 09	7,556
21st Century Community Learning Centers	84.287	3400002 09	7,990
21st Century Community Learning Centers	84.287	3400002 10	91,181
21st Century Community Learning Centers	84.287	3400001 09	1,000
			<u>100,171</u>
Education for Homeless Children and Youth Recovery Act	84.387	499002 09	1,677
IDEA-B ARRA	84.391	4810002 09	4,893
IDEA-B Preschool ARRA	84.392	4800002 09	4,590
Title I ARRA	84.389	4100002 09	155
NCES Project	84.369	9000001 89	119,386
Edujobs	84.410	EJOB00 10	56,057
Title VI Rural & Low Income	84.358	3140002 11	37,588
Title III, LEP	84.365	3300002 10	16,562

Owen County Board of Education
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2012

	CFDA Number	Pass-Through Number	Disbursements
Title III, LEP	84.365	3300002 09	212
			16,774
Community Based Work Transition	84.126	3712	9,950
			1,555,647
<u>Total U.S. Department of Education</u>			
U.S. Department of Agriculture			
Passed through the Kentucky Department of Education			
Children Nutrition	10.555	7690024 11	260
Children Nutrition	10.555	7740023 11	2,523
Children Nutrition	10.555	7750002 11-12	469,539
Children Nutrition	10.553	7760005 11	141,571
			613,893
Passed through Kentucky Department of Agriculture			
Non-cash assistance received in the form of USDA food Commod	10.555	0575002 12	60,052
Total U.S. Department of Agriculture			673,945
Total Federal Financial Awards			\$ 2,229,592

Note A – Basis Of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Owen 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.

Schedule Of Findings And Questioned Costs

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness (es) identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiencies identified that are not considered to be material weakness(es)? None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
10.555	Child Nutrition Cluster
84.027	IDEA Basic
84.287	21 st Century

Dollar threshold used to distinguish Between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement of Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

There were no prior year audit findings.

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*



Charles T. Mitchell Company, PLLC
ctmcpa.com

Partners
William G. Johnson, Jr., CPA
James E. Clouse, CPA
Kim Field, CPA
Greg Miklavcic, CPA

Consultants
Don C. Giles, CPA
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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*

Owen County Board of Education
Owenton, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Owen County School District (the Board) as of and for the year ended June 30, 2012, which collectively comprise the Board's basic financial statements and have issued our report thereon dated October 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States and with *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, and *Appendix II to the Independent Auditor's Contract – State Audit Requirements*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

We noted certain matters that we reported to the Board, in a separate letter dated October 10, 2012.

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

Charles T. Mitchell Co.

October 10, 2012

Independent Auditor's Report
On Compliance With Requirements
That Could Have A Direct And Material Effect
On Each Major Program And
Internal Control Over Compliance In
Accordance With OMB Circular A-133



Charles T. Mitchell Company, PLLC
ctmcpa.com

Independent Auditor's Report
On Compliance With Requirements
That Could Have A Direct And Material Effect
On Each Major Program And
Internal Control Over Compliance In
Accordance With OMB Circular A-133

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Members of the Board of Education
Owen County School District
Owenton, Kentucky

Compliance

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

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

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

Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect

and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Charles T. Mitchell Co.

October 10, 2012

Management Letter



Charles T. Mitchell Company, PLLC
ctmcpa.com

Owen County Board of Education
1600 Highway 22 East
Owenton, Kentucky 40050

Partners
William G. Johnson, Jr., CPA
James E. Clouse, CPA
Kim Field, CPA
Greg Miklavcic, CPA

Consultants
Don C. Giles, CPA
Bernadette Smith, CPA

We have examined the financial statements of Owen County School District for the year ended June 30, 2012 and have issued our report thereon dated October 10, 2012. As part of our examination, we made a study and evaluation of the Owen County Board of Education's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Owen County Board of Education's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Owen County School District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the system to dispatch its duties.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Owen County School District taken as a whole. We noted no matters involving internal control over financial reporting and its operation that we considered to be material weaknesses.

Follow-Up On Prior Year Recommendations

No findings were noted.

Current Year

1) During testing for payroll we noted that some employees had not properly documented their time and effort for certain grants. We recommend that proper levels of supervision review effort and coding for those employees that may be partially funded by grants.

Managements Response:

Staff has begun to properly record time and effort on employees who may be partially funded by grants and management will review coding for proper allocation of time.

2) During testing for food service, it was noted that the 3% verification testing was performed by the staff of food service but not properly reviewed and approved. Our testing concluded that the verification proved individuals were included or denied per eligibility but that most of the sample had not been reviewed and approved by management. We recommend management review and approve each verification in the sample upon receipt.

Managements Response:

Food service staff has been instructed to ensure that a review of the 3% verification testing sample be approved upon receipt.

3) Certain transactions of the Board do not require purchase orders due to the nature of the expense(e.g. referees for sports games, utilities, payroll taxes). However, during testing we noted certain invoices at the activity fund level that were paid did not have purchase orders that maybe should have. We recommend that the Board review their purchase order policies and ensure that personnel abide by the policies of the District and that proper signatures are required and signed before payment of invoice.

Managements Response:

Management will review board policies for expenses that require purchase orders and ensure that District policies for proper approval and signatures are adhered to.

We have enjoyed working with the management and staff of the Owen County School District and look forward to a continuing, mutually productive relationship. Please call us if you have any questions concerning this letter or if we can be of any other assistance.

Respectfully submitted:

Charles T. Mitchell Co.

October 10, 2012