

CHRISTIAN COUNTY SCHOOL DISTRICT

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

Year Ended June 30, 2013

CHRISTIAN COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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Hopkinsville, Kentucky

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Report on the Financial Statements

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 Christian County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, including *Appendix I – Audit Extension Request and Appendix II – Instructions for Submission of the Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor, considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness on the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2013, 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.

As discussed in Note 1 to the financial statements, the District adopted GASB No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AJCPA Pronouncements*, GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions an amendment of GASB Statement No. 53* during the fiscal year.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 38 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Christian County School District's basic financial statements. The combining financial statements, school schedules and schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements, school schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with accounting standards generally accepted in the United States of America. In our opinion, the combining financial statements, school schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 26, 2013, on our consideration of Christian County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Christian County School District's internal control over financial reporting and compliance.


Certified Public Accountants
Elizabethtown, Kentucky
September 26, 2013

REQUIRED SUPPLEMENTARY INFORMATION

**CHRISTIAN COUNTY SCHOOL DISTRICT – HOPKINSVILLE, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

The discussion and analysis of Christian County School District’s financial performance provides an overall review of the School District’s financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to review the School District’s financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School District’s financial performance.

FINANCIAL HIGHLIGHTS

- The beginning cash and investment balance for the District was \$17.1 million. Ending cash and investments was \$15.6 million.
- Following the completion of the District long-range plan for facilities, there is a focus on investing in plant management.
- During fiscal 2013, the District’s financial position declined. Net position decreased by \$543 thousand.
- The General Fund had \$64.9 million in revenue, which primarily consisted of the state program (SEEK), state on-behalf payments for retirement and health insurance and property, utilities, and motor vehicle taxes. Excluding inter-fund transfers, there were \$66.6 million in General Fund expenditures.
- Bonds are issued as the District builds and renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District’s total debt decreased by \$1.1 million during the fiscal year.

USING THIS ANNUAL REPORT

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 position presents information on all of the District’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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. Capital assets and related debt is also supported by taxes and intergovernmental revenues.

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. There is a state mandated uniform accounting system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. The proprietary funds include the food service operation and the child care operations. The fiduciary funds are agency funds. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 12 - 19 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 20 - 37 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$50.2 million as of June 30, 2013.

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 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.

**Net Position for the period ending June 30, 2013 and 2012
(Table 1)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 16,338,185	\$ 18,313,103	\$ 2,117,082	\$ 2,472,014	\$ 18,455,267	\$ 20,785,117
Capital Assets	82,139,985	82,468,792	557,197	705,932	82,697,182	83,174,724
Total Assets	98,478,170	100,781,895	2,674,279	3,177,946	101,152,449	103,959,841
Long-term Debt	47,032,174	49,448,606	-	-	47,032,174	49,448,606
Other Liabilities	3,935,521	3,778,161	5,462	11,621	3,940,983	3,789,782
Total Liabilities	50,967,695	53,226,767	5,462	11,621	50,973,157	53,238,388
Net Position						
Investment in capital assets	33,810,119	32,554,392	557,197	705,932	34,367,316	33,260,324
Restricted	5,357,276	4,265,093	-	-	5,357,276	4,265,093
Unrestricted	8,343,080	10,735,643	2,111,620	2,460,393	10,454,700	13,196,036
Total Net Position	\$ 47,510,475	\$ 47,555,128	\$ 2,668,817	\$ 3,166,325	\$ 50,179,292	\$ 50,721,453

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

The District put in service \$35.2 million in capital assets and paid \$1.1 million toward bonds.

Comments on Budget Comparisons

- The District's total revenues for the fiscal year ended June 30, 2013, net of Interfund transfers, were \$91.9 million.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$13 million more than budget or approximately 25%. This variance was primarily related to on-behalf payments that were not budgeted.
- General fund budget expenditures to actual varied significantly in Instruction and Other Expenses. This resulted from the District not budgeting on-behalf payments made by the State of Kentucky and not having to spend budgeted contingency funds.

The following Table 2 presents a summary of changes in net position for the fiscal years ended June 30, 2013 and 2012.

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
REVENUES:						
Program revenues:						
Charges for services	\$ 14,247	\$ 2,000	\$ 948,583	\$ 1,168,575	\$ 962,830	\$ 1,170,575
Operating grants and contributions	28,135,885	30,290,736	5,636,595	5,402,733	33,772,480	35,693,469
Capital grants and contributions	2,806,606	2,798,240	-	-	2,806,606	2,798,240
General revenues:						
Property taxes	11,972,304	10,906,776	-	-	11,972,304	10,906,776
Motor vehicle taxes	1,657,962	1,580,594	-	-	1,657,962	1,580,594
Utility taxes	4,500,738	4,575,098	-	-	4,500,738	4,575,098
Other taxes	94	-	-	-	94	-
Investment earnings	316,632	324,676	24,010	28,000	340,642	352,676
State and formula grants	34,802,989	35,420,970	-	-	34,802,989	35,420,970
Miscellaneous	1,103,098	1,164,199	-	-	1,103,098	1,164,199
Total revenues	<u>85,310,555</u>	<u>87,063,289</u>	<u>6,609,188</u>	<u>6,599,308</u>	<u>91,919,743</u>	<u>93,662,597</u>
EXPENSES						
Program Activities						
Instruction	51,375,260	50,843,104	-	-	51,375,260	50,843,104
Student support	4,654,378	4,600,085	-	-	4,654,378	4,600,085
Instructional staff support	2,547,442	2,398,091	-	-	2,547,442	2,398,091
District administrative support	2,252,928	1,786,757	-	-	2,252,928	1,786,757
School administrative support	3,777,518	3,803,396	-	-	3,777,518	3,803,396
Business support	2,927,535	3,025,199	-	-	2,927,535	3,025,199
Plant operation and maintenance	8,682,070	8,660,695	-	-	8,682,070	8,660,695
Student transportation	5,845,327	5,919,438	-	-	5,845,327	5,919,438
Community service activities	867,627	898,639	-	-	867,627	898,639
Interest costs	2,198,392	2,431,957	-	-	2,198,392	2,431,957
Business-type Activities:						
Food service	-	-	6,241,634	5,889,532	6,241,634	5,889,532
Child care	-	-	737,252	703,284	737,252	703,284
Total expenses	<u>85,128,477</u>	<u>84,367,361</u>	<u>6,978,886</u>	<u>6,592,816</u>	<u>92,107,363</u>	<u>90,960,177</u>
Excess before transfers and extraordinary item	182,078	2,695,928	(369,698)	6,492	(187,620)	2,702,420
Extraordinary item - KSBIT Transfers	(354,541)	(336,158)	-	336,158	-	-
Increase (decrease) in net position	<u>\$ (172,463)</u>	<u>\$ 2,359,770</u>	<u>\$ (369,698)</u>	<u>\$ 342,650</u>	<u>\$ (187,620)</u>	<u>\$ 2,702,420</u>

Governmental Activities

Instruction comprises 60% of governmental program expenses. Support services expenses make up 36% of government expenses. The remaining expense for community services and interest accounts for the remaining 4% of total government expense.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

(Table 3)
Governmental Activities Total
Cost of Services

	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Instruction	\$ 51,375,260	\$ 50,843,104	\$ 29,081,029	\$ 26,921,170
Support Services	30,687,198	30,193,661	25,698,924	24,721,498
Community Services	867,627	898,639	-	-
Interest costs	<u>2,198,392</u>	<u>2,431,957</u>	<u>(608,214)</u>	<u>(366,283)</u>
Total expenses	<u><u>\$ 85,128,477</u></u>	<u><u>\$ 84,367,361</u></u>	<u><u>\$ 54,171,739</u></u>	<u><u>\$ 51,276,385</u></u>

Business-Type Activities

The business-type activities include the food service and child care operations. These programs had total revenues of \$6,609,188 and expenses of \$6,978,886 for fiscal year 2013. Of the revenues, \$948,583 was charges for services, \$5,636,595 was from State and Federal grants and \$ 24,010 was from investment earnings. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of this activity. If it becomes necessary, the School District will increase the charges for this activity.

The School District's Funds

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting..

General Fund-Budget Highlights

The School District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. The State Department of Education requires a zero-based budget with any budgeted remaining fund balance shown as a contingency expense in the budget process.

For the General Fund, revenues were budgeted at \$51.9 million.with actual amounts of \$64.9 million Budgeted expenditures of \$62.5 million compare with actual expenditures of \$66.6 million. The most significant fluctuation is for unbudgeted on-behalf payments of \$12 million.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013 the School District had \$82.7 million invested in land, buildings, vehicles and equipment and \$82.1 million in governmental activities. Table 4 shows fiscal year 2013 and 2012 balances.

(Table 4)
Capital Assets at June 30, 2013 and 2012
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land and land improvements	\$ 3,684,664	\$ 2,935,569	\$ -	\$ -	\$ 3,684,664	\$ 2,935,569
Buildings and improvements	69,443,288	41,546,751	-	-	69,443,288	41,546,751
Technology	3,712,385	3,763,942	2,816	6,185	3,715,201	3,770,127
Vehicles	3,118,058	3,765,189	-	-	3,118,058	3,765,189
General equipment	1,441,983	1,142,871	554,381	699,747	1,996,364	1,842,618
Total	81,400,378	53,154,322	557,197	705,932	81,957,575	53,860,254
Construction in progress	739,607	29,314,470	-	-	739,607	29,314,470
Total	<u>\$ 82,139,985</u>	<u>\$ 82,468,792</u>	<u>\$ 557,197</u>	<u>\$ 705,932</u>	<u>\$ 82,697,182</u>	<u>\$ 83,174,724</u>

Table 5 shows changes in capital assets for the year ended June 30, 2013 and 2012.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Beginning balance	\$ 82,468,792	\$ 73,089,021	\$ 705,931	\$ 434,285	\$ 83,174,723	\$ 73,523,306
Restatement	127,810	-	(127,810)	-	-	-
Additions	35,264,121	15,948,833	74,036	387,161	35,338,157	16,335,994
Retirements	(31,282,862)	(3,007,746)	(665)	(30,356)	(31,283,527)	(3,038,102)
Depreciation	(4,437,876)	(3,561,316)	(94,295)	(85,159)	(4,532,171)	(3,646,475)
Ending balance	<u>\$ 82,139,985</u>	<u>\$ 82,468,792</u>	<u>\$ 557,197</u>	<u>\$ 705,931</u>	<u>\$ 82,697,182</u>	<u>\$ 83,174,723</u>

Debt

At June 30, 2013, the School District had \$49.9 million in bonds outstanding, of this amount \$12.7 million is to be paid from KSFCC funding provided by the State of Kentucky. A total of \$2.2 million is due within one year.

District Challenges for the Future

Christian County School District's financial status has declined in the last fiscal year. However, as we look forward, we expect unfunded mandates and the national economic climate to have an impact on our District.

The School District has experienced consistent growth in student enrollment during the past year. The need to maintain, renovate and/or build facilities in the next few years will create more challenges for the School District.

The District is experiencing increased personnel costs associated with preschool and special needs programs that have not been funded through state or federal programs.

Most costs associated with growth have, in the past, been offset due to increased student enrollment producing additional state funding, and continued increases in business and residential property subject to tax within the School District. Our property tax base continues to grow; however our School District, like all Kentucky School Districts, is limited to a 4% annual growth in property tax revenue on existing property.

Additional factors concerning our School District's financial status include the implementation of various unfunded mandates. Examples include the Flex Fund accounts (Professional Development, Safe Schools, Preschool, Textbooks and Extended School Services). State funding for these programs does not meet our needs as a District. Therefore, local generated funds will have to address these areas. Also, the uncertainty of state budgeted revenue projections may impact our funding. In addition, the full effect of No Child Left Behind (NCLB) has yet to be determined. Funding for this program is not equal to the mandates required by the Federal Government.

With careful planning and monitoring of our finances, Christian County Schools' goal is to continue to provide a quality education for our students and a secure financial future for the School District.

Future Budgetary Implications

In Kentucky, the public schools fiscal year is July 1 - June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2013 - 2014 with a 6.5% contingency. Significant Board action that impacts the finances includes pay increases for all employees, additional spending for facility repairs outside of bonded building and renovation projects, and continued funding of Board initiatives.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information contact Jessica Darnell, Director of Finance, 200 Glass Avenue, Hopkinsville, Kentucky, 42240, (270) 887-7000.

BASIC FINANCIAL STATEMENTS

CHRISTIAN COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

Assets	Governmental Activities	Business- Type Activities	Total
<u>Current Assets</u>			
Cash and cash equivalents	\$ 10,313,866	\$ 1,528,387	\$ 11,842,253
Investments	3,794,510		3,794,510
Prepays	37,005	50	37,055
Inventory		106,383	106,383
Receivables:			
Taxes-current	448,912		448,912
Taxes-delinquent	14,077		14,077
Other receivables	4,000		4,000
Intergovernmental-State	16,026		16,026
Intergovernmental-Indirect Federal	1,010,510		1,010,510
Intergovernmental-Direct Federal	363,582		363,582
Total Current Assets	16,002,488	2,117,082	18,119,570
<u>Noncurrent Assets</u>			
Deferred charges	335,697		335,697
Capital assets, net of accumulated depreciation	82,139,985	557,197	82,697,182
Total Noncurrent Assets	82,475,682	557,197	83,032,879
Total Assets	98,478,170	2,674,279	101,152,449
Liabilities			
<u>Current Liabilities</u>			
Accounts payable	144,449	5,462	149,911
Accrued payroll and related expenses	516		516
Unearned revenue	821,287		821,287
Bond obligations	2,170,000		2,170,000
Compensated absences	302,308		302,308
Interest payable	496,961		496,961
Total Current Liabilities	3,935,521	5,462	3,940,983
<u>Noncurrent Liabilities</u>			
Bond obligations	46,159,866		46,159,866
Compensated absences	517,767		517,767
KSBIT	354,541		354,541
Total Noncurrent Liabilities	47,032,174	-	47,032,174
Total Liabilities	50,967,695	5,462	50,973,157
<u>Net Position</u>			
Net investment in capital assets	33,810,119	557,197	34,367,316
Restricted	5,357,276		5,357,276
Unrestricted	8,343,080	2,111,620	10,454,700
Total Net Position	\$ 47,510,475	\$ 2,668,817	\$ 50,179,292

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

FUND FINANCIAL STATEMENTS

CHRISTIAN COUNTY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2013

	General Fund	Special Revenue Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 9,310,354	\$ -	\$ 805,745	\$ 272,432	\$ 10,388,531
Investments			3,794,510		3,794,510
Prepays	37,005				37,005
Receivables:					
Taxes - current	448,912				448,912
Taxes - delinquent	14,077				14,077
Other receivables		4,000			4,000
Intergovernmental - State		16,026			16,026
Intergovernmental - Indirect Federal		1,010,510			1,010,510
Intergovernmental - Direct Federal		117,745			117,745
Total Assets	\$ 9,810,348	\$ 1,148,281	\$ 4,600,255	\$ 272,432	\$ 15,831,316
Liabilities and Fund Balances:					
Liabilities					
Accounts payable	\$ 74,371	\$ 67,324	\$ -	\$ 2,754	\$ 144,449
Cash overdraft		74,665			74,665
Accrued payroll and related expenses	516				516
Unearned revenue		821,287			821,287
Total Liabilities	74,887	963,276	-	2,754	1,040,917
Fund Balances					
Nonspendable	37,005				37,005
Restricted	302,308	185,005	4,600,255	269,678	5,357,246
Assigned	927,675				927,675
Unassigned	8,468,473				8,468,473
Total Fund Balances	9,735,461	185,005	4,600,255	269,678	14,790,399
Total Liabilities and Fund Balances	\$ 9,810,348	\$ 1,148,281	\$ 4,600,255	\$ 272,432	\$ 15,831,316

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

CHRISTIAN COUNTY SCHOOL DISTRICT

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

June 30, 2013

Total fund balance per fund financial statements	\$ 14,790,399
Amounts reported for governmental activities in the statement of net position are different because:	
Certain revenues are not reported in this fund financial statement because they are available, but they are presented in the statement of net position.	245,837
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 position.	82,139,985
Debt issuance charges are reported as expenditures in the governmental funds when first incurred; however, they are included as deferred charges in the statement of net position	335,697
Certain liabilities are not reported in this fund financial statement because because they are not due and payable, but they are presented in the statement of net position:	
Bonds payable (net of discounts/premiums and deferred amounts on refundings)	(48,329,866)
Interest payable	(496,961)
Compensated absences	(820,075)
KSBIT	(354,541)
Net position for governmental activities	<u>\$ 47,510,475</u>

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

CHRISTIAN COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

Year Ended June 30, 2013

	General Fund	Special Revenue Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes:					
Property	\$ 10,131,486	\$ -	\$ -	\$ 1,660,818	\$ 11,792,304
Motor vehicle	1,657,962				1,657,962
Utilities	4,500,738				4,500,738
Other	94				94
Earnings on investments	171,144		132,176	13,312	316,632
Other local revenues	1,117,345	50,540			1,167,885
Intergovernmental - State	46,966,792	3,562,678	1,331,437	2,120,419	53,981,326
Intergovernmental - Indirect Federal	74,100	9,737,471			9,811,571
Intergovernmental - Direct Federal	264,528	331,348	1,475,169		2,071,045
Total Revenues	64,884,189	13,682,037	2,938,782	3,794,549	85,299,557
Expenditures:					
Instruction	37,247,082	12,442,531			49,689,613
Support services:					
Student	4,391,659	255,457			4,647,116
Instruction staff	2,400,086	137,823			2,537,909
District administrative	1,847,669				1,847,669
School administrative	3,803,799				3,803,799
Business	2,932,573				2,932,573
Plant operation and maintenance	8,445,492				8,445,492
Student transportation	5,501,982	321,624			5,823,606
Community service activities		867,627			867,627
Facilities acquisition and construction				1,871,848	1,871,848
Bond issuance costs			74,617		74,617
Debt service:					
Principal			2,120,000		2,120,000
Interest			2,099,146		2,099,146
Total Expenditures	66,570,342	14,025,062	4,293,763	1,871,848	86,761,015
Excess (Deficit) of Revenues over Expenditures	(1,686,153)	(343,025)	(1,354,981)	1,922,701	(1,461,458)
Other Financing Sources (Uses):					
Proceeds from sale of capital assets	53,102				53,102
Bond proceeds from refunding bonds			9,795,000		9,795,000
Bond discount/premium			481		481
Payment to refunded bond escrow agent			(9,717,818)		(9,717,818)
Transfers in		130,671	2,727,398	1,179,285	4,037,354
Transfers out	(372,454)			(3,664,900)	(4,037,354)
Total Other Financing Sources (Uses)	(319,352)	130,671	2,805,061	(2,485,615)	130,765
Excess (Deficit) of Revenue and Other Financing Sources over Expenditures and Other Financing Uses	(2,005,505)	(212,354)	1,450,080	(562,914)	(1,330,693)
Fund Balance, July 1, 2012	11,740,966	397,359	3,150,175	832,592	16,121,092
Fund Balance, June 30, 2013	\$ 9,735,461	\$ 185,005	\$ 4,600,255	\$ 269,678	\$ 14,790,399

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

CHRISTIAN COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2013

Net change in total fund balances per fund financial statements	\$ (1,330,693)
Amounts reported for governmental activities in the statement of activities are different because:	
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 for the year.	(187,409)
The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position.	(3,046)
Bond payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	2,120,000
In the statement of activities, only the gain (loss) on sale of fixed assets is reported, whereas in the governmental funds, the proceeds for the sale increased financial resources.	(269,208)
Estimated claims that are not mature are not reported in this fund financial statement, but those that are probable and reasonably estimable This item is recorded as extraordinary item in the statement of activities as it is unusual in nature and infrequent in occurrence.	(354,541)
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.	<u>(147,566)</u>
Change in net position of governmental activities	<u><u>\$ (172,463)</u></u>

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

CHRISTIAN COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2013

	Food Service Fund	Child Care Fund	Total
Assets			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 1,354,664	\$ 173,723	\$ 1,528,387
Intergovernmental receivable - Indirect Federal	482,262		482,262
Prepays		50	50
Inventory	106,383		106,383
Total Current Assets	1,943,309	173,773	2,117,082
<u>Noncurrent Assets</u>			
Capital assets, net of accumulated depreciation	557,197		557,197
Total Noncurrent Assets	557,197	-	557,197
Total Assets	2,500,506	173,773	2,674,279
Liabilities			
<u>Current Liabilities</u>			
Accounts payable	2,656	2,806	5,462
Total Current Liabilities	2,656	2,806	5,462
<u>Net Position</u>			
Net investment in capital assets	557,197		557,197
Unrestricted	1,940,653	170,967	2,111,620
Total Net Position	\$ 2,497,850	\$ 170,967	\$ 2,668,817

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

CHRISTIAN COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended June 30, 2013

	Food Service Fund	Child Care Fund	Total
Operating Revenues:			
Lunchroom sales	\$ 563,436	\$ -	\$ 563,436
Other operating revenues		385,147	385,147
Total Operating Revenues	563,436	385,147	948,583
Operating Expenses:			
Salaries and wages	2,796,118	593,575	3,389,693
Materials and supplies	3,118,902	106,648	3,225,550
Depreciation	94,295		94,295
Other operating expenses	231,654	37,029	268,683
Total Operating Expenses	6,240,969	737,252	6,978,221
Operating loss	(5,677,533)	(352,105)	(6,029,638)
Non-Operating Revenues (Expenses):			
Federal grants	4,366,276	196,540	4,562,816
Donated commodities	335,021		335,021
State grants	54,495	5,459	59,954
State on-behalf payments	558,648	120,156	678,804
Gain (loss) on disposal of equipment	(665)		(665)
Interest income	24,010		24,010
Total Non-Operating Revenues (Expenses)	5,337,785	322,155	5,659,940
Changes in net position	(339,748)	(29,950)	(369,698)
Net Position, July 1, 2012, as previously presented	2,965,408	200,917	3,166,325
Restatement	(127,810)		(127,810)
Net Position, July 1, 2012, as restated	2,837,598	200,917	3,038,515
Net Position June 30, 2013	<u>\$ 2,497,850</u>	<u>\$ 170,967</u>	<u>\$ 2,668,817</u>

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

CHRISTIAN COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2013

	Food Service Fund	Child Care Fund	Total
Cash Flows from Operating Activities			
Cash received from:			
Lunchroom sales	\$ 563,436	\$ -	\$ 563,436
Other activities		385,147	385,147
Cash paid to/for:			
Employees	2,237,470	473,419	2,710,889
Supplies	2,761,346	103,892	2,865,238
Other activities	231,654	37,029	268,683
Net Cash Used by Operating Activities	(4,667,034)	(229,193)	(4,896,227)
Cash flows from Non-Capital Financing Activities			
Federal grants	3,935,018	196,540	4,131,558
State grants	54,495	5,459	59,954
Net Cash Provided by Non-Capital Financing Activities	3,989,513	201,999	4,191,512
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	(74,036)		(74,036)
Net Cash Used by Capital and Related Financing Activities	(74,036)	-	(74,036)
Cash Flows from Investing Activities			
Receipt of interest income	24,010		24,010
Net Cash Provided by Investing Activities	24,010	-	24,010
Net increase (decrease) in cash and cash equivalents	(727,547)	(27,194)	(754,741)
Balances, beginning of year	2,082,211	200,917	2,283,128
Balances, end of year	<u>\$ 1,354,664</u>	<u>\$ 173,723</u>	<u>\$ 1,528,387</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (5,677,533)	\$ (352,105)	\$ (6,029,638)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	94,295		94,295
State on-behalf payments	558,648	120,156	678,804
Donated commodities	335,021		335,021
Change in assets and liabilities:			
Prepays		(50)	(50)
Inventory	31,499		31,499
Accounts payable	(8,964)	2,806	(6,158)
Net cash used by operating activities	<u>\$ (4,667,034)</u>	<u>\$ (229,193)</u>	<u>\$ (4,896,227)</u>
Schedule of non-cash transactions:			
Donated commodities received from federal government	<u>\$ 335,021</u>	<u>\$ -</u>	<u>\$ 335,021</u>
State on-behalf payments	<u>\$ 558,648</u>	<u>\$ 120,156</u>	<u>\$ 678,804</u>

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

CHRISTIAN COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2013

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 852,616
Receivables	<u>4,155</u>
Total Assets	<u>856,771</u>
Liabilities	
Accounts payable	34,884
Due to student groups	<u>821,887</u>
Total Liabilities	<u>856,771</u>
Net Position Held in Trust	<u><u>\$ -</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

CHRISTIAN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Christian County School District (the "District") have been prepared to conform with Accounting Principles Generally Accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

The Christian County Board of Education ("Board"), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Christian County School District. 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.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units", the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. Applying this definition, District management has determined that the component unit reportable within the accompanying financial statements is the Christian County School District Finance Corporation, (the "Corporation"). 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 Boosters, Parent-Teacher Associations, etc.

Blended Component Unit - Christian County School District Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Christian 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. Therefore, the financial activities of the Corporation have been blended (reported as if it were part of the District) with those of the District. The Corporation does not publish individual component unit financial statements.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-wide Financial Statements

The Statement of Net Position 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.

CHRISTIAN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include 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 net position presents the financial condition of the governmental and business-type activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than 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 Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The Proprietary Funds are accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Funds reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

Governmental Funds

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Funds and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income. The following are the District's Governmental Funds:

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

CHRISTIAN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- (B) The Special Revenue Fund accounts 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 included in this report. 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 Funds).
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 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. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs; and for the payment of interest on notes payable, as required by Kentucky Law. This is a major fund of the District.

Proprietary Funds

Proprietary Funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses include salaries, benefits, supplies and other items. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has two Proprietary Funds.

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch and Breakfast Programs, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund of the District.
- (B) The Child Care Fund accounts for the daycare operations of the District. Amounts have been recorded for on-behalf payments for retirement and health insurance paid by the State of Kentucky.

CHRISTIAN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District.

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

BASIS OF ACCOUNTING

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

Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty (60) days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Property tax revenue is recognized when taxes are received, except at year end when revenue is recognized for taxes received by the District within sixty (60) days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, claims and judgments and certain prepaids which are recognized when due/paid.

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In all cases, monies received before the revenue recognition criteria have been met are reported as unearned revenue.

CHRISTIAN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

Revenue Recognition

State Revenue Sources - Revenues from State sources for current operations are primarily from the Support Education Excellence in Kentucky ("SEEK"), administered by the Kentucky Department of Education ("KDE"). The District files reports on average daily attendance ("ADA") student membership with the KDE. The KDE accumulates information from these reports and calculates the allocation of SEEK funds to the District. After review and verification of ADA reports and supporting documentation, the KDE may adjust subsequent fiscal period allocations of SEEK funding. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made, as amounts are not significant.

Property Taxes - On an accrual basis, property tax revenue anticipated to be collected is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received.

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

C. BUDGETARY POLICIES

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:

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).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. All budget appropriations lapse at year-end.

D. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

CHRISTIAN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash equivalents are considered to be demand deposits, money market funds, and other investments with an original maturity of 90 days or less.

F. INVENTORIES

Inventories are valued at cost, which approximates market. The food service fund uses the specific identification method and the general fund uses the first-in, first-out method. The District's inventories include various items consisting of school supplies, paper, books, maintenance items, transportation items, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method.

G. PREPAID ITEMS

Payments made that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. 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 position 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 position and in the respective funds. All capital assets greater than \$5,000 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 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. 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>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	5-15 years
Food service equipment	5-12 years

CHRISTIAN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. LONG-TERM DEBT

In the fund-level financial statements, governmental funds report the face amount of debt issued, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums/discounts and issuance cost are amortized over the life of the bonds while deferred loss on advance refundings are amortized over the shorter of the remaining life of the refunded bonds or the life of the new bonds both in a systematic and rational method, which approximates the effective-interest method.

J. COMPENSATED ABSENCES

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

K. ACCOUNTING 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 financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

L. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

Recently Issued And Adopted Accounting Principles

In May 2009, the GASB issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 requires the use of new fund balance classifications and clarifies existing governmental fund type definitions. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. The District adopted GASB Statement 54 in fiscal year 2011. Required disclosure is reported in Note 9.

In June 2010, the GASB issued Statement 59, *Financial Instruments Omnibus*. GASB 59 updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The requirements of this Statement will improve financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards. This Statement is effective for financial statements for periods beginning after June 15, 2010. The District adopted GASB Statement 59 in fiscal year 2011. The adoption of GASB 59 does not have any impact on the District's financial statements.

CHRISTIAN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In November 2010, the GASB issued Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASB 60 provides financial reporting guidance for service concession arrangements (SCAs). SCAs are defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This statement is effective for periods beginning after December 15, 2011 and the District adopted GASB 60 in fiscal year 2013. The District does not have any SCAs and therefore the adoption of GASB 60 does not have any impact on the District's financial statements.

In November 2010, the GASB issued Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement is effective for periods beginning after June 15, 2012 and the District adopted GASB 61 in fiscal year 2013.

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AJCPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011 and the District adopted GASB 62 in fiscal year 2013. The adoption of GASB 62 does not have any impact on the District's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011 and the District adopted GASB 63 in fiscal year 2013.

In June 2011, the GASB issued Statement 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions an amendment of GASB Statement No. 53*. GASB 64 provides clarification on whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement is effective for periods beginning after June 15, 2011 and the District adopted GASB 64 in fiscal year 2013. The adoption of GASB 64 does not have any impact on the District's current financial statements.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this statement.

CHRISTIAN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recently Issued Accounting Pronouncements

In March 2012, the GASB issued Statement 66, *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62*. GASB 66 was issued to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this statement.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement is effective for periods beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement.

In January 2013, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations*. GASB 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement is effective for periods beginning after December 15, 2013. Management is currently evaluating the impact of the adoption of this statement.

In March 2013, the GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement is effective for periods beginning after June 15, 2013. Management is currently evaluating the impact of the adoption of this statement.

CHRISTIAN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE 2 – PROPERTY TAXES

Property Tax Revenues – Property taxes are normally 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. The usual collection date is the period from November 1 through December 31. Property tax bills paid prior to December 1 receive a two percent discount. Property taxes received after December 31, are considered to be delinquent and the County Attorney can file a lien against the property.

The property tax rates assessed for the year ended June 30, 2013, to finance operations were \$.387 per \$100 valuation for real property, \$.387 per \$100 valuation for business personal property and \$.566 per \$100 valuation for motor vehicles.

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

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District’s policy is to have all deposits secured by pledged securities. At June 30, 2013, \$6,868,481 of the District’s bank balance of \$7,984,042 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

Investments

As of June 30, 2013, the District had the following investments and maturities:

	Fair Value	Average Credit Quality Ratings	1-5	6-10
U.S. Treasury Notes	\$ 3,765,019	AA+	\$112,846	\$3,652,173
Federal National Mortgage Assn	29,491	AA+		29,491
	<u>\$ 3,794,510</u>		<u>\$ 112,846</u>	<u>\$3,681,664</u>

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the District’s investing activities are under the custody of the District Finance Director. Investing policies comply with State Statutes. Kentucky Revised Statute 66.480 defines the following items as permissible investments:

- Obligations of the United States and of its agencies and instrumentalities;
- Obligations of any corporation of the United States Government;
- Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency;
- Commercial paper rated in the highest category by a nationally recognized rating agency;
- Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

CHRISTIAN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE 3 – DEPOSITS AND INVESTMENTS – CONTINUED

- Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4)
- Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency; and
- Shares of mutual funds, each of which shall have the following characteristics:
 1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 2. The management company of the investment company shall have been in operation for at least five (5) years; and
 3. All of the securities in the mutual fund shall be eligible investments pursuant to this section.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. **Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the District’s investment in a single issuer. U.S. Government securities and investments in mutual funds are excluded from this risk. The District has all of its investment in a Small Business Administration investment. **Custodial Credit Risk** is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s investment is held by the counterparty in the District’s name. The investment is collateralized at 102%.

NOTE 4 – INTERFUND ACTIVITIES

The following transfers were made during the year:

Fund Financial Statements			
From Fund	To Fund	Purpose	Amount
General	Special Revenue	KETS	\$ 130,671
General	Construction	Construction	693
General	Debt Service	Debt Service	241,090
Capital Outlay	Construction	Construction	819,090
FSPK	Construction	Construction	359,502
FSPK	Debt Service	Debt Service	2,486,308
			<u>\$ 4,037,354</u>

CHRISTIAN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

Governmental Activities	Restated Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Non-Depreciable Assets:				
Land	\$ 2,019,652	\$ 548,368	\$ -	\$ 2,568,020
Construction in progress	29,314,470	2,438,791	(31,013,654)	739,607
Depreciable Assets:				
Land improvements	1,080,541	253,139		1,333,680
Buildings and improvements	68,244,585	30,226,289	(253,139)	98,217,735
Technology equipment	7,609,229	1,233,149	(509,012)	8,333,366
Vehicles	10,325,362	82,529	(452,355)	9,955,536
General equipment	3,470,342	481,856	(59,062)	3,893,136
Totals at historical cost	122,064,181	35,264,121	(32,287,222)	125,041,080
Accumulated depreciation:				
Land improvements	164,624	52,412		217,036
Buildings and improvements	26,697,834	2,076,613		28,774,447
Technology equipment	3,724,848	1,392,869	(496,736)	4,620,981
Vehicles	6,560,173	729,660	(452,355)	6,837,478
General equipment	2,320,100	186,322	(55,269)	2,451,153
Total accumulated depreciation	39,467,579	4,437,876	(1,004,360)	42,901,095
Government Activities Capital Assets - Net	<u>\$ 82,596,602</u>	<u>\$ 30,826,245</u>	<u>\$ (31,282,862)</u>	<u>\$ 82,139,985</u>
Business-Type Activities				
Technology equipment	\$ 16,637		\$ -	\$ 16,637
Food service equipment	2,565,146	74,036	(29,778)	2,609,404
Totals at historical cost	2,581,783	74,036	(29,778)	2,626,041
Accumulated depreciation:				
Technology equipment	10,161	3,660		13,821
Food service equipment	1,993,501	90,635	(29,113)	2,055,023
Total accumulated depreciation	<u>2,003,662</u>	<u>94,295</u>	<u>(29,113)</u>	<u>2,068,844</u>
Business-Type Activities Capital Assets - Net	<u>\$ 578,121</u>	<u>\$ (20,259)</u>	<u>\$ (665)</u>	<u>\$ 557,197</u>
Depreciation was charged to governmental functions as follows:				
Instruction	\$ 2,887,200			
Student support	14,210			
Instructional staff	13,124			
District administration	433,208			
School administration	101,718			
Business support	21,860			
Plant	336,762			
Transportation	629,794			
	<u>\$ 4,437,876</u>			

CHRISTIAN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions and general liability coverage, the District purchases commercial insurance.

The District purchases unemployment insurance through the Kentucky Division of Unemployment Insurance; however, risk has not been transferred. 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 7 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2013, is as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Governmental Activities:					
Bonds and Leases Payable:					
Revenue bonds	\$ 50,985,000	\$ 9,795,000	\$ 10,845,000	\$ 49,935,000	\$ 2,170,000
Less Premium (Discount)	(426,234)	481	32,673	(393,080)	-
Less Deferred Amount on Refundings	(343,438)	(992,818)	124,202	(1,212,054)	-
Total Bonds Payable	50,215,328	8,802,663	11,001,875	48,329,866	2,170,000
Other Liabilities:					
Compensated absences	760,759	313,797	254,481	820,075	302,308
Claims	-	354,541	-	354,541	-
Total Other Liabilities	760,759	668,338	254,481	1,174,616	302,308
Total Governmental Activities Long-Term Liabilities	\$ 50,976,087	\$ 9,471,001	\$ 11,256,356	\$ 49,504,482	\$ 2,472,308

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

CHRISTIAN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

Bond Liabilities

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

Issue Date	Original Proceeds	Rates
2002A	\$ 7,990,000	5.00% - 5.10%
2002B	545,000	1.50% - 3.65%
2003	1,945,000	1.40% - 3.60%
2003B	3,980,000	1.00% - 3.38%
2005A	2,200,000	2.00% - 3.70%
2008	13,870,000	3.50% - 4.125%
2010A	2,975,000	2.00% - 3.30%
2010REF	27,445,000	2.68%
2012REF	9,795,000	0.70% - 2.00%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Christian County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District has “participation agreements” with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

On January 1, 2013, the District issued \$9,795,000 in Refunding Revenue Bonds with an average interest rate of 1.85 percent to advance refund \$8,725,000 of outstanding 2005A Series revenue bonds. The refunding was a partial advance refunding. The net proceeds of \$9,717,818 (after \$74,617 in cost of issuance, \$481 in bond premium and \$3,046 in interest which was deposited in the bond payment fund) were used to purchase U.S. Government securities. These securities were deposited in an irrevocable trust to call the bonds.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$992,818. This difference, reported in the accompanying government-wide financial statements as a deduction from bonds payable, is being charged to operations through the year 2026 using the effective-interest method.

The District completed the refunding to reduce its total debt service payments over the next 14 years by \$950,424 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$848,881. The 2005A bonds will be called on August 1, 2015. Therefore the \$8,725,000 is considered defeased.

CHRISTIAN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE 7 – LONG-TERM LIABILITIES - CONTINUED

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2013, for debt service (principal and interest) are as follows:

Year	Principal	Interest	SFCC Participation	U.S. Government Participation	District's Portion
2014	\$ 2,170,000	\$ 2,006,165	\$ 960,741	\$ 1,475,169	\$ 1,740,255
2015	2,225,000	1,940,096	963,563	1,475,169	1,726,364
2016	1,700,000	1,876,669	943,697	1,475,169	1,157,803
2017	1,650,000	1,826,672	886,770	1,475,169	1,114,733
2018	1,685,000	1,774,787	865,465	1,475,169	1,119,153
2019-2023	8,440,000	8,255,137	3,573,809	7,375,844	5,745,484
2024-2027	32,065,000	6,038,675	5,590,824	5,900,675	26,612,176
	<u>\$ 49,935,000</u>	<u>\$ 23,718,201</u>	<u>\$ 13,784,869</u>	<u>\$ 20,652,364</u>	<u>\$ 39,215,968</u>

NOTE 8 – PENSION PLANS

Plan Descriptions

The Christian County School District participates in the Teachers' Retirement System of the State of Kentucky, a component unit of the Commonwealth of Kentucky (KTRS) and the County Employees' Retirement System, a component unit of the Commonwealth of Kentucky (CERS), cost-sharing multiple-employer defined benefit plans. KTRS and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. KTRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The KTRS and CERS issue a publicly available financial report that includes financial statements and required supplementary information. KTRS' report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 or by calling (502) 573-3266. CERS' report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601-6124 or by calling (502) 564-5656.

CHRISTIAN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE 8 – PENSION PLANS – CONTINUED

Funding Policy

KTRS plan members are required to contribute 10.855% of their covered salary. CERS plan members are required to contribute 5.0% (6.0% for new hires effective July 1, 2008) of their covered salary. The District is required to contribute to the CERS and the Commonwealth of Kentucky is required to contribute to the KTRS. The contribution rate is actuarially determined. The current rate for KTRS is 14.105% of annual covered payroll. The rate for CERS fiscal year 2013 is 19.55% of annual covered payroll. The contribution requirements of the plan members, the District and Commonwealth of Kentucky are established and may be amended by the Plans' Board of Trustees. The District's contributions to CERS for the years ended June 30, 2013, 2012 and 2011 were \$2,506,944, \$2,455,245 and \$2,122,621, respectively, equal to the required contributions for each year.

For the year ended June 30, 2013, the Commonwealth contributed \$4,399,443 to KTRS for the benefit of the District's participating employees. The District's contributions to the KTRS for the year ended June 30, 2013 were \$754,147.

The amount recognized for revenues and expenditures for on-behalf payments relating to fringe benefits such as pension and health care costs, and other operating costs, for the year ended June 30, 2013 was \$11,956,956 for governmental funds and \$678,804 for proprietary funds (\$558,648 for the Food Service Fund and \$120,156 for the Child Care Fund).

Medical Insurance Plan

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

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

Funding Policy

In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Member contributions are 1.75% of salary. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.0% of members' salary for the 2013 fiscal year.

CHRISTIAN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2013

NOTE 8 – PENSION PLANS – CONTINUED

Deferred Compensation

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities on these financial statements.

NOTE 9 – FUND BALANCES

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2013, there was \$37,005 for prepaids in the General Fund.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2013, the District had \$302,308 restricted for sick leave in the General Fund, \$185,005 restricted for grants in the special revenue fund, \$269,678 restricted for capital projects in the FSPK Fund and \$4,600,255 restricted for debt service in the debt service fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had no commitments at June 30, 2013.

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 the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for 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. The District had the following assignments at June 30, 2013 in the General Fund - \$341,673 for site based carryforward and \$586,002 for purchase orders.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The 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.

CHRISTIAN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based 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.

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 basic financial statements as a result of the cases presently in progress. 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.

The District also has construction commitments for on-going projects at June 30, 2013.

On January 14, 2013 the District was notified that in order to settle outstanding claims and deficits of the Kentucky School Boards Insurance Trust (KSBIT), a non-profit self-insured pool, an assessment would be made to present and prior insurance trust members. On June 26, 2013, members were notified that the KSBIT board voted on June 24, 2013 to submit a plan for the assessment to the Kentucky Department of Insurance in favor of a novation option, under which a highly rated reinsurer would assume all of the liabilities of KSBIT and its members for claims for a set amount. The option resulted in an estimated liability for the District of \$354,541. This estimate is recorded because the payment is probable and reasonably estimable. The estimate is recorded as a noncurrent liability in the Statement of Net Position as it is not expected to be paid by June 30, 2014, and as an extraordinary item in the Statement of Activities because the item is unusual in nature and infrequent in occurrence. The estimate is not recorded in the Statement of Revenues, Expenditures and Changes in Fund Balances because the amount has not been billed and is not mature.

NOTE 11 – DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance/net position:

General Fund	\$ 2,005,505
Special Revenue Fund	212,564
SEEK Capital Outlay Fund	1,525
Construction Fund	680,150
Food Service Fund	339,748
Child Care Fund	29,950

NOTE 12 - RESTATEMENT

The District made a restatement of capital assets to move assets from governmental to business-type activities of \$127,810.

REQUIRED SUPPLEMENTARY INFORMATION

CHRISTIAN COUNTY SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL**

GENERAL FUND

Year Ended June 30, 2013

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
From local sources:			
Taxes:			
Property	\$ 9,300,000	\$ 10,200,000	\$ 10,131,486
Motor vehicle	1,270,958	1,350,000	1,657,962
Utilities	3,600,000	4,000,000	4,500,738
Other			94
Earnings on investments	250,000	250,000	171,144
Other local revenues	910,000	1,014,140	1,117,345
Intergovernmental - State	34,554,922	34,922,989	46,966,792
Intergovernmental - Indirect Federal	40,000	40,000	74,100
Intergovernmental - Direct Federal	100,000	100,000	264,528
Total Revenues	<u>50,025,880</u>	<u>51,877,129</u>	<u>64,884,189</u>
Expenditures:			
Instruction	29,775,343	29,909,553	37,247,082
Support services:			
Student	3,036,657	3,560,874	4,391,659
Instruction staff	2,101,713	2,090,365	2,400,086
District administrative	1,630,087	1,619,683	1,847,669
School administrative	3,196,739	3,117,777	3,803,799
Business	2,668,925	2,697,537	2,932,573
Plant operation and maintenance	7,529,413	7,550,553	8,445,492
Student transportation	5,447,312	5,486,992	5,501,982
Community service activities		549,368	
Facilities acquisition and construction		5,936,188	
Other non-instruction	3,284,938		
Total Expenditures	<u>58,671,127</u>	<u>62,518,890</u>	<u>66,570,342</u>
Excess (Deficit) of Revenues over Expenditures	(8,645,247)	(10,641,761)	(1,686,153)
Other Financing Sources (Uses):			
Proceeds from sale of capital assets	10,000	10,000	53,102
Transfers out	(338,138)	(338,138)	(372,454)
Total Other Financing Sources (Uses)	<u>(328,138)</u>	<u>(328,138)</u>	<u>(319,352)</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(8,973,385)	(10,969,899)	(2,005,505)
Fund Balance, July 1, 2012	<u>8,973,385</u>	<u>10,969,899</u>	<u>11,740,966</u>
Fund Balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,735,461</u>

Both inflows and outflows are equally different in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds by the amount of on-behalf payments of \$11,956,956.

CHRISTIAN COUNTY SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL**

SPECIAL REVENUE FUND

Year Ended June 30, 2013

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
Other local revenues	\$ 13,000	\$ -	\$ 50,540
Intergovernmental - State	2,852,393	3,483,928	3,562,678
Intergovernmental - Indirect Federal	7,780,230	8,359,119	9,737,471
Intergovernmental - Direct Federal	<u>127,844</u>	<u>127,844</u>	<u>331,348</u>
Total Revenues	10,773,467	11,970,891	13,682,037
Expenditures:			
Instruction	9,221,896	10,678,872	12,442,531
Support services:			
Student	448,434	155,302	255,457
Instruction staff	59,726	126,929	137,823
District administrative			
School administrative			
Business			
Plant operation and maintenance			
Student transportation	278,767	278,767	321,624
Community service activities	861,692	861,692	867,627
Other non-instruction			
Total Expenditures	<u>10,870,515</u>	<u>12,101,562</u>	<u>14,025,062</u>
Excess (Deficit) of Revenues over Expenditures	(97,048)	(130,671)	(343,025)
Other Financing Sources (Uses):			
Transfers in	97,048	130,671	130,671
Transfers out			
Total Other Financing Sources (Uses)	<u>97,048</u>	<u>130,671</u>	<u>130,671</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	-	-	(212,354)
Fund Balance, July 1, 2012	<u>-</u>	<u>-</u>	<u>397,359</u>
Fund Balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 185,005</u>

SUPPLEMENTARY INFORMATION

CHRISTIAN COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2013

	SEEK Capital Outlay Fund	FSPK Fund	Construction Fund	Total Nonmajor Governmental Funds
Assets:				
Cash and cash equivalents	\$ -	\$ 269,678	\$ 2,754	\$ 272,432
Total Assets	<u>\$ -</u>	<u>\$ 269,678</u>	<u>\$ 2,754</u>	<u>\$ 272,432</u>
Liabilities and Fund Balances:				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 2,754	\$ 2,754
Total Liabilities	<u>-</u>	<u>-</u>	<u>2,754</u>	<u>2,754</u>
Fund Balances				
Restricted		269,678		269,678
Total Fund Balances	<u>-</u>	<u>269,678</u>	<u>-</u>	<u>269,678</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 269,678</u>	<u>\$ 2,754</u>	<u>\$ 272,432</u>

CHRISTIAN COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2013

	SEEK Capital Outlay Fund	FSPK Fund	Construction Fund	Total Nonmajor Governmental Funds
Revenues				
From local sources:				
Property taxes	\$ -	\$ 1,660,818	\$ -	\$ 1,660,818
Earnings on investments		899	12,413	13,312
Intergovernmental - State	817,565	1,302,854		2,120,419
Total Revenues	817,565	2,964,571	12,413	3,794,549
Expenditures				
Facilities acquisition and construction			1,871,848	1,871,848
Total Expenditures	-	-	1,871,848	1,871,848
Excess (Deficit) of Revenues over Expenditures	817,565	2,964,571	(1,859,435)	1,922,701
Other Financing Sources (Uses)				
Transfers in			1,179,285	1,179,285
Transfers out	(819,090)	(2,845,810)		(3,664,900)
Total Other Financing Sources (Uses)	(819,090)	(2,845,810)	1,179,285	(2,485,615)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(1,525)	118,761	(680,150)	(562,914)
Fund balance, July 1, 2012	1,525	150,917	680,150	832,592
Fund balance, June 30, 2013	\$ -	\$ 269,678	\$ -	\$ 269,678

CHRISTIAN COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUNDS

June 30, 2013

	Belmont Elementary	Christian Co. High	Christian Co. Middle	Crofton Elementary	Holiday Elementary
Assets					
Cash and cash equivalents	\$ 22,659	\$ 147,514	\$ 42,530	\$ 5,690	\$ 20,833
Receivables	-	138	-	-	-
Total Assets	\$ 22,659	\$ 147,652	\$ 42,530	\$ 5,690	\$ 20,833
Liabilities					
Accounts payable	\$ -	\$ 1,082	\$ -	\$ 989	\$ -
Due to student groups	22,659	146,570	42,530	4,701	20,833
Total Liabilities	\$ 22,659	\$ 147,652	\$ 42,530	\$ 5,690	\$ 20,833
	Hopkinsville High	Hopkinsville Middle	Indian Hills Elementary	Lacy Elementary	Martin Luther King Elementary
Assets					
Cash and cash equivalents	\$ 258,071	\$ 104,708	\$ 25,411	\$ 8,873	\$ 19,773
Receivables	-	-	6	-	-
Total Assets	\$ 258,071	\$ 104,708	\$ 25,417	\$ 8,873	\$ 19,773
Liabilities					
Accounts payable	\$ 25,154	\$ 296	\$ 361	\$ 184	\$ 480
Due to student groups	232,917	104,412	25,056	8,689	19,293
Total Liabilities	\$ 258,071	\$ 104,708	\$ 25,417	\$ 8,873	\$ 19,773
	Millbrooke Elementary	North Drive Middle	Pembroke Elementary	Sinking Fork Elementary	South Christian Elementary
Assets					
Cash and cash equivalents	\$ 43,290	\$ 43,299	35,538	28,905	37,877
Receivables	2,211	-	-	1,800	-
Total Assets	\$ 45,501	\$ 43,299	\$ 35,538	\$ 30,705	\$ 37,877
Liabilities					
Accounts payable	\$ 2,954	\$ 3,384	-	-	-
Due to student groups	42,547	39,915	35,538	30,705	37,877
Total Liabilities	\$ 45,501	\$ 43,299	\$ 35,538	\$ 30,705	\$ 37,877
	Career & Tech Center	Total Agency Fund			
Assets					
Cash and cash equivalents	\$ 7,645	\$ 852,616			
Receivables	-	4,155			
Total Assets	\$ 7,645	\$ 856,771			
Accounts payable	\$ -	\$ 34,884			
Due to student groups	7,645	821,887			
Total Liabilities	\$ 7,645	\$ 856,771			

CHRISTIAN COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

June 30, 2013

SCHOOL	CASH BALANCES July 1, 2012	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2013	RECEIVABLES June 30, 2013	ACCOUNTS PAYABLE June 30, 2013	DUE TO STUDENT GROUPS June 30, 2013
Belmont Elementary	\$ 17,480	\$ 32,822	\$ 27,643	\$ 22,659	\$ -	\$ -	\$ 22,659
Christian County High	132,197	517,761	502,444	147,514	138	1,082	146,570
Christian County Middle	51,362	102,064	110,896	42,530	-	-	42,530
Crofton Elementary	4,687	23,730	22,727	5,690	-	989	4,701
Holiday Elementary	8,106	60,118	47,391	20,833	-	-	20,833
Hopkinsville High	233,545	445,101	420,575	258,071	-	25,154	232,917
Hopkinsville Middle	89,570	156,824	141,686	104,708	-	296	104,412
Indian Hills Elementary	28,711	56,149	59,449	25,411	6	361	25,056
Lacy Elementary	12,479	64,793	68,399	8,873	-	184	8,689
Martin Luther King Elementary	20,446	60,499	61,172	19,773	-	480	19,293
Millbrooke Elementary	30,752	107,098	94,560	43,290	2,211	2,954	42,547
North Drive Middle	59,508	39,689	55,898	43,299	-	3,384	39,915
Pembroke Elementary	35,427	9,877	9,766	35,538	-	-	35,538
Sinking Fork Elementary	31,584	22,648	25,327	28,905	1,800	-	30,705
South Christian Elementary	36,868	24,169	23,160	37,877	-	-	37,877
Christian County Career and Technical Center	12,312	4,401	9,068	7,645	-	-	7,645
	<u>\$ 805,034</u>	<u>\$ 1,727,743</u>	<u>\$ 1,680,161</u>	<u>\$ 852,616</u>	<u>\$ 4,155</u>	<u>\$ 34,884</u>	<u>\$ 821,887</u>

CHRISTIAN COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

CHRISTIAN COUNTY HIGH SCHOOL

YEAR ENDED JUNE 30, 2013

NAME OF ACTIVITY	CASH		DISBURSE- MENTS	CASH		RECEIVABLES June 30, 2013	ACCOUNTS PAYABLE June 30, 2013	DUE TO STUDENT GROUPS June 30, 2013
	BALANCES July 1, 2012	RECEIPTS		BALANCES June 30, 2013				
General	\$ 8,101	\$ 26,287	\$ 22,776	\$ 11,612				\$ 11,612
General Fee	285	-	-	285	-	-	-	285
Free & Reduced Lunch	-	58,568	58,568	-	-	-	-	-
PD CHHS	731	1,776	2,451	56	-	-	-	56
Background Checks	-	350	350	-	-	-	-	-
Guidance	291	15,330	13,670	1,951	-	-	-	1,951
Drivers Ed	-	-	-	-	-	-	-	-
General Administrative	19	2,278	2,278	19	-	-	-	19
Book Rental Fees	5,541	12,014	11,583	5,972	-	-	-	5,972
Energy Incentive	11,272	2,945	14,217	-	-	-	-	-
Teachers Concessions	401	962	703	660	-	-	-	660
Athletic General	3,398	146,238	149,636	-	138	247	-	(109)
Hall of Fame	1,945	-	-	1,945	-	-	-	1,945
Toyota Football	-	-	-	-	-	-	-	-
Step Team	130	204	334	-	-	-	-	-
Activity Fee	4,294	26,122	27,305	3,111	-	-	-	3,111
Academic Team	-	565	565	-	-	-	-	-
Dance Team	2,144	4,141	2,985	3,300	-	-	-	3,300
Drama Club	25	2,032	1,708	349	-	-	-	349
FBLA	831	11,992	12,625	198	-	-	-	198
FCA	182	-	64	118	-	-	-	118
AG	10,042	1,569	10,419	1,192	-	-	-	1,192
FFA	-	46,738	36,306	10,432	-	835	-	9,597
FCCLA	-	1,317	608	709	-	-	-	709
Field Trip	-	2,000	2,000	-	-	-	-	-
Colonel Graphics	538	43	100	481	-	-	-	481
Crime Stoppers	309	-	100	209	-	-	-	209
Key Club	1,042	4,335	2,931	2,446	-	-	-	2,446
Gentlemen's Club	83	238	321	-	-	-	-	-
NHS	983	669	1,367	285	-	-	-	285
Octamiss	173	-	-	173	-	-	-	173
Sr Beta	603	622	475	750	-	-	-	750
Student Council	4,971	7,101	9,362	2,710	-	-	-	2,710
Prof. Careers	274	-	274	-	-	-	-	-
STLP	99	1,073	1,045	127	-	-	-	127
Band Fees	2,308	13,224	13,543	1,989	-	-	-	1,989
Art	1,487	4,320	3,721	2,086	-	-	-	2,086
English	3,294	4,953	1,671	6,576	-	-	-	6,576
Humanities	2,490	1,380	1,559	2,311	-	-	-	2,311
Physical Education	480	1,768	782	1,466	-	-	-	1,466
ESS	286	-	-	286	-	-	-	286
Science Fees	9,034	8,083	3,781	13,336	-	-	-	13,336
Theatre Arts Fee	259	-	-	259	-	-	-	259
KYA	-	7,850	7,496	354	-	-	-	354
ROTC1	500	3,000	2,932	568	-	-	-	568
Choir	1,236	2,852	2,329	1,759	-	-	-	1,759
FCS (Home Ec)	-	2,949	1,577	1,372	-	-	-	1,372
Business Fees	1,217	2,611	970	2,858	-	-	-	2,858
Math Fees	3,934	336	2,417	1,853	-	-	-	1,853
Cheerleading V&JV	9,200	5,375	9,998	4,577	-	-	-	4,577
Yearbook	7,740	19,088	26,454	374	-	-	-	374
World Language Club	-	765	765	-	-	-	-	-
Library	824	512	-	1,336	-	-	-	1,336
Prom	7,549	10,956	8,364	10,141	-	-	-	10,141
Renaissance	93	-	-	93	-	-	-	93

CHRISTIAN COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES - CONCLUDED

CHRISTIAN COUNTY HIGH SCHOOL

YEAR ENDED JUNE 30, 2013

NAME OF ACTIVITY	CASH		DISBURSE- MENTS	CASH		ACCOUNTS PAYABLE	DUE TO STUDENT GROUPS
	BALANCES July 1, 2012	RECEIPTS		BALANCES June 30, 2013	RECEIVABLES June 30, 2013		
Smith CBI	1	1,000	1,001	-	-	-	-
Graham CBI	-	1,004	1,004	-	-	-	-
Keeton CBI	171	1,000	1,171	-	-	-	-
Wood CBI	-	1,000	1,000	-	-	-	-
YSC D.Pyle	3,382	13,286	9,949	6,719	-	-	6,719
Project Graduation	17,052	71,412	65,578	22,886	-	-	22,886
Student Health	58	-	-	58	-	-	58
Marie Price Scholars	50	-	-	50	-	-	50
Running Club	-	-	-	-	-	-	-
FFA Scholarships	845	1,155	1,000	1,000	-	-	1,000
Project Grad CD	-	4,449	-	4,449	-	-	4,449
Project Grad CD	-	9,662	-	9,662	-	-	9,662
Charitable Gaming	-	17,170	17,164	6	-	-	6
Sub total	\$ 132,197	\$ 588,669	\$ 573,352	\$ 147,514	\$ 138	\$ 1,082	\$ 146,570
Interfund Transfers	-	70,908	70,908	-	-	-	-
Total	\$ 132,197	\$ 517,761	\$ 502,444	\$ 147,514	\$ 138	\$ 1,082	\$ 146,570

CHRISTIAN COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

HOPKINSVILLE HIGH SCHOOL

YEAR ENDED JUNE 30, 2013

NAME OF ACTIVITY	CASH		DISBURSE- MENTS	CASH		RECEIVABLES June 30, 2013	ACCOUNTS PAYABLE June 30, 2013	DUE TO STUDENT GROUPS June 30, 2013
	BALANCES July 1, 2012	RECEIPTS		BALANCES June 30, 2013				
Pepsi	\$ 704	\$ -	\$ 704	\$ -	\$ -	\$ -	\$ -	
Journalism	366	-	366	-	-	-	-	
AYD	561	-	169	392	-	-	392	
Field Trip Wages	988	-	988	-	-	-	-	
Broadcasting	-	-	-	-	-	-	-	
Book Rental	3,360	5,516	16	8,860	-	4,980	3,880	
Book Obligations	9,283	42,727	52,010	-	-	-	-	
Student Agenda	-	-	-	-	-	-	-	
HHS Ping Pong Club	186	-	186	-	-	-	-	
Lockers	7,932	3,368	3	11,297	-	-	11,297	
Parking Permits	10,477	975	738	10,714	-	-	10,714	
Vending Machines	9,478	20,385	3,180	26,683	-	-	26,683	
Teachers Drinks	773	5,109	3,305	2,577	-	100	2,477	
Teacher Incentives	-	-	-	-	-	-	-	
Athletic Department	57,641	153,402	147,478	63,565	-	200	63,365	
Claiborne/Toyota	-	-	-	-	-	-	-	
Baseball	5	2,740	1,820	925	-	-	925	
Boys Basketball	4,946	3,652	4,910	3,688	-	-	3,688	
Girls Basketball	100	1,120	930	290	-	-	290	
Cross Country	609	-	278	331	-	-	331	
Football	1,160	16,656	17,076	740	-	-	740	
Soccer	168	73	-	241	-	-	241	
Girls Soccer	2,371	632	2,439	564	-	-	564	
Softball	2,041	3,952	4,335	1,658	-	-	1,658	
Swim Team	844	740	546	1,038	-	-	1,038	
Track	1,686	1,889	-	3,575	-	-	3,575	
Wrestling	2,286	390	1,770	906	-	-	906	
Volleyball	3,323	5,969	7,598	1,694	-	-	1,694	
Cheerleaders	4,173	16,039	12,110	8,102	-	-	8,102	
Dance	2,638	926	2,726	838	-	-	838	
Beta Club	3,689	820	1,882	2,627	-	362	2,265	
Drama Club	1,117	4,315	3,211	2,221	-	-	2,221	
FBLA	689	8,569	7,589	1,669	-	-	1,669	
FFA	14,605	23,766	23,380	14,991	-	-	14,991	
Key Club	-	-	-	-	-	-	-	
Spanish Club	1	230	132	99	-	-	99	
National Honor Society	3,854	-	345	3,509	-	-	3,509	
Renaissance	343	-	-	343	-	-	343	
Science Olympiad	125	1,869	1,904	90	-	-	90	
Student Council	3,057	5,632	6,615	2,074	-	-	2,074	
Art	755	558	1,261	52	-	-	52	
Band	4,824	18,203	19,247	3,780	-	-	3,780	
Marching Band	9,842	11,403	17,275	3,970	-	-	3,970	
Business	2,779	2,327	820	4,286	-	-	4,286	
English	4,020	3,042	519	6,543	-	-	6,543	
Health Occupations	214	201	365	50	-	-	50	
Family, Consumer Science	886	3,011	1,992	1,905	-	-	1,905	
JROTC	1,787	11,382	12,057	1,112	-	50	1,062	
Math	758	3,703	3,698	763	-	-	763	
Science	2,575	2,750	3,474	1,851	-	-	1,851	
Vocal Music	2,887	11,421	10,227	4,081	-	410	3,671	
Student Technology	9,945	5,345	6,831	8,459	-	-	8,459	
Weightlifting	1,751	1,303	1,567	1,487	-	-	1,487	
Lifetime Activities	-	-	-	-	-	-	-	
Fresh. Class	-	-	-	-	-	-	-	
Soph. Class	-	4,812	4,390	422	-	-	422	
JR. Class	2,424	5,328	2,811	4,941	-	150	4,791	
SR. Class	3,307	4,180	5,365	2,122	-	950	1,172	

CHRISTIAN COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES - CONCLUDED

HOPKINSVILLE HIGH SCHOOL

YEAR ENDED JUNE 30, 2013

NAME OF ACTIVITY	CASH		DISBURSE- MENTS	CASH		ACCOUNTS PAYABLE	DUE TO STUDENT GROUPS
	BALANCES July 1, 2012	RECEIPTS		BALANCES June 30, 2013	RECEIVABLES June 30, 2013		
Guidance	1,263	1,461	1,461	1,263	-	-	1,263
Guidance Testing	138	25,597	24,567	1,168	-	-	1,168
Library	314	40	-	354	-	-	354
Yearbook	14,106	17,301	14,401	17,006	-	17,952	(946)
FCCLA	335	1,935	2,110	160	-	-	160
HOSA	-	-	-	-	-	-	-
Community Base Grant	-	1,182	1,119	63	-	-	63
CBI 2	170	1,435	1,525	80	-	-	80
Debate & Speech	244	551	203	592	-	-	592
Accounting Club	100	559	288	371	-	-	371
Office Operation	17	-	17	-	-	-	-
Hclub	23	-	23	-	-	-	-
Team Sports	-	-	-	-	-	-	-
STLP	776	-	120	656	-	-	656
KYA	940	9,115	9,935	120	-	-	120
FCA	116	-	72	44	-	-	44
Step Team	35	371	105	301	-	-	301
Tri-M	764	-	-	764	-	-	764
PE/Health	2,327	3,359	3,492	2,194	-	-	2,194
NAHS	43	-	-	43	-	-	43
Social Studdies	-	-	-	-	-	-	-
JROTC Color Guard	1,223	349	419	1,153	-	-	1,153
HHS Ruff Scholarship	-	2,000	2,000	-	-	-	-
School Newspaper	197	-	197	-	-	-	-
Drama Class	386	117	89	414	-	-	414
Rotary Fund	1,350	10,021	10,958	413	-	-	413
Special Trip Account	2,334	655	970	2,019	-	-	2,019
Tigers & Stitches	6	-	6	-	-	-	-
Girl's Track	-	973	437	536	-	-	536
Tiger Law Society	247	1,189	1,109	327	-	-	327
Humanities Club	104	-	-	104	-	-	104
Energy Incentive	1	-	-	1	-	-	1
Band 2013	-	2,200	-	2,200	-	-	2,200
HHS I-20	250	-	-	250	-	-	250
Background Check	-	375	-	375	-	-	375
Youth Service Center	184	853	488	549	-	-	549
Tiger Take Out	290	1,500	-	1,790	-	-	1,790
Money Skills Class	470	5	200	275	-	-	275
HHS SOS	98	-	98	-	-	-	-
Senior Trip	361	-	-	361	-	-	361
Sub total	\$ 233,545	\$ 503,573	\$ 479,047	\$ 258,071	\$ -	\$ 25,154	\$ 232,917
Interfund Transfers	-	58,472	58,472	-	-	-	-
Total	\$ 233,545	\$ 445,101	\$ 420,575	\$ 258,071	\$ -	\$ 25,154	\$ 232,917

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CHRISTIAN COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2013

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster -			
Passed Through State Department of Education:			
National School Lunch	10.555	7750002-12 7750002-13	\$ 555,094 2,529,764
School Breakfast Program	10.553	7760005-12 7760005-13	203,547 931,874
Summer Food Service Program for Children	10.559	7690024-12 7740023-12 7740023-13	1,443 13,970 41,975
Non-Cash Assistance (Commodities) National School Lunch Program	10.555	057502-02	<u>335,021</u>
TOTAL CHILD NUTRITION CLUSTER			<u>4,612,688</u>
<u>OTHER U.S. DEPARTMENT OF AGRICULTURE PROGRAMS</u>			
Passed Through State Department of Education:			
Fresh Fruit and Vegetable Program	10.582	77200012-11 77200012-12	14,047 <u>74,562</u>
			88,609
TOTAL U.S. DEPT. OF AGRICULTURE			<u>4,701,297</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
National Guard Civilian Youth Opportunities	12.404	5042 5043	534 <u>124,030</u>
Competitive Grants: Promoting K-12 Student Achievement at Military Connected Schools	12.556	6352	<u>206,784</u>
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>331,348</u>
<u>U.S. DEPARTMENT OF LABOR</u>			
Passed Through Western Kentucky Area Development District			
WIA Youth Activities	17.259	5882 5883	37 <u>114,268</u>
TOTAL U.S. DEPARTMENT OF LABOR			<u>114,305</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Special Education Cluster -			
Passed Through State Department of Education:			
Special Education - Grants to States	84.027	3372 3372C 3372P 3373	236,915 67,874 365 <u>2,032,315</u>
			<u>2,337,469</u>
Special Education - Preschool Grants	84.173	3432	157,594
ARRA - Special Education - Grants to States (Idea, Part B), Recovery Act	84.391	4249	<u>45</u>
TOTAL SPECIAL EDUCATION CLUSTER			<u>2,495,108</u>
School Improvement Grants Cluster			
Passed Through State Department of Education			
School Improvement Grants	84.377	4601 4602	189,324 <u>464,566</u>
			<u>653,890</u>
ARRA - School Improvement Grants, Recovery Act	84.388A	5600B 5600C	179,122 <u>357,621</u>
			<u>536,743</u>
TOTAL SCHOOL IMPROVEMENT GRANTS CLUSTER			<u>1,190,633</u>

The accompanying notes are an integral part of this schedule.

CHRISTIAN COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONCLUDED

YEAR ENDED JUNE 30, 2013

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>			
Impact Aid	84.041	GF	264,528
Passed Through State Department of Education Title I Grants to Local Educational Agencies	84.010	3102 3102D 3102M 3102T 3103 3103M 3103T 3133 3133T 3142 3143 3202 3202E	756,761 154,738 10,151 19,510 3,296,398 29,014 43,325 22,656 2,266 (86) 72,063 137,815 95,985 <hr/> 4,640,596
Migrant Education - State Grant Program	84.011	3112 3113	15,559 68,639 <hr/> 84,198
Vocational Education - Basic Grants to States	84.048	3482 3483	21,369 106,695 <hr/> 128,064
Education for Homeless Children and Youth	84.196	3163	28,145
Twenty-First Century Community Learning Centers	84.287	5501 5501J 5502 5502S	23,838 6,000 107,462 5,000 <hr/> 142,300
English Language Acquisition Grants	84.365	3452	23,202
Improving Teacher Quality - State Grants	84.367	4011 4012	262,568 418,636 <hr/> 681,204
Education Jobs	84.410	4411	142,434
Race to the Top	84.413A	4521	44,981
TOTAL U.S. DEPARTMENT OF EDUCATION			<hr/> 9,865,393
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through State Department of Education ARRA - Head Start, Recovery Act			21,863
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<hr/> 21,863
TOTAL EXPENDITURES OF FEDERAL AWARDS			<hr/> \$ 15,034,206

The accompanying notes are an integral part of this schedule.

CHRISTIAN COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Christian County School District under programs of the federal government for the year ended June 30, 2013. 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*. Because the schedule presents only a selected portion of the operations of Christian County School District, it is not intended to and does not present the financial position, changes in net assets or cash flows of Christian County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

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

NOTE D – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CHRISTIAN COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued (unmodified):

Internal control over financial reporting:

- Material weakness(es) identified? yes no

- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no

- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major programs (unmodified):

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

Section I-Summary of Auditor's Results - Continued

Identification of major programs:

CFDA Number	Federal Program or Cluster
DEPARTMENT OF EDUCATION	
School Improvement Grants Cluster	
84.377	School Improvement Grants
84.388A	ARRA - School Improvement Grants, Recovery Act
Special Education Cluster	
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
Other Programs	
84.010	Title I Grants to Local Educational Agencies
84.367	Improving Teacher Quality - State Grants

Dollar threshold used to distinguish
Between type A and type B programs: \$ 451,026

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

MATERIAL WEAKNESSES

REFERENCE NUMBER 2013-01 ADJUSTMENTS

Criteria: The District's management is responsible for establishing and maintaining internal controls for the proper recording of all the District's accounting transactions.

Condition: As part of the audit we proposed material adjustments to the financial statements.

Cause: The District did not identify items to be corrected.

Effect: The design of the internal controls identifying adjustments did not prevent material adjustments.

Recommendation: We recommend District management and financial personnel review the procedures and processes involved in recording journal entries and enhance its internal control policies to ensure proper recording of these items.

Management Response: Management will review the procedures and processes involved in recording journal entries and enhance its internal control policies to ensure proper recording of these items by October 31, 2013.

MATERIAL WEAKNESSES

REFERENCE NUMBER 2013-02 RESTATEMENT

Criteria: The District's management is responsible for establishing and maintaining internal controls for the proper recording of all the District's accounting transactions.

Condition: The District made restatement adjustments to the financial statements.

Cause: The District reclassified capital assets between funds.

Effect: The financial statements were restated.

Recommendation: We recommend District management and financial personnel review the procedures and processes involved in recording capital assets.

Management Response: Management will review the procedures and processes involved in capital assets and enhance its internal control policies to ensure proper recording of these items by October 31, 2013.

Section III – Federal Award Findings and Questioned Costs

No matters

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

CHRISTIAN COUNTY SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2013

DEPARTMENT OF EDUCATION

FINDING 2011-04: Special Education Cluster

Condition: The finding resulted in questioned costs of \$963.66 for not obtaining bids on certain items.

Recommendation: The auditor recommended that procedures be implemented requiring that bids be obtained where required.

Current Status: The finding was corrected during the current fiscal year.

**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**

CHRIS R. CARTER, CPA
SCOTT KISSELBAUGH, CPA
BRIAN S. WOOSLEY, CPA



STILES, CARTER & ASSOCIATES, P.S.C.

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Christian County School District
Hopkinsville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Christian County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Christian County School District's basic financial statements, and have issued our report thereon dated September 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Christian County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs*, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as items 2013-01 and 2013-02 to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Christian County School District in a separate letter dated September 26, 2013.

Christian County School District's Response to Findings

Christian County School District's response to the findings identified in our audit described in the accompanying *Schedule of Findings and Questioned Costs*. Christian County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Elizabethtown, Kentucky
September 26, 2013

**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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INDEPENDENT AUDITOR'S REPORT

MEMBER
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Members of the Board of Education
Christian County School District
Hopkinsville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Christian County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Christian County School District's major federal programs for the year ended June 30, 2013. Christian 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Christian County School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the Independent Auditor's Contract. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Christian County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Christian County School District's compliance

Opinion on Each Major Federal Program

In our opinion, Christian County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Christian County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Christian County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Christian County School District's internal control over compliance.

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

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants
Elizabethtown, Kentucky
September 26, 2013

MANAGEMENT LETTER AND COMMENTS

CHRIS R. CARTER, CPA
SCOTT KISSELBAUGH, CPA
BRIAN S. WOOSLEY, CPA



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Members of the Board of Education of
Christian County School District
Hopkinsville, Kentucky

In planning and performing our audit of the basic financial statements of Christian County School District for the year ended June 30, 2013, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated September 26, 2013, contains our report on the District's internal control. This letter does not affect our report dated September 26, 2013, on the financial statements of the Christian County School District.

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

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

A handwritten signature in cursive script that reads "Stiles, Carter & Associates".

Certified Public Accountants
Elizabethtown, Kentucky
September 26, 2013

CHRISTIAN COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2013

SECOND YEAR UNCORRECTED

BELMONT ELEMENTARY

INVENTORY

We noted F-SA-5, Inventory Control Worksheets, were not prepared for the school's bookstore or student concessions, but instead had a sheet listing total inventory and total sales that did not reconcile beginning inventory and collections to ending inventory to sales. The Redbook requires that reasonable profits on concession and bookstore sales be verified using F-SA-5.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

MULTIPLE RECEIPT FORM

We noted a deposit of \$228.00, dated 10/17/2012, with \$220.00 of receipts from the Rotary Fundraiser (Pixie Sticks) without a form F-SA-6, Multiple Receipt Form, The Redbook requires that teachers/sponsors/students shall use the Multiple Receipt Form, F-SA-6.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

CHRISTIAN COUNTY MIDDLE SCHOOL

FUNDRAISERS

We noted that F-SA-2A, Fundraiser Approval Form, for the Girls Basketball (T-shirt Sales) Fundraiser was not prepared. We also noted that the F-SA-2A, Fundraiser Approval Form, for the Boys Basketball (T-shirt Sales) Fundraiser was without an approval signature. We also noted the following fundraisers without a F-SA-2B, Fundraiser Worksheet, prepared: the Girls or Boys Basketball (T-shirt Sales) Fundraisers and the School Wide (Cookie Dough Sales) Fundraiser. The Redbook requires that fundraising activities be monitored using F-SA-2B.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

HOPKINSVILLE HIGH SCHOOL

FUNDRAISERS

We noted that F-SA-2A, Fundraiser Approval Form, for the JROTC (Century Catalog Sales) Fundraiser was not prepared. We also noted the Choir (Candy Bar Sales) Fundraiser had two fundraisers with significant losses. The first fundraiser of 6,040 to be sold at \$1 each and there were no excess candy bars turned in at the end of the fundraiser. \$3,907.92 was turned in from candy bar proceeds, leaving the fundraiser short \$2,132.08. The second fundraiser started with a purchase of 6,040 candy bars for \$3,020. \$4,023 was collected in candy bar sales and 30 extra candy bars were turned into the sponsor. \$2,017 was unaccounted for with these sales.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

CHRISTIAN COUNTY SCHOOL DISTRICT

COMMENTS – CONTINUED

June 30, 2013

HOPKINSVILLE HIGH SCHOOL – CONTINUED

TICKET SALES

We noted form F-SA-1, Requisition and Report of Ticket Sales was completed for the 1/21/2013 Girls' Basketball game with no ticket taker signature. This form should have the signature of a ticket taker and a ticket seller, per Redbook requirements.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

BOOSTER CLUBS

We noted that the Track Booster did not submit a budget, form F-SA-4B, for FY 2012-2013.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

LACY ELEMENTARY

FUNDRAISERS

We noted there was no F-SA-2A, Fundraiser Approval Form on file for Rotary, Academic Team Mums, STLP Santa Shop, Trash Bags and K/Q. We noted there was no F-SA-2B, Fundraiser Worksheet for the Rotary, Trash Bags and K/Q Fundraisers.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

MULTIPLE RECEIPT FORMS

We noted a deposit of \$2,843.90, dated 12/20/2012 did not include form F-SA-6, Multiple Receipt Form for \$1,600.80 in cash collections for the Santa Shop. We noted a deposit of \$1,779.30, dated 5/30/2013 did not include a F-SA-6, Multiple Receipt Form for \$550 in Yearbook Collections. The Redbook requires that teachers/sponsors/students shall use the Multiple Receipt Form, F-SA-6.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

MILLBROOKE ELEMENTARY SCHOOL

FUNDRAISERS

We noted that the fundraiser for Concessions does not have an F-SA-2B, Fundraiser Worksheet, to reconcile the total receipts and expenses. The F-SA-2B for the Chili Festival reconciled, however upon reviewing several deposits recorded in the Chili Festival receipts, it was noted that some of the money was collected through concessions and recorded into the Concessions activity fund instead of the Chili Festival Fund.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

CHRISTIAN COUNTY SCHOOL DISTRICT

COMMENTS – CONTINUED

June 30, 2013

PRIOR YEAR UNCORRECTED

BELMONT ELEMENTARY

SEGREGATION OF DUTIES

We noted that the school's bookkeeper, enters invoices into the accounting system/prints checks and matches invoices to checks and mails checks. The Redbook requires that these duties be segregated.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

UNAPPROVED VENDOR

We noted check #5742 in the amount of \$887.55, dated 1/23/2013, written to Wal-Mart out of the Snacks Fund for Items for Students was purchased from an unapproved vendor without the board's policy of 3 bids on file.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

CAREER & TECH CENTER

SEGREGATION OF DUTIES

We noted the school's bookkeeper photocopies checks/records receipts on the deposit ticket, records revenue in the accounting system and takes the deposit to the bank. We noted the bookkeeper enters invoices in to the accounting system, prints checks, matches invoices to checks and mails checks. The Redbook requires that these duties be segregated.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

UNTIMELY DEPOSIT

We noted a deposit of \$505.88 dated 12/14/2012 contained an F-SA-6, Multiple Receipt Form for \$315 for Skills USA Membership that was dated 11/30/2012, 14 days before the deposit was made.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

CHRISTIAN COUNTY SCHOOL DISTRICT

COMMENTS – CONTINUED

June 30, 2013

CHRISTIAN COUNTY HIGH SCHOOL

PURCHASE ORDER

We noted check #20930, dated 5/24/2013 in the amount of \$200, from the Project Graduation fund for rewards and pizza for Project Grad without the use of form F-SA-7, purchase order, but instead used a standard invoice for payment. The Redbook requires that to initiate a purchase, a Purchase Order shall be prepared and approved by the sponsor and principal before the payment is obligated.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

UNAPPROVED VENDOR

We noted check #19931, dated 8/24/2012 in the amount of \$99.99, written to Wal-Mart, from the General Fund for the purchase of a digital camera was made from an unapproved vendor. The board's purchasing policy states schools must have three bids from approved vendors before purchasing from a vendor that is not on the bid list. The only bid other than Wal-Mart that the school received was from Best Buy.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

GIFT CARDS

We noted check #19960, dated 8/30/2012 in the amount of \$100, written to Sonic Drive In, from the Crime Stoppers Account for the purchase of gift cards did not include a signature sheet to indicate who received these gift cards.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

CHRISTIAN COUNTY MIDDLE SCHOOL

SEGREGATION OF DUTIES

We noted that the school's bookkeeper opens the mail, photocopies checks, records revenue and approves invoices. The Redbook requires that these duties be segregated.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

MULTIPLE RECEIPT FORM

We noted deposit dated 10/23/2012 in the amount of \$1,429 that was not signed by the students remitting the money, but instead was completed by the sponsor.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

CHRISTIAN COUNTY SCHOOL DISTRICT

COMMENTS – CONTINUED

June 30, 2013

CROFTON ELEMENTARY

SEGREGATION OF DUTIES

We noted that the school's attendance clerk opens the mail and takes the deposit to the bank. The Redbook requires that these duties be segregated.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

HOPKINSVILLE MIDDLE SCHOOL

BOOSTER CLUBS

We noted that there was no Annual Financial Report submitted from the following booster clubs for FY 2012-2013: Dance and Girls Basketball. We noted that there was no Budget submitted from the Dance Booster Club for FY 2012-2013. We noted that there was no List of Officers submitted from the following booster clubs for FY 2012-2013: Girls Basketball, Boys Basketball and Cheer.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

INDIAN HILLS ELEMENTARY

CREDIT CARDS

We noted a Credit Card Sign In/Out form, F-SA-13, was completed for the school's BB&T and Wal-Mart Credit Cards without the School, Credit Card Type and Credit Card Account Number completed. The Redbook requires that there be separate identification for each type of credit card.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

UNAPPROVED PURCHASE

We noted check #1121, dated 10/23/2013 in the amount of \$559.78, written to Bankcard Center, from the General Fund which contained a \$136.80 purchase from Kroger for staff meeting supplies. Items purchased for staff can only be purchased out of faculty funds.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

MARTIN LUTHER KING JR. ELEMENTARY SCHOOL

SEGREGATION OF DUTIES

We noted that the school's bookkeeper records receipts on the deposit ticket and takes the deposit to the bank. We also noted the school's bookkeeper records revenue in the accounting system as well as enters invoices into the accounting system, prints the checks, matches checks, mails checks and clears the checks in the accounting system. The Redbook requires that these duties be segregated.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

CHRISTIAN COUNTY SCHOOL DISTRICT

COMMENTS – CONTINUED

June 30, 2013

MILLBROOKE ELEMENTARY SCHOOL

SEGREGATION OF DUTIES

We noted that the school's bookkeeper takes the deposit to the bank, enters invoices, prints checks, matches invoices to checks and clears checks from the accounting system. The Redbook requires that these duties be segregated.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

SINKING FORK ELEMENTARY SCHOOL

SEGREGATION OF DUTIES

We noted that the school's bookkeeper records revenue in the accounting system and takes the deposit to the bank. We also noted the school's bookkeeper approves invoices, enters invoices into the accounting system and matches invoices to checks, clears the checks in the accounting system and reconciles the bank account. The Redbook requires that these duties be segregated.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

INDIVIDUAL ACTIVITY FUND BUDGETS

We noted that the Individual Activity Fund Budgets for FY 2013-2014 were not completed.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

PURCHASE ORDER

We noted that check #5726 in the amount of \$164, dated 11/8/2012 written to G&S Embroidery from the K-Kids fund for t-shirts contained a purchase order dated 11/7/2012 with an invoice date of 11/6/2012.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

CHRISTIAN COUNTY SCHOOL DISTRICT

COMMENTS – CONTINUED

June 30, 2013

CURRENT YEAR COMMENTS

BELMONT ELEMENTARY

FUNDRAISERS

We noted F-SA-2A Fundraiser Approval or F-SA-2B Fundraiser Worksheet was not on file for the school-wide Rotary fundraiser.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

UNALLOWABLE PURCHASE

We noted check #4743 in the amount of \$33.36, dated 1/30/2013, written to Papa John's for lunch for Site Based Meeting out of the General Fund. We noted check #5744 in the amount of \$214.59, dated 5/31/2013, written to Hampton Meats for Closing Day food for Faculty/Staff was written out of the General Fund. Items purchased for staff can only be purchased out of faculty funds.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

CAREER & TECH CENTER

MISSING INVOICE

We noted check #4445 in the amount of \$100 as a cash advance out of the Salvage Fund for student meals contained no receipts for these meals.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

CHRISTIAN COUNTY HIGH SCHOOL

SEGREGATION OF DUTIES

We noted that the school's bookkeeper records revenue in the accounting system and takes deposits to the bank. The Redbook requires that these duties be segregated.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

CHRISTIAN COUNTY SCHOOL DISTRICT

COMMENTS – CONTINUED

June 30, 2013

CHRISTIAN COUNTY MIDDLE SCHOOL

INVENTORY CONTROL

We noted that there was no F-SA-5, Inventory Control, for the pen/pencil machine. The Redbook requires that reasonable profits on stocked items held for resale be documented using F-SA-5.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

BOOSTER CLUBS

We noted the following booster clubs did not submit a list of officers for FY2013: Choir and Dance.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

DEPOSIT

We noted a deposit dated 10/23/2012 in the amount of \$1,429 contained three Multiple Receipt Forms, F-SA-6, for collections from boys and girls basketball t-shirt sales fundraiser in the amounts of \$782, \$270 and \$182 that were not dated by the person remitting the money.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

CROFTON ELEMENTARY

PURCHASE ORDER

We noted check #6547 in the amount of \$285.95, dated 10/25/2012 written to Oriental Trading from the Student Snack Fund with a purchase order dated 10/25/2012, 22 and 21 days after the invoices dated 10/3/2012 in the amount of \$130.96 and 10/4/2012 in the amount of \$154.99. The Redbook requires that to initiate a purchase, a purchase order, Form F-SA-7, shall be prepared and approved by the sponsor and principal before the payment is obligated.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

MISSING INVOICE

We noted check 6502 in the amount of \$72, dated 5/6/2013 written to Papa John's from the Picture/Yearbook Fund without an invoice from Papa John's or a Standard Invoice, form F-SA-8.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

FUNDRAISER

We noted the Rotary Auction Fundraiser held by the Triple C's Fundraising activity fund did not have F-SA-2A, Fundraiser Approval Worksheet or F-SA-2B, Fundraiser Worksheet, on file.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

CHRISTIAN COUNTY SCHOOL DISTRICT

COMMENTS – CONTINUED

June 30, 2013

HOLIDAY ELEMENTARY SCHOOL

PURCHASE ORDER

We noted check 4155 dated 11/16/2012 in the amount of \$832.54, written to First Bankcard contained a purchase to Barnes & Noble in the amount of \$487.02 with a purchase order dated 10/10/2012 with an invoice date of 10/9/2012.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

FUNDRAISERS

We noted the Fundraiser Approval F-SA-2A or Fundraiser Worksheet F-SA-2B for the school-wide Rotary Fundraiser or Zaxby's Spirit night were not completed.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

HOPKINSVILLE HIGH SCHOOL

NEGATIVE BALANCE

We noted that, after the addition of a \$17,952 payable, the Yearbook fund has a negative balance of \$946.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

SEGREGATION OF DUTIES

We noted that the school's bookkeeper enters invoices into the accounting system, prints the checks and matches the invoices to the checks. The Redbook requires that these duties be segregated.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

TRAVEL REIMBURSEMENTS

We noted that check #14121, dated 11/7/2012, in the amount of \$73.90 from the Athletic fund, for mileage reimbursement to the state golf tournament which contained a purchase order dated 11/7/2012 however travel occurred on 10/4/2012 and 10/5/2012.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

CHRISTIAN COUNTY SCHOOL DISTRICT

COMMENTS – CONTINUED

June 30, 2013

HOPKINSVILLE HIGH SCHOOL – CONTINUED

UNTIMELY DEPOSITS

We noted deposit dated 3/13/2013 in the amount of \$26,122.00 contained forms F-SA-1, Requisition and Report of Ticket Sales, dated 3/1/2013 and 3/2/2013 in the amounts of \$10,476 and \$9,492 respectively, with a balance of \$6,154.00 undocumented 11 to 12 days before being deposited. We also noted five undated ticket sales forms that totaled \$4,527. The five ticket sales forms did not contain the following information: date of event, tickets were not attached to the ticket sales form, person in charge of sales did not sign for receipt of change box money, school treasurer did not sign for receipt of money, and no ticket taker signature.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

UNALLOWABLE PURCHASE

We noted check #14684, dated 5/16/2013, in the amount of \$90, written to Rutlands Catering for teacher meals purchased from the Youth Service Center account which contained an invoice that was not dated, and did not have a description of what was ordered on the vendor invoice. Items purchased for staff can only be purchased out of faculty funds.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

HOPKINSVILLE MIDDLE SCHOOL

FUNDRAISERS

We noted that there were no F-SA-2B, Fundraiser Worksheet, on file for the JLC fundraiser or the Science Olympiad Fundraiser.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

MULTIPLE RECEIPT FORM

We noted a deposit dated 10/25/2012 in the amount of \$7,588.54 contained form F-SA-6, Multiple Receipt Form, collected for KYA trip in the amount of \$5,790 without student signatures, but instead was completed by the sponsor remitting the money.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

CHRISTIAN COUNTY SCHOOL DISTRICT

COMMENTS – CONTINUED

June 30, 2013

INDIAN HILLS ELEMENTARY

UNTIMELY DEPOSIT

We noted deposit of \$508.45 dated 5/29/2013 for Kindergarten Tassels with one F-SA-6, Multiple Receipt Form in the amount of \$45.00 dated 5/14/2013 and three F-SA-6s dated 5/24/2013 totaling \$103.00, leaving \$360.45 undocumented.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

SEGREGATION OF DUTIES

We noted that the daycare director, opens the mail, photocopies checks/records receipts on the deposit ticket and takes deposits to the bank. The Redbook requires that these duties be segregated.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

SALES TAX

We noted check #1121 dated 10/23/2012 in the amount of \$559.78, written to Bankcard Center from the General Fund which included \$5.80 in sales tax from a Kroger Purchase on 9/12/2012.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

PURCHASE ORDER

We noted check #1466 dated 7/6/2012 in the amount of \$226.84, written to Hyatt Regency for a Convention Hotel Room from the Cotton Candy Account with a Purchase Order, form F-SA-7, dated 6/24/2012, and a Hyatt Invoice dated 5/3/2012. We noted check #1121 dated 10/23/2012 in the amount of \$559.78 written to Bankcard Center from the General Fund with a Purchase Order, form F-SA-7, written to Kroger in the amount of \$106.45 for the purchase of meeting supplies dated 9/13/2012, after the Kroger invoice on 9/12/2012.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

FUNDRAISER

We noted form F-SA-2A, Fundraiser Approval Form and F-SA-2B, Fundraiser Worksheets, were not on file for the school-wide Rotary Fundraiser.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

CHRISTIAN COUNTY SCHOOL DISTRICT

COMMENTS – CONTINUED

June 30, 2013

LACY ELEMENTARY

SEGREGATION OF DUTIES

We noted that the school's principal approves invoices and matches invoices to checks. The Redbook requires that these duties be segregated.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

CREDIT CARD SIGN IN/OUT FORM

We noted there was no F-SA-13, Credit Card Sign In/Out form on file for the school's Wal-Mart credit card.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

INVENTORY CONTROL

We noted there were no F-SA-5s, Inventory Control Worksheets, for concession sales on file after 12/28/2012 and that these concessions were held the entire school year.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

PRINCIPAL'S COMBINING BUDGET

We noted F-SA-11, Principal's Combining Budget, with budgeted receipts and expenditures that did not reconcile to the following F-SA-12 Individual Activity Fund Budgets, budgeted receipts and expenditures: Teacher Vending, FRC, Library, Green Team, Boys in Blue, K-Kids, Jump Rope 4 Heart, Rotary and Wal-Mart Grant.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

DEPOSIT DOCUMENTATION

We noted a deposit of \$2,843.90, dated 12/20/2012 which did not include copies or a listing of \$120.00 in checks for student snacks or \$432.95 in Santa Shop Collections on file. We noted a deposit of \$1,779.30, dated 5/30/2013 which did not include copies or a listing of \$470.00 in checks for yearbook collections on file.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

UNALLOWABLE PURCHASE

We noted check #2395 in the amount of \$312.39 dated 6/6/2013, written to Positive Promotions out of the FRC account for teacher appreciation gifts. Items purchased for staff can only be purchased out of faculty funds.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

CHRISTIAN COUNTY SCHOOL DISTRICT

COMMENTS – CONTINUED

June 30, 2013

LACY ELEMENTARY – CONTINUED

UNAPPROVED VENDOR

We noted check #2304 in the amount of \$335.56 dated 1/16/2013, written to Wal-Mart for Snacks and Paws Rewards out of the Student Activities/Incentives account was purchased from an unapproved vendor without the board's policy of 3 bids on file.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

MISSING INVOICE

We noted check #2294, in the amount of \$91.40, dated 1/16/2013, written to Chase Visa out of the Student Activities/Incentives activity fund contained a \$10.33 purchase to Amazon for Greek Myths with no invoice from Amazon. We noted check #2334, in the amount of \$703.53, dated 4/4/2013, written to the school's bookkeeper, as a reimbursement from various funds included an \$18.52 purchase from Kroger out of the Academic Team activity fund for academic team snacks with no invoice or receipt from Kroger.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

GIFT CARDS

We noted check #2334, in the amount of \$703.53, dated 4/4/2013, written to the school's bookkeeper, as a reimbursement from various funds included a \$130.00 purchase, net of a \$12 discount, from Kroger out of the Teacher Vending Activity Fund for gift cards for a Christmas Party with no indication of who received the gift cards. We noted check #2372, in the amount of \$652.39, dated 5/13/2013, written to the bookkeeper, as a reimbursement from various funds included the following purchases as prizes out of the Energy Incentive activity fund with no indication of who received these prizes: a \$150.00 purchase from Kroger from the Student Act/Incentives Activity Fund for \$60.00 in Little Caesars gift cards, \$50.00 in Fandango gift cards, and a \$40.00 McDonald's gift card with no indication of who received these gift cards, a purchase from Wal-Mart for a \$195.00 iPod Touch and \$30.00 in Wal-Mart Gift Cards, \$50.00 in Tangy Roots gift cards and \$132.97 in Tracfone prizes from K-Mart.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

CHRISTIAN COUNTY SCHOOL DISTRICT

COMMENTS – CONTINUED

June 30, 2013

LACY ELEMENTARY – CONTINUED

UNAPPROVED PURCHASES

We noted six checks, three written to the school’s bookkeeper and three written to the bookkeeper’s Chase Visa, all of which contained form F-SA-7, Purchase Orders that were originally approved for a different vendor than for whom check was actually written. Below is the summary of this information.

Check #	Date	Check Amount	Invoice Amount	Original Vendor	Vendor paid	Purpose	Fund
2277	11/26/2012	\$538.51	\$124.20	Barnes & Noble	Chase Visa	PD books	Board Reimb.
			6.60	US Postmaster	Chase Visa	mail MLK essays	General
			39.87	Barnes & Noble	Chase Visa	Teaching for Deep Comprehension	Board Reimb.
2294	1/16/2013	91.40	10.33	Amazon	Chase Visa	Greek Mythology Plays	Student Act/Incentive
2308	2/20/2013	458.07	138.43	Oriental Trading	Chase Visa	trash bag prizes	Student Act/Incentive
2334	4/4/2013	703.53	338.99	4 Imprint	Diana Hight	Boys In Blue shirts	BIB
			35.61	Diana Hight	Diana Hight	PT Conference food	Staff
2372	5/13/2013	652.39	561.19	K-mart	Diana Hight	pep rally awards	Energy Incentive
			91.20	Silhouette	Diana Hight	Silhouette 13-14	Student Act/Incentive
2390	6/6/2013	151.84	56.88	Crown	Diana Hight	5th grade choir medals	Choir
			85.00	NAASP	Diana Hight	Presidential Awards	Student Act/Incentive

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

MARTIN LUTHER KING JR. ELEMENTARY SCHOOL

INDIVIDUAL ACTIVITY/PRINCIPAL’S COMBINED BUDGET

We noted that all individual activity fund budgets did not match the budgeted expenditures on the Principal’s Combined Budget, but instead used the total prior year actual expenditures as the budgeted expenditures on the Principal’s Combined Budget.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

MULTIPLE RECEIPT FORM

We noted a deposit in the amount of \$505.60 dated 1/29/2013 that did not contain from F-SA-6, Multiple Receipt Form, for the receipt of \$48 for Color Guard T-shirt Sales and \$45 for the collection of Yearbook fees. The Redbook requires that teachers/sponsors/students use the Multiple Receipt Form, F-SA-6.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

CHRISTIAN COUNTY SCHOOL DISTRICT

COMMENTS – CONTINUED

June 30, 2013

MARTIN LUTHER KING JR. ELEMENTARY SCHOOL – CONTINUED

STUDENT REFUNDS

We noted check #4820 in the amount of \$580.00, dated 5/23/2013, was written to Cash from the General Fund to refund money to students who did not participate in a field trip. The Redbook states that checks not be made payable to cash.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

MILLBROOKE ELEMENTARY SCHOOL

PURCHASE ORDER

We noted check #3925 dated 5/13/13 written to Fantastics for t-shirts from Fundraiser and Pencil Machine accounts in the amount of \$1,855.00 which contained a Purchase Order dated 4/30/2013 and an order date on the invoice of 4/17/2013.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

NORTH DRIVE MIDDLE SCHOOL

INVENTORY CONTROL

We noted form F-SA-2B, Fundraiser Worksheet was completed for Boy's Basketball concessions with a note stating donated items were not inventoried and no listing or value of donated items was on file. The Redbook requires that reasonable profits on stocked items held for resale shall be documented using Inventory Control Worksheet, form F-SA-5.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

INDIVIDUAL ACTIVITY BUDGETS

We noted the following Individual Activity Budgets dated after the due date of 4/15/2013: Textbook Replacement (4/26/2013), FMD Room 170 (4/23/13), Student Council (4/26/13) , Lady Amigos (4/19/13), Library (4/18/13), Choir (4/23/13), Band (4/23/13), 7th Grade Acct (4/19/13) and 8th Grade Acct (4/19/13). We also noted a majority of the Individual Activity Budgets were not dated.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.

MULTIPLE RECEIPT FORM

We noted deposit dated 4/22/2013 in the amount of \$3,211.90 contained form F-SA-6, Multiple Receipt Form, for Yearbook Candle Sales in the amount of \$2,430.00 without student signatures or initials but instead was completed by the teacher collecting the funds.

MANAGEMENT RESPONSE

Management will meet with school personnel and implement corrective action by October 31, 2013.