



**CRITTENDEN COUNTY
BOARD OF EDUCATION**

FINANCIAL REPORT
CORRECTED
with Independent Auditor's Reports

June 30, 2013

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INDEPENDENT AUDITOR'S REPORT (CORRECTED)

Kentucky State Committee for School District Audits
Members of the Board of Education
Crittenden County Board of Education
Marion, Kentucky

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Crittenden County Board of Education 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 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit organizations*, *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirement*, and *Appendix III to the Independent Auditor's Contract – Electronic Submission*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the 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 of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Crittenden County Board of Education as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparison for the General Fund and the Major Special Revenue Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Crittenden County Board of Education's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financials statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 4, 2013, on my consideration of the Crittenden County Board of Education's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral of an audit performed in accordance with *Government Auditing Standards* in considering Crittenden County Board of Education's internal control over financial reporting and compliance.



November 4, 2013
Paducah, Kentucky



Crittenden County Schools

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CRITTENDEN COUNTY PUBLIC SCHOOL DISTRICT – MARION, KY MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) YEAR ENDED JUNE 30, 2013

As management of the Crittenden County School District, we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

MISSION:

The staff of Crittenden County School District pledges to provide resources and support to eliminate learning barriers in order to promote the highest possible academic achievement for all students.

“BIG SIX” DISTRICT GOALS

1. Cultivate college and career readiness.
2. Improve attendance.
3. Increase student achievement
4. Maximize resource effectiveness.
5. Enhance internal and external connectivity.
6. Boost a “Rockin’” culture and climate.

“TOP TEN” COMMITMENTS FROM BOARD OF EDUCATION TO STAKEHOLDERS:

1. Achieve a clear vision for educational excellence in Crittenden County.
2. Build a strong foundation between schools and the community.
3. Collaborate with our partners (Community/Industry/Colleges) to improve the overall quality of educational opportunities for the students.
4. Do “whatever it takes” for students of Crittenden County Schools.
5. Work as a team with an emphasis on relationship-building.
6. Listen closely to students, teachers, and community members to address needs of students.
7. Think “outside the box” for solutions and challenges.
8. Always focus on students graduating being prepared for life.
9. Stay focused on the positive improvement of educational services for children.
10. Promote lifelong learning.

CRITTENDEN COUNTY PUBLIC SCHOOL DISTRICT – MARION, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$1.719 million and the ending balance was \$1.167 million.
- Due to temporary investment of bond proceeds in the prior year, interest income decreased approximately \$5,500 which is a substantial decrease from the prior fiscal year. The bond proceeds were utilized in the current year and were not available for investment.
- The General Fund had \$7.20 million in receipts (excluding on behalf payments), which primarily consisted of the state program (SEEK), property, local occupational license taxes, utilities, and motor vehicle taxes. There were \$7.82 million in General Fund expenditures (excluding on behalf payments). This resulted in expending \$620 thousand more than was received with a corresponding decrease in the District’s reserves. The excess of expenditures over receipts was primarily due to the acquisition of buses and other equipment.
- Bonds are issued as the district 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 \$570 thousand due to scheduled payments on outstanding bonds and capital leases (buses).
- State law requires districts to update a priority list of construction and renovation needs, called a local facilities plan, every four years. The document guides the allocation of School Facilities Construction Commission dollars. The Crittenden County Board of Education updated the facility plan in the summer of 2011.
- The first construction project as a result of the updated facility plan is underway at Crittenden County Elementary School. The renovation and addition project is estimated at a 2.3 million dollar amount and includes expanded office suites, additional classrooms, an additional storage area, and a new restroom. This project should address facility needs at CCES for years to come.
- The district implements a resource efficiency team annually that determines how to maximize local state and federal funds on behalf of student learning.
- Crittenden County is currently piloting the only propane-fueled school bus in the state of Kentucky. Substantial environmental and cost efficiencies are being realized as a result of this alternative fuel source for school buses. The district is currently pursuing a Kentucky Clean Fuels Grant for additional funding to expand the total propane-fueled school buses from one to four.
- Over the past three years, Crittenden County Schools has been awarded two 21st Century Learning Center Grants in the sum total of 1.5 million dollars of additional funding for enrichment, remediation and entrepreneurial activities for middle and high school students. Two years ago the district implemented the Crosswalk Learning Center for high school students and this school year the district is implementing Bridgeway Learning Center for middle school students. The district will be applying for another 21st century grant for the intermediate grades (3rd - 5th) this fall as well.
- The district expended dollars to purchase two district vehicles as a replacement for vehicles that were in need of elimination from our vehicle fleet. The total cost of this option was \$64,000 during the audit cycle.
- The district upgraded the technology infrastructure (\$71,000) to support a digital conversion plan at the middle and high schools for students and teachers.
- Significant property upgrades were required during the past school year which included: copper exchange boiler replacement, blackout at elementary school, security equipment/buzzer systems, and dirt work at CCES.
- Bond refinancing in 2010 allowed the school district to spend less on debt service in fiscal year 2013 and 2012.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes

CRITTENDEN COUNTY PUBLIC SCHOOL DISTRICT – MARION, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013

to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our childcare and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13 through 23 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 24 through 39 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 \$5.274 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 are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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.

CRITTENDEN COUNTY PUBLIC SCHOOL DISTRICT – MARION, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013

Net Assets for the period ending June 30, 2013

Comparative information for the current and prior year is presented below.

	June 30,		Increase
	<u>2013</u>	<u>2012</u>	(Decrease)
Current Assets	\$ 1,435,049	\$ 1,948,425	\$ (513,376)
Noncurrent Assets, net of accumulated depreciation	<u>10,904,261</u>	<u>11,448,418</u>	<u>(544,157)</u>
Total Assets	<u>\$ 12,339,310</u>	<u>\$ 13,396,843</u>	<u>\$ (1,057,533)</u>
Current Liabilities	\$ 963,891	\$ 1,085,431	\$ (121,540)
Noncurrent Liabilities	<u>6,100,906</u>	<u>6,766,617</u>	<u>(665,711)</u>
Total Liabilities	<u>\$ 7,064,797</u>	<u>\$ 7,852,048</u>	<u>\$ (787,251)</u>
Net Assets			
Net investment in capital assets	\$ 4,556,510	\$ 4,248,659	\$ 307,851
Restricted	492,590	434,849	57,741
Unreserved fund balance	<u>225,413</u>	<u>861,287</u>	<u>(635,874)</u>
Total Net Position	<u>\$ 5,274,513</u>	<u>\$ 5,544,795</u>	<u>\$ (270,282)</u>

Comments on Budget Comparisons

- The District’s total revenues for the fiscal year ended June 30, 2013, net of interfund transfers, were \$9.64 million.
- General fund budget compared to actual revenue varied from line item to line item with the ending actual balance being \$303 thousand more than budgeted.
- The total cost of all programs and services, excluding depreciation, in-kind contributions and debt service was \$9.647 million net of debt service. This amount excludes in-kind contributions and food service operations.

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2013 and 2012.

CRITTENDEN COUNTY PUBLIC SCHOOL DISTRICT – MARION, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013

	Year Ended June 30, 2013	2012	Increase (Decrease)
Revenues:			
Local revenue sources	\$ 2,371,418	\$ 2,372,695	\$ (1,277)
State revenue sources	6,051,229	6,149,556	(98,327)
On-behalf payments	1,869,390	1,825,203	44,187
Federal revenue	1,184,179	1,352,002	(167,823)
Other Sources	<u>34,303</u>	<u>50,237</u>	<u>(15,934)</u>
Total Revenues	11,510,519	11,749,693	(239,174)
Expenses:			
Instruction	5,802,433	5,788,991	13,442
Student Support Services	812,062	791,285	20,777
Instructional Staff Support	789,922	781,471	8,451
District Administration	680,608	534,020	146,588
School Administration	830,853	850,235	(19,382)
Business Support	234,335	210,783	23,552
Plant Operations	1,091,908	1,044,208	47,700
Student Transportation	899,428	891,854	7,574
Other Instructional	17,892	-	17,892
Site Improvement	-	-	-
Community Activities	81,422	75,617	5,805
Debt Service	<u>757,085</u>	<u>781,599</u>	<u>(24,514)</u>
Total Expenses	<u>11,997,948</u>	<u>11,750,063</u>	<u>247,885</u>
Expenses in Excess of Revenue	<u>\$ (487,429)</u>	<u>\$ (370)</u>	<u>\$ (487,059)</u>

Amounts for the year ended June 30, 2013 include \$1,869,390 in revenues and expenses for on-behalf payments made for medical insurance and pension contributions for certified staff by the Commonwealth of Kentucky. For the year ended June 30, 2012, on-behalf revenues and expenses totaled \$1,825,203.

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2013, for selected funds (this chart excludes on-behalf payments).

CRITTENDEN COUNTY PUBLIC SCHOOL DISTRICT – MARION, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue	Capital Projects	Food Service	Day Care
Revenues:					
Local	\$ 2,159,494	\$ 97	\$ 203,455	\$ 219,890	\$ 39,031
State	4,987,170	436,141	329,609	6,549	-
Federal	7,354	1,176,827	-	418,600	-
Other	42,853	-	-	-	-
Transfers	115,257	32,320	-	-	-
Total revenues	7,312,128	1,645,385	533,064	645,039	39,031
Expenses:					
Instruction	3,741,999	865,796	-	-	-
Student Support	476,337	198,897	-	-	-
Instructional Support	413,376	340,643	-	-	-
District Administration	576,704	37,827	-	-	-
School Administration	611,196	-	-	-	-
Business Support	134,170	53,430	-	-	-
Plant Operations	922,356	-	-	-	-
Student Transportation	832,058	67,370	-	-	-
Other	17,892	-	-	-	-
Community Support	-	81,422	-	-	43,613
Debt Service	98,640	-	360,066	-	-
Food Services	-	-	-	686,165	-
Transfers, net	32,320	-	-	-	-
Total expenses	7,857,048	1,645,385	360,066	686,165	43,613
 Revenues over (under) expenses	 <u>\$ (544,920)</u>	 <u>\$ -</u>	 <u>\$ 172,998</u>	 <u>\$ (41,126)</u>	 <u>\$ (4,582)</u>

General Fund Revenue

The majority of revenue was derived from state funding 69% with local taxes making up 30% of total revenue. Federal and other revenue contributed 1% of total revenue.

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal 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 complied with this requirement.

Questions regarding this report should be directed to Dr. Rachel Yarbrough, Superintendent, at (270) 965-2281 or by mail at 601 West Elm, Marion, KY 42064.

CRITTENDEN COUNTY BOARD OF EDUCATION

STATEMENT OF NET POSITION

June 30, 2013

ASSETS	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,115,613	\$ 51,683	\$ 1,167,296
Inventory	-	24,644	24,644
Accounts receivable			
Taxes - current	59,493	-	59,493
Accounts receivable	70,871	19,648	90,519
Intergovernmental - State	113	-	113
Intergovernmental - Indirect Federal	105,051	-	105,051
Prepaid expenses	83,908	-	83,908
TOTAL CURRENT ASSETS	1,435,049	95,975	1,531,024
NONCURRENT ASSETS			
Capital assets			
Capital assets not being depreciated	126,752	-	126,752
Capital assets being depreciated	21,707,211	159,363	21,866,574
Less accumulated depreciation, computed by the straight-line method	(10,945,878)	(125,797)	(11,071,675)
KISTA insurance reserve	16,176	-	16,176
TOTAL NONCURRENT ASSETS	10,904,261	33,566	10,937,827
TOTAL ASSETS	\$ 12,339,310	\$ 129,541	\$ 12,468,851
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 69,065	\$ 972	\$ 70,037
Unearned revenue	144,610	-	144,610
Current portion of bond obligations	470,831	-	470,831
Current portion of capital lease obligations	83,549	-	83,549
Current portion of accrued sick leave	138,733	-	138,733
Interest payable	57,103	-	57,103
TOTAL CURRENT LIABILITIES	963,891	972	964,863
NONCURRENT LIABILITIES			
Noncurrent portion of bond obligations	5,542,397	-	5,542,397
Noncurrent portion of capital lease obligations	234,798	-	234,798
Noncurrent portion of accrued sick leave	323,711	23,562	347,273
TOTAL NONCURRENT LIABILITIES	6,100,906	23,562	6,124,468
TOTAL LIABILITIES	7,064,797	24,534	7,089,331
NET POSITION			
Net investment in capital assets	4,556,510	33,566	4,590,076
Restricted for:			
Capital projects	131,082	-	131,082
Debt service	221,508	-	221,508
Other purposes (nonexpendable)	140,000	-	140,000
Unrestricted	225,413	71,441	296,854
TOTAL NET POSITION	5,274,513	105,007	5,379,520
TOTAL LIABILITIES AND NET POSITION	\$ 12,339,310	\$ 129,541	\$ 12,468,851

The Notes to Financial Statements are an integral part of this statement.

CRITTENDEN COUNTY BOARD OF EDUCATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
Instruction	\$ 6,202,876	\$ 16,214	\$ 833,476	\$ -	\$ (5,353,186)	\$ -	\$ (5,353,186)
Support Services							
Student	838,587	-	198,897	-	(639,690)	-	(639,690)
Instruction Staff	815,177	-	340,643	-	(474,534)	-	(474,534)
District administrative	566,195	-	37,827	-	(528,368)	-	(528,368)
School administrative	847,826	-	-	-	(847,826)	-	(847,826)
Business	241,029	-	53,430	-	(187,599)	-	(187,599)
Plant operation and maintenance	1,178,646	-	-	-	(1,178,646)	-	(1,178,646)
Student transportation	843,310	-	67,370	-	(775,940)	-	(775,940)
Other instructional	17,892	-	-	-	(17,892)	-	(17,892)
Facilities acquisition and construction	-	-	-	329,609	329,609	-	329,609
Community service activities	81,508	-	81,422	-	(86)	-	(86)
Interest on long-term debt	200,904	-	-	-	(200,904)	-	(200,904)
TOTAL GOVERNMENTAL ACTIVITIES	11,833,950	16,214	1,613,065	329,609	(9,875,062)	-	(9,875,062)
BUSINESS-TYPE ACTIVITIES							
Food Service	822,633	219,807	459,126	-	-	(143,700)	(143,700)
Day care	58,571	39,031	-	-	-	(19,540)	(19,540)
TOTAL BUSINESS-TYPE ACTIVITIES	881,204	258,838	459,126	-	-	(163,240)	(163,240)
TOTAL PRIMARY GOVERNMENT	\$ 12,715,154	\$ 275,052	\$ 2,072,191	\$ 329,609	\$ (9,875,062)	\$ (163,240)	\$ (10,038,302)

GENERAL REVENUES

Taxes			
Property taxes	\$ 1,637,302	\$ -	\$ 1,637,302
Motor vehicle taxes	311,607	-	311,607
Utility taxes	407,834	-	407,834
Omitted, penalties and interest	6,207	-	6,207
Interest income	1,362	83	1,445
State and formula grants	7,153,614	117,449	7,271,063
Gain (loss) on sales of fixed assets	250	-	250
Donated assets	52,900	-	52,900
Contributions	21,800	-	21,800
Miscellaneous	11,904	-	11,904
Total General and Special	9,604,780	117,532	9,722,312
Change in net assets	(270,282)	(45,708)	(315,990)
Net position - beginning of the year	5,544,795	150,715	5,695,510
Net position - end of the year	<u>\$ 5,274,513</u>	<u>\$ 105,007</u>	<u>\$ 5,379,520</u>

CRITTENDEN COUNTY BOARD OF EDUCATION

BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS AND RESOURCES				
Cash and cash equivalents	\$ 718,244	\$ 44,778	\$ 352,590	\$ 1,115,612
Accounts receivable				-
Taxes - current	59,493	-	-	59,493
Accounts receivable	70,871	-	-	70,871
Intergovernmental - State	-	113	-	113
Intergovernmental - Indirect Federal	-	105,051	-	105,051
TOTAL ASSETS AND RESOURCES	<u>\$ 848,608</u>	<u>\$ 149,942</u>	<u>\$ 352,590</u>	<u>\$ 1,351,140</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 63,732	\$ 5,332	\$ -	\$ 69,064
Unearned revenue	-	144,610	-	144,610
TOTAL LIABILITIES	63,732	149,942	-	213,674
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted				
Accrued sick leave	140,000	-	-	140,000
Capital projects	-	-	352,590	352,590
Committed				
Site-based carry forward	73,103	-	-	73,103
Vehicle replacement	35,000	-	-	35,000
Property purchases	60,000	-	-	60,000
Insurance needs	160,459	-	-	160,459
"Bring Your Own Technology" Initiative	40,000	-	-	40,000
Assigned	-	-	-	-
Unassigned	276,314	-	-	276,314
TOTAL FUND BALANCES	<u>784,876</u>	<u>-</u>	<u>352,590</u>	<u>1,137,466</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 848,608</u>	<u>\$ 149,942</u>	<u>\$ 352,590</u>	<u>\$ 1,351,140</u>

The Notes to Financial Statements are an integral part of this statement.

CRITTENDEN COUNTY BOARD OF EDUCATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENT OF NET POSITION

June 30, 2013

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENTS OF NET ASSETS ARE DIFFERENT BECAUSE:

Total governmental fund balance		\$ 1,137,466
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

Cost of capital assets	21,833,963	
Accumulated depreciation	(10,945,878)	
KISTA insurance reserve	16,177	
Prepaid expenses	<u>83,908</u>	10,988,170

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

Bonds payable	(6,013,228)	
Accrued interest on bonds	(57,103)	
Capital leases payable	(318,347)	
Accrued sick leave	<u>(462,445)</u>	<u>(6,851,123)</u>

Net position of governmental activities		\$ <u>5,274,513</u>
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The Notes to Financial Statements are an integral part of this statement.

CRITTENDEN COUNTY BOARD OF EDUCATION

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General Fund	Special Revenue (Grant Funds)	Other Governmental Funds	Total Government Funds
REVENUES				
From local sources				
Taxes				
property	\$ 1,433,846	\$ -	\$ 203,455	\$ 1,637,301
motor vehicle	311,607	-	-	311,607
utility	407,834	-	-	407,834
omitted, penalties and interest	6,207	-	-	6,207
Tuition and fees	8,399	-	-	8,399
Earnings on investments	1,362	38	-	1,400
Food Service	461	-	-	461
Contributions	21,800	-	-	21,800
Other local revenues	10,581	60	-	10,641
Intergovernmental - state	4,987,170	436,141	627,988	6,051,299
Intergovernmental - state on-behalf payments	1,869,390	-	-	1,869,390
Intergovernmental - indirect federal	-	1,122,235	-	1,122,235
Intergovernmental - direct federal	7,354	54,591	-	61,945
TOTAL REVENUES	9,066,011	1,613,065	831,443	11,510,519
EXPENDITURES				
Current				
Instruction	4,936,637	865,796	-	5,802,433
Support services				
Student	613,165	198,897	-	812,062
Instructional staff	449,279	340,643	-	789,922
District administrative	642,781	37,827	-	680,608
School administrative	830,853	-	-	830,853
Business	180,905	53,430	-	234,335
Plant operation and maintenance	1,091,908	-	-	1,091,908
Student transportation	832,058	67,370	-	899,428
Other instructional	17,892	-	-	17,892
Community service activities	-	81,422	-	81,422
Other, debt service	98,640	-	658,445	757,085
TOTAL EXPENDITURES	9,694,118	1,645,385	658,445	11,997,948
Excess of revenues over (under) expenditures	(628,107)	(32,320)	172,998	(487,429)
Other Financing Sources (Uses)				
Proceeds from sale of fixed assets	250	-	-	250
Operating transfers in	115,257	32,320	360,066	507,643
Operating transfers out	(32,320)	-	(475,323)	(507,643)
TOTAL OTHER FINANCING SOURCES (USES)	83,187	32,320	(115,257)	250
Excess (deficit) of revenues and other financing sources over expenditures and other financing sources	(544,920)	-	57,741	(487,179)
FUND BALANCES, beginning of the year	1,329,796	-	294,849	1,624,645
FUND BALANCES, end of the year	\$ 784,876	\$ -	\$ 352,590	\$ 1,137,466

The Notes to Financial Statements are an integral part of this statement.

CRITTENDEN COUNTY BOARD OF EDUCATION

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

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

Net change in total fund balances per fund financial statements	\$	(487,179)
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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 capital outlays exceed depreciation for the year.

Capital outlays, net of non-cash acquisitions	285,200	
Depreciation	<u>(725,355)</u>	(440,155)

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the statement of net assets

Bond payments	485,000	
Capital lease payments	<u>84,795</u>	569,795

In the statement of activities, certain operating expenses such as compensated absences are measured by the amounts earned or accrued during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This year, the differences between the amounts accrued and the financial resources used are:

Interest expense	(13,614)	
Sick leave	<u>(35,937)</u>	(49,551)

In the statement of activities, certain revenues are recognized when earned. In the governmental funds, revenues are recognized when financial resources are provided. This year, revenue earned exceeded financial resources by:

Prepaid expenses	83,908	
Donated assets recognized as a contribution	<u>52,900</u>	<u>136,808</u>

Change in net position of governmental activities	\$	<u>(270,282)</u>
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The Notes to Financial Statements are an integral part of this statement.

CRITTENDEN COUNTY BOARD OF EDUCATION

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2013

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
RESOURCES (INFLOWS)				
From local sources				
Taxes, property	\$ 1,436,519	\$ 1,436,519	\$ 1,433,846	\$ (2,673)
motor vehicles	300,000	300,000	311,607	11,607
utility	385,000	385,000	407,834	22,834
omitted, penalties and interest	-	-	6,207	6,207
Tuition and fees	2,000	2,000	8,399	6,399
Earnings on investments	2,000	2,000	1,362	(638)
Food Service	-	-	461	461
Other	36,572	36,572	32,631	(3,941)
Intergovernmental, state	4,731,878	4,731,878	4,987,170	255,292
Intergovernmental, federal	-	-	7,354	7,354
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	6,893,969	6,893,969	7,196,871	302,902
USES (OUTFLOWS)				
Current				
Instruction	3,836,904	3,845,708	3,741,999	103,709
Support services				
Student	442,331	442,531	476,337	(33,806)
Instructional staff	358,377	362,238	413,376	(51,138)
District administration	459,486	447,049	576,704	(129,655)
School administration	689,628	676,763	611,196	65,567
Business services	131,764	131,764	134,170	(2,406)
Plant operation and maintenance	997,897	983,014	922,356	60,658
Student transportation	685,544	800,801	832,058	(31,257)
Other instructional	1,171	1,171	17,892	(16,721)
Debt Service	110,717	110,717	98,640	12,077
Contingency	222,404	222,404	-	222,404
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	7,936,223	8,024,160	7,824,728	199,432
Excess of sources of funds over (under) uses of funds	(1,042,254)	(1,130,191)	(627,857)	502,334
Other Financing Sources (Uses)				
Operating transfers in	22,254	137,511	115,257	(22,254)
Operating transfers out	(5,000)	(32,320)	(32,320)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	17,254	105,191	82,937	(22,254)
Excess (deficit) of sources (inflows) and other financing sources over uses (outflows) and other financing sources	(1,025,000)	(1,025,000)	(544,920)	480,080
FUND BALANCE, beginning of the year	1,025,000	1,025,000	1,135,178	110,178
FUND BALANCE, end of the year	\$ -	\$ -	\$ 590,258	\$ 590,258

The Notes to Financial Statements are an integral part of this statement.

CRITTENDEN COUNTY BOARD OF EDUCATION

BUDGETARY COMPARISON SCHEDULE (continued)

GENERAL FUND

Year Ended June 30, 2013

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP
Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) available from the budgetary
comparison schedule \$ 7,196,871

Differences - budget to GAAP

On-behalf payments made by the Commonwealth of Kentucky for
medical insurance premiums and pension contributions for certified
personnel are not budgeted 1,869,390

Total revenues as reported on the statement of revenues, expenditures,
and changes in fund balance - governmental funds \$ 9,066,261

Uses/outflows of resources

Actual amounts (budgetary basis) "total uses/outflows" from the budgetary
comparison schedule \$ 7,824,728

Differences - budget to GAAP

On-behalf payments made by the Commonwealth of Kentucky for
medical insurance premiums and pension contributions for certified
personnel are not budgeted 1,869,390

Total expenditures as reported on the statement of revenues, expenditures,
and changes in fund balance - governmental funds \$ 9,694,118

The Notes to Financial Statements are an integral part of this statement.

CRITTENDEN COUNTY BOARD OF EDUCATION

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
Year Ended June 30, 2013

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
From local sources				
Earnings on investments	\$ -	\$ 24	\$ 37	\$ 13
Other local revenues	-	-	60	60
Intergovernmental - state	375,508	410,001	436,141	26,140
Intergovernmental - indirect federal	955,473	1,387,152	1,176,827	(210,325)
TOTAL REVENUES	1,330,981	1,797,177	1,613,065	(184,112)
EXPENDITURES				
Current				
Instruction	569,157	969,579	865,796	103,783
Support services				
Student	274,527	292,739	198,897	93,842
Instructional staff	291,681	314,465	340,643	(26,178)
District administration	43,511	41,213	37,827	3,386
Business support	21,639	38,779	53,430	(14,651)
Student transportation	34,574	66,764	67,370	(606)
Community service activities	78,638	78,638	81,422	(2,784)
TOTAL EXPENDITURES	1,313,727	1,802,177	1,645,385	156,792
Excess of revenues over (under) expenditures	17,254	(5,000)	(32,320)	(27,320)
Other Financing Sources (Uses)				
Operating transfers in	5,000	5,000	32,320	27,320
Operating transfers out	(22,254)	-	-	-
	(17,254)	5,000	32,320	27,320
Excess (deficit) of revenues and other financing sources over expenditures and other financing sources	-	-	-	-
FUND BALANCE, beginning of the year	-	-	-	-
FUND BALANCE, ending of the year	\$ -	\$ -	\$ -	\$ -

The Notes to Financial Statements are an integral part of this statement.

CRITTENDEN COUNTY BOARD OF EDUCATION

COMBINED STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 June 30, 2013

	<u>Food Service Fund</u>	<u>FYRSC Day Care</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 44,302	\$ 7,381	\$ 51,683
Federal reimbursement receivable	19,648	-	19,648
Inventory	<u>24,644</u>	<u>-</u>	<u>24,644</u>
TOTAL CURRENT ASSETS	<u>88,594</u>	<u>7,381</u>	<u>95,975</u>
NONCURRENT ASSETS			
Furniture and equipment	159,363	-	159,363
Less accumulated depreciation, computed by the straight-line method	<u>(125,797)</u>	<u>-</u>	<u>(125,797)</u>
TOTAL NONCURRENT ASSETS	<u>33,566</u>	<u>-</u>	<u>33,566</u>
TOTAL ASSETS	<u>\$ 122,160</u>	<u>\$ 7,381</u>	<u>\$ 129,541</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	<u>\$ 800</u>	<u>\$ 172</u>	<u>\$ 972</u>
TOTAL CURRENT LIABILITIES	800	172	972
NON-CURRENT LIABILITIES			
Non-current portion of accrued sick leave	<u>19,181</u>	<u>4,381</u>	<u>23,562</u>
TOTAL NON-CURRENT LIABILITIES	19,181	4,381	23,562
NET POSITION			
Net investment in capital assets	33,566	-	33,566
Unrestricted	<u>68,613</u>	<u>2,828</u>	<u>71,441</u>
TOTAL NET POSITION	<u>102,179</u>	<u>2,828</u>	<u>105,007</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 122,160</u>	<u>\$ 7,381</u>	<u>\$ 129,541</u>

The Notes to Financial Statements are an integral part of this statement.

CRITTENDEN COUNTY BOARD OF EDUCATION

COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Food Service Fund	FYRSC Day Care	Total
OPERATING REVENUES			
Lunchroom sales	\$ 219,807	\$ -	\$ 219,807
Other operating revenues	<u>-</u>	<u>39,031</u>	<u>39,031</u>
Total operating revenues	219,807	39,031	258,838
OPERATING EXPENSES			
Salaries and Wages	277,169	34,750	311,919
Employee benefits	174,489	18,458	192,947
Purchased professional and technical services	862	344	1,206
Purchased property services	14,907	-	14,907
Other purchased services	5,892	405	6,297
Materials and supplies	341,485	4,564	346,049
Property	3,638	-	3,638
Depreciation	3,791	-	3,791
Other operating expenses	<u>400</u>	<u>50</u>	<u>450</u>
Total operating expenses	<u>822,633</u>	<u>58,571</u>	<u>881,204</u>
OPERATING INCOME (LOSS)	(602,826)	(19,540)	(622,366)
NON-OPERATING REVENUES			
Federal grants	418,600	-	418,600
Donations and donated commodities	40,526	-	40,526
State grants	102,491	14,958	117,449
Interest income	<u>83</u>	<u>-</u>	<u>83</u>
Total non-operating revenues	561,700	14,958	576,658
Other financing sources (uses)			
Operating transfers in	-	-	-
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET INCOME (LOSS)	(41,126)	(4,582)	(45,708)
NET POSITION, beginning of the year	<u>143,305</u>	<u>7,410</u>	<u>150,715</u>
NET POSITION, end of the year	<u>\$ 102,179</u>	<u>\$ 2,828</u>	<u>\$ 105,007</u>

The Notes to Financial Statements are an integral part of this statement.

CRITTENDEN COUNTY BOARD OF EDUCATION

COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year Ended June 30, 2013

	<u>Food Service Fund</u>	<u>FYRSC Day Care</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from:			
Lunchroom sales	\$ 220,819	\$ -	\$ 220,819
Government grants	405,501	-	405,501
Other activities	-	39,031	39,031
Cash paid to (for):			
Employees	(355,716)	(37,657)	(393,373)
Suppliers	(318,093)	(5,345)	(323,438)
Fixed assets	(11,898)	-	(11,898)
Other activities	<u>(400)</u>	<u>-</u>	<u>(400)</u>
Net cash provided (used) by operating activities	(59,787)	(3,971)	(63,758)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	<u>83</u>	<u>-</u>	<u>83</u>
Net increase (decrease) in cash and cash equivalents	(59,704)	(3,971)	(63,675)
CASH AND CASH EQUIVALENTS, beginning of the year	<u>104,006</u>	<u>11,352</u>	<u>115,358</u>
CASH AND CASH EQUIVALENTS, end of the year	<u>\$ 44,302</u>	<u>\$ 7,381</u>	<u>\$ 51,683</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (41,209)	\$ (4,582)	\$ (45,791)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	3,791	-	3,791
Change in assets and liabilities			
Inventory	8,336	-	8,336
Federal reimbursement receivable	(19,648)	-	(19,648)
Fixed assets	(11,898)	-	(11,898)
Accounts payable	(171)	18	(153)
Accrued sick leave	<u>1,012</u>	<u>593</u>	<u>1,605</u>
Net cash provided (used) by operating activities	<u>\$ (59,787)</u>	<u>\$ (3,971)</u>	<u>\$ (63,758)</u>
Schedule of non-cash transactions:			
Donated commodities received from the U.S. Department of Agriculture			
	<u>\$ 40,526</u>	<u>\$ -</u>	<u>\$ 40,526</u>
Payments made on-behalf of the Board by the Commonwealth of Kentucky			
	<u>\$ 95,942</u>	<u>\$ 14,958</u>	<u>\$ 110,900</u>

The Notes to Financial Statements are an integral part of this statement.

CRITTENDEN COUNTY BOARD OF EDUCATION

STATEMENT OF NET POSITION
FIDUCIARY FUNDS - AGENCY FUNDS
June 30, 2013

	<u>Activity Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>204,946</u>
 TOTAL ASSETS	 \$ <u><u>204,946</u></u>
 LIABILITIES	
Due to student groups	\$ <u>-</u>
 TOTAL LIABILITIES	 <u>-</u>
 NET ASSETS HELD IN TRUST	 \$ <u><u>204,946</u></u>

The Notes to Financial Statements are an integral part of this statement.

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS Year ended June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

Blended Component Unit

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

Basis of Presentation

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

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

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

Fund Financial Statements — Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than 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.

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued Year ended June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Financial Statements, continued

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

The District has the following funds:

I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 43 through 44. 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 the Proprietary Fund).
 - a. 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.
 - b. 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.
 - c. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction
- D. Debt Service Funds – The Debt Service Funds are used to account for the accumulation of resources for and the payment of, general long-term debt principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky statute.

II. Proprietary Fund Types (Enterprise Fund)

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

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

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued Year ended June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Accounting

III. Fiduciary Fund Type (Agency Funds)

- A. The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Accounting Procedures for Kentucky School Activity Funds (the "Redbook").

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

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

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

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

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

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

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

Property Taxes

Property Tax Revenues — Property taxes are levied each September on the assessed value listed as of the prior January 1st 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 property tax rates assessed for the year ended June 30, 2013, to finance the General Fund operations were \$.457 per \$100 of valuation for real property and business personal property and \$.541 per \$100 of valuation for motor vehicles.

The District levies a 3% gross utility receipts license tax for receipts derived from furnishing, within the county, telephone and telegraph communications services, cable television services, electric power, water, and natural, artificial and mixed gas.

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued Year ended June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed as incurred.

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

Interfund Balances

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

Accumulated Unpaid Sick Leave Benefits

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

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

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

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

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued Year ended June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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).

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

Cash and Cash Equivalents

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

Inventories

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

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as expenditure in the governmental fund types when purchased. The food service fund uses the specific identification method.

Prepaid Assets

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.

Investments

The permanent funds record investments at their quoted market value prices for purposes of the Statement of Net Assets. All realized gains and losses and changes in fair value are recorded in the Statement of Activities. Long-term investments are not recorded on the fund financial statements nor are unrealized gains and losses.

Accrued Liabilities and Long-Term Obligations

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

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

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued Year ended June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Balance Reserves

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

Net Assets

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. There were no contributions to capital during the fiscal year.

Interfund Activity

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

Fund Balance

The Board adopted GASB Statement Number 54 in the prior reporting period. This statement substantially changes the terminology used to describe different components of fund balance. Under this statement, fund balance is separated into five categories as follows:

Nonspendable fund balances are amounts that cannot be spent either because they are not in spendable form, such as Inventories, or because they are legally or contractually required to be maintained intact.

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 government or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes, such as future constructions projections, 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 and rescinding of fund balance commitment.

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued Year ended June 30, 2013

Fund Balance, continued

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purpose, such as encumbrances, but are neither restricted nor committed. Assigned fund balance also includes (1) all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted or committed and (2) amounts in the general fund that are intended to be used for a specific purpose.

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

NOTE B: ESTIMATES

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

NOTE C: BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the Board's future obligations to make lease payments relating to the bonds issued by the Crittenden County School District Finance Corporation, aggregating \$7,782,728.

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

Issue	Original Amount	Interest Rates	Outstanding Balance
March, 2009	\$ 1,160,000	2.000% - 3.500%	\$ 685,000
August, 2009	\$ 1,135,000	2.000% - 4.400%	\$ 1,005,000
July, 2010	\$ 990,000	1.000% - 4.000%	\$ 920,000
September, 2010	\$ 3,865,000	0.500% - 2.600%	\$ 3,540,000

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

The Board has entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bond issues.

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 Board, including amounts to be paid by the Commission, at June 30, 2013 for debt service (principal and interest) are as follows:

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued
Year ended June 30, 2013

NOTE C: BONDED DEBT AND LEASE OBLIGATIONS, continued

Year Ended June 30,	Board Obligations		SFCC Obligations		Total	Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest	Obligations
2014	\$ 282,751	\$ 77,010	\$ 192,249	\$ 87,800	\$ 475,000	\$ 164,810	\$ 639,810
2015	291,127	71,717	193,873	84,219	485,000	155,936	640,936
2016	299,177	65,624	200,823	80,095	500,000	145,719	645,719
2017	301,811	58,651	203,189	75,287	505,000	133,938	638,938
2018	309,106	50,716	210,894	69,856	520,000	120,572	640,572
2019	293,305	41,382	186,695	63,959	480,000	105,341	585,341
2020	296,148	34,528	193,852	58,561	490,000	93,089	583,089
2021	303,867	27,328	201,133	52,741	505,000	80,069	585,069
2022	309,681	19,811	185,319	46,671	495,000	66,482	561,482
2023	310,000	12,065	115,000	41,440	425,000	53,505	478,505
2024	315,000	4,095	115,000	37,000	430,000	41,095	471,095
2025	-	-	120,000	32,308	120,000	32,308	152,308
2026	-	-	125,000	27,261	125,000	27,261	152,261
2027	-	-	130,000	21,951	130,000	21,951	151,951
2028	-	-	135,000	16,433	135,000	16,433	151,433
2029	-	-	145,000	10,600	145,000	10,600	155,600
2030	-	-	130,000	4,890	130,000	4,890	134,890
2031	-	-	55,000	1,100	55,000	1,100	56,100
	<u>\$ 3,311,973</u>	<u>\$ 462,927</u>	<u>\$ 2,838,027</u>	<u>\$ 812,172</u>	<u>\$ 6,150,000</u>	<u>\$ 1,275,099</u>	<u>\$ 7,425,099</u>

Kentucky Interlocal School Transportation Association (KISTA)

The Board has entered into the following capital lease agreements with the Kentucky Interlocal School Transportation Association (KISTA) for the lease of school buses.

Series	Description	Capital Lease Amount	Outstanding Balance
2004	2 buses	\$ 138,677	\$ 12,959
2005	2 buses	\$ 123,143	\$ 23,178
2006	2 buses	\$ 127,471	\$ 38,109
2006 2nd	3 buses	\$ 193,596	\$ 80,577
2009	2 buses	\$ 168,321	\$ 100,521
2011	1 bus	\$ 86,635	\$ 67,718

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued
Year ended June 30, 2013

NOTE C: BONDED DEBT AND LEASE OBLIGATIONS, continued

The minimum future rental payments as of June 30, 2013 are as follows:

Year Ended June 30,	Buses		
	Principal	Interest	Total Lease Payments
2014	\$ 83,648	\$ 11,178	\$ 94,826
2015	70,627	8,415	79,042
2016	57,080	6,023	63,103
2017	46,213	4,037	50,250
2018	24,386	2,412	26,798
2019	25,211	1,563	26,774
2020	7,815	616	8,431
2021	8,082	323	8,405
	\$ 323,062	\$ 34,567	\$ 357,629

Changes in long-term debt for the year ended June 30, 2013 are:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Maturities
Bonds payable	\$ 6,635,000	\$ -	\$ (485,000)	\$ 6,150,000	\$ 475,000
Less deferred discounts and issue costs	(150,941)	-	14,169	(136,772)	(13,200)
Total bonds payable	6,484,059	-	(470,831)	6,013,228	461,800
Bus leases payable	407,857	-	(84,795)	323,062	83,648
Less deferred discounts and issue costs	(5,961)	-	1,246	(4,715)	(1,166)
Bus leases payable	401,896	-	(83,549)	318,347	82,482
Sick leave	425,507	36,937	-	462,444	138,733
Long-term liabilities	\$ 7,311,462	\$ 36,937	\$ (554,380)	\$ 6,794,019	\$ 683,015

Subsequent to year-end, the District issued bonds totaling \$2,165,000 styled as Crittenden County (Kentucky) School District Finance Corporation School Building Revenue Bonds, Series of 2013 for renovations to Crittenden County Elementary School.

NOTE D: CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the Board's cash and cash equivalents was \$1,372,242. The bank balance for cash and cash equivalents was \$1,731,361. Deposits were held in two financial institutions located in Crittenden County, Kentucky. Of the total cash balance, \$461,692 was covered by Federal depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments not in the Board's name.

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued
Year ended June 30, 2013

NOTE D: CASH AND CASH EQUIVALENTS, continued

The Board's deposits are subject to custodial credit risk. Custodial risk for deposits is the risk that in the event of a bank failure, the Board's deposits may not be returned or the Board will not be able to recover collateral securities in the possession of an outside party.

Cash is shown in the financial statements as:

Governmental funds	\$ 1,115,613
Proprietary funds	51,683
Agency funds	<u>204,946</u>
	<u>\$ 1,372,242</u>

NOTE E: RETIREMENT PLANS

Pension Plan

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

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 164 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601.

Funding Policy – Contribution rates are established by KRS. Members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% (14.105% for employees joining the system after June 1, 2008) of salaries. The federal program that pays for salaries also pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either a four-year college degree or certification by the Kentucky Department of Education (KDE).

Total payroll for the District was \$7,035,553.

Information relating to KTRS contributions is shown below.

	2013	2012	2011
Payroll subject to KTRS	<u>\$ 5,509,594</u>	<u>\$ 5,891,244</u>	<u>\$ 5,928,833</u>
Contributions by the Commonwealth of Kentucky	<u>\$ 632,948</u>	<u>\$ 600,184</u>	<u>\$ 603,400</u>
District's contributions for employees under federal programs	<u>\$ 129,273</u>	<u>\$ 118,921</u>	<u>\$ 90,186</u>

Substantially all other employees (classified personnel) are covered under the County Employees Retirement System (CERS). Funding for the Plan is provided through payroll withholdings of 5% and a Board contribution of 19.550% of the employee's total compensation subject to the contribution. Information relating to CERS contributions is shown below.

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued
Year ended June 30, 2013

NOTE E: RETIREMENT PLANS, continued

Pension Plan, continued

	2013	2012	2011
Payroll subject to CERS	\$ 1,826,884	\$ 1,580,574	\$ 1,541,078
Employees' contributions	\$ 82,075	\$ 79,926	\$ 77,275
District's contributions	314,247	299,640	260,808
Total contributions	\$ 396,322	\$ 379,566	\$ 338,083

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

In addition, KRS 161.555 requires that school districts employing members whose positions were established by the federal government to contribute an amount equal to the member's contribution. Matching contributions paid by the Board are shown above.

Additional information and historical trend information can be obtained from the separately issued Teacher Retirement System of Kentucky Comprehensive Annual Report.

Medical Insurance Plan

Plan Description – In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide post-retirement 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 55 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

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

NOTE F: DEFERRED COMPENSATION PLANS

The Board offers deferred compensation plans, which were created in accordance with Internal Revenue Code Sections 401(k), 403(b) and 457 and traditional IRAs, to its employees. The plans, which are available to all Board employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The Board funds all amounts of compensation deferred under the plan, at the direction of the covered employees, through commercial administrators.

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued Year ended June 30, 2013

NOTE G: INSURANCE AND RELATED ACTIVITIES

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

NOTE H: ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, a certified employee with over 27 years of service or a classified employee with over 20 years of service will receive from the Board an amount equal to 30% of the value of accumulated sick leave.

NOTE I: RISK MANAGEMENT

The Board 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 Board participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school Boards and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association.

The Board pays an annual premium to each fund for coverage. Contributions to the Worker's Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a prorata basis.

The Board purchases unemployment insurance through commercial carriers. In addition, the Board 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 years.

NOTE J: OPERATING/FUND BALANCES OR RETAINED EARNINGS

There are no funds of the Board that currently have a deficit fund balance. However; the following funds had operations that resulted in a current year deficit of revenues and other financing sources over expenditures and other financing uses resulting in a corresponding reduction in fund balance or retained earnings:

General fund	\$ 544,920
Food service	\$ 41,126
FYRSC Day Care	\$ 4,582
High school activity funds	\$ 3,812

NOTE K: INTERFUND TRANSFERS

The following interfund transfers were made during the year:

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued
Year ended June 30, 2013

NOTE K: INTERFUND TRANSFERS, continued

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	Capital Projects	General Fund	Program support	\$ 115,257
Operating	General Fund	Special Revenue	Program support	32,320
Operating	Capital Projects	Debt Service	Debt Service	<u>360,066</u>
				<u>\$ 507,643</u>

NOTE L: INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables at June 30, 2013.

NOTE M: ON-BEHALF PAYMENTS

The Commonwealth of Kentucky contributes funds on behalf of the Crittenden County Board of Education for medical insurance and pension contributions. The School Facilities Construction Commission contributes funds for the retirement of bonds and payment of interest on behalf of the Board. These amounts are reported as additional expenses and revenues in the district-wide statements. Insurance and related payments and pension contributions are included in the fund statements; contributions by the School Facilities Construction Commission are not recorded in the fund statements. Contributions made on behalf of the Board for the year ended June 30, 2013 were:

	<u>Government- Wide</u>	<u>Proprietary</u>	<u>Total</u>
Commonwealth of Kentucky			
Insurance and related payments	\$ 1,224,670	\$ 105,707	\$ 1,330,377
Pension contributions	632,948	-	632,948
Technology	<u>11,771</u>	<u>-</u>	<u>11,771</u>
Total Commonwealth of Kentucky	1,869,389	105,707	1,975,096
School Facilities Construction Commission			
Contributed for bond retirement	206,854	-	206,854
Contributed for interest payments	<u>91,524</u>	<u>-</u>	<u>91,524</u>
Total School Facilities Construction Commission	<u>298,378</u>	<u>-</u>	<u>298,378</u>
Total on-behalf payments	<u>\$ 2,167,767</u>	<u>\$ 105,707</u>	<u>\$ 2,273,474</u>

NOTE N: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes present a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet.

The Board had no items meeting the definition of *deferred outflows of resources* or *deferred inflows of resources* during the current year.

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued
Year ended June 30, 2013

NOTE O: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 is:

Governmental Activities				
	Beginning Balance	Additions	Deductions	Ending Balance
Assets not being depreciated				
Land	\$ 126,752	\$ -	\$ -	\$ 126,752
Assets being depreciated				
Land improvements	28,347	-	-	28,347
Buildings and improvements	17,041,885	-	-	17,041,885
Technology equipment	1,847,393	148,504	(17,992)	1,977,905
Vehicles	1,995,145	158,400	-	2,153,545
Furniture, fixtures and equipment	474,333	31,196	-	505,529
 Totals, at historical cost	 21,513,855	 338,100	 (17,992)	 21,833,963
Less accumulated depreciation				
Land improvements	2,698	308	-	3,006
Buildings and improvements	7,007,150	428,412	-	7,435,562
Technology equipment	1,378,325	169,041	(17,992)	1,529,374
Vehicles	1,501,123	101,263	-	1,602,386
Furniture, fixtures and equipment	349,219	26,331	-	375,550
 Total accumulated depreciation	 10,238,515	 725,355	 (17,992)	 10,945,878
 Governmental Activities, Net Capital Assets	 <u>\$ 11,275,340</u>	 <u>\$ (387,255)</u>	 <u>\$ -</u>	 <u>\$ 10,888,085</u>
Business-Type Activities				
	Beginning Balance	Additions	Deductions	Ending Balance
Food service equipment	\$ 135,000	\$ 9,100	\$ (7,428)	\$ 136,672
Building and improvements	4,373	-	-	4,373
Vehicles	3,635	-	-	3,635
Technology equipment	15,947	2,798	(4,061)	14,684
 Totals, at historical cost	 158,955	 11,898	 (11,489)	 159,364
Less accumulated depreciation				
Food service equipment	113,061	2,675	(7,428)	108,308
Building and improvements	1,560	175	-	1,735
Vehicles	3,635	-	-	3,635
Technology equipment	15,239	942	(4,061)	12,120
 Total accumulated depreciation	 133,495	 3,792	 (11,489)	 125,798
 Business-Type Activities, Net Capital Assets	 <u>\$ 25,460</u>	 <u>\$ 8,106</u>	 <u>\$ -</u>	 <u>\$ 33,566</u>

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued Year ended June 30, 2013

NOTE O: CAPITAL ASSETS, continued

Depreciation expense by function is as follows:

Instruction	\$ 441,486
Student support services	16,010
Instructional staff	3,706
District administration	21,295
School administration	14,857
Business office	2,439
Plant operations	111,020
Student transportation	114,454
Community services	<u>88</u>
	<u>\$ 725,355</u>
Food Service	<u>\$ 3,792</u>
Total depreciation	<u>\$ 729,147</u>

Donated Assets

During the fiscal year ended June 30, 2013, the Board received donated assets, primarily technology equipment. The estimated value of the assets at the dates of the contributions was \$52,900. This amount has been reported in the government-wide statements as a contribution and the assets capitalized in accordance with the Board's capitalization policies.

NOTE P: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes present a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and capital lease. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

NOTE Q: CONTINGENCIES

Federal, State and Local Funding

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

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS, continued Year ended June 30, 2013

NOTE Q: CONTINGENCIES, continued

Potential Kentucky School Boards Insurance Trust Assessment

The Kentucky School Boards Insurance Trust (KSBIT) has advised school boards that participated in the insurance trust there will be an assessment against those boards of education. The final amount of the assessment has not been determined nor has any assessment been approved by the Kentucky Department of Insurance, which has final authority to approve any plan proposed by KSBIT. The Department of Insurance will hold a hearing in the fall of 2013 following which it will make a determination of the process to be followed in the proposed assessment of member school districts.

While a preliminary liability has been projected for member districts, no final amount has been determined. The current estimate of the proposed assessment is approximately \$104,000 for Crittenden County Board of Education.

There are defenses available to the District. It is unclear what amount, if any, of the any proposed assessment would be valid. According to the Board's attorney, it is not possible to predict either a potential range of loss of the outcome.

COBRA

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

NOTE R: LITIGATION

The Board is a defendant in a civil action brought by an employee.

The employee appealed the Board's decision to demote the employee to the Crittenden County Circuit Court. The demotion resulted in the number of contract days worked with a corresponding reduction in pay. The employee contends the demotion violated her constitutional and statutory rights and was without the support of substantial evidence and characterized as an abuse of discretion. The issues have been fully briefed and the parties are awaiting the decision of the Court.

The Board's counsel has stated that the outcome cannot be predicted and the range of loss, if any, is unknown.

NOTE S: RECENTLY ISSUED ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB), the standards setting authority for governmental accounting, has issued two new pronouncements that will have a future impact on the District. These statements relate to the recognition of Other Post-Employment Benefits earned by employees whose governmental agency participates in multi-employer cost-sharing pension plans. The new standards are GASB Statement 67, *Financial Reporting for Pension Plans*, effective for periods beginning after June 15, 2013 and GASB Statement 68, *Accounting and Financial Reporting for Pension*, effective for periods beginning after June 15, 2014. These GASB statements require the cost-sharing governments to report a net pension liability, pension expense and pension-related deferred inflows and outflows of resources based on its proportionate share of the collective amounts for all the governments in the plan. These amounts have not been calculated for the year ended June 30, 2013, but could have a significant impact in the year of implementation.

NOTE T: DATE OF MANAGEMENT'S REVIEW

Subsequent events have been considered for disclosure through November 4, 2013, which is the date the financial statements were available to be issued.

ACCOMPANYING INFORMATION

CRITTENDEN COUNTY BOARD OF EDUCATION

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Technology Fund	FSPK Fund	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES						
Cash and cash equivalents	\$ -	\$ 221,508	\$ 20,653	\$ 110,429	\$ -	\$ 352,590
TOTAL ASSETS AND RESOURCES	<u>\$ -</u>	<u>\$ 221,508</u>	<u>\$ 20,653</u>	<u>\$ 110,429</u>	<u>\$ -</u>	<u>\$ 352,590</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-	-	-
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	221,508	20,653	110,429	-	352,590
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	-	221,508	20,653	110,429	-	352,590
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 221,508</u>	<u>\$ 20,653</u>	<u>\$ 110,429</u>	<u>\$ -</u>	<u>\$ 352,590</u>

SEE INDEPENDENT AUDITOR'S REPORT

CRITTENDEN COUNTY BOARD OF EDUCATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2013

	Technology Fund	FSPK Fund	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES						
From local sources						
Taxes						
Property	\$ -	\$ 203,455	\$ -	\$ -	\$ -	\$ 203,455
Intergovernmental - state	-	214,352	115,257	-	298,379	627,988
TOTAL REVENUES	-	417,807	115,257	-	298,379	831,443
EXPENDITURES						
Other	-	-	-	-	658,445	658,445
TOTAL EXPENDITURES	-	-	-	-	658,445	658,445
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	-	417,807	115,257	-	(360,066)	172,998
Other Financing Sources (Uses)						
Proceeds from sale of bonds	-	-	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-	-
Realized gains and losses and changes in market value	-	-	-	-	-	-
Operating transfers in	-	-	-	-	360,066	360,066
Operating transfers out	-	(360,066)	(115,257)	-	-	(475,323)
TOTAL OTHER FINANCING SOURCES (USES)	-	(360,066)	(115,257)	-	360,066	(115,257)
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	57,741	-	-	-	57,741
FUND BALANCE, beginning of the year	-	163,767	20,653	110,429	-	294,849
FUND BALANCE, end of the year	\$ -	\$ 221,508	\$ 20,653	\$ 110,429	\$ -	\$ 352,590

SEE INDEPENDENT AUDITOR'S REPORT

CRITTENDEN COUNTY BOARD OF EDUCATION

STATEMENT OF CHANGES IN NET POSITION
EXPENDABLE TRUST FUNDS
CRITTENDEN COUNTY HIGH SCHOOL ACTIVITY FUNDS
Year Ended June 30, 2013

Name of Fund	Net Position Beginning of the Year	Receipts	Disburse- ments	Cash Balance End of the Year	Accounts Receivable	Accounts Payable	Net Position End of the Year
Academic Award Banquet	\$ 760	\$ 250	\$ 482	\$ 528	\$ -	\$ -	\$ 528
Academic Team	321	-	-	321	-	-	321
Act Class 2011	844	-	-	844	-	-	844
AG Grant	1,800	906	2,706	-	-	-	-
Ag Construction	-	272	103	169	-	-	169
Agenda Books	265	1,995	1,995	265	-	-	265
Art	55	280	262	73	-	-	73
Animal Science Fee	-	120	107	13	-	-	13
Athletic Department	8,715	19,205	20,869	7,051	-	-	7,051
Band	1,645	1,900	2,964	581	-	-	581
Baseball	1,766	1,702	428	3,040	-	-	3,040
Basketball Gate Season Pass	-	1,150	1,150	-	-	-	-
Beta Club	599	100	91	608	-	-	608
Biology Club	19	-	-	19	-	-	19
Boys' Basketball	11,579	27,035	32,711	5,903	-	-	5,903
Boy's Season Pass	-	2,693	2,693	-	-	-	-
Cheerleaders	130	-	-	130	-	-	130
Chess	377	2,219	1,716	880	-	-	880
Child Development Fee	-	40	10	30	-	-	30
Chorus	1,912	-	196	1,716	-	-	1,716
Class A	-	13,060	13,060	-	-	-	-
Computer Applications Fee	-	165	165	-	-	-	-
Concession	-	41,622	41,622	-	-	-	-
Cross Country/Track	178	-	25	153	-	-	153
District Games	41	-	-	41	-	-	41
Donation from Joey Warner	65	-	-	65	-	-	65
Equipment	2	-	-	2	-	-	2
Faculty Fund	1,263	855	410	1,708	-	-	1,708
Family Career Community Leader	746	4,794	5,008	532	-	-	532
Fellowship of Christian Athletes	759	1,401	1,123	1,037	-	-	1,037
Foods Fee	-	150	104	46	-	-	46
Football	9,785	41,500	39,959	11,326	-	-	11,326
Football Bowl Game	-	16,730	16,730	-	-	-	-
Football Coaches' Outfits	27	3,720	3,693	54	-	-	54
Football Sign	-	850	850	-	-	-	-
Foreign Language Club	5	-	-	5	-	-	5
Future Business Leaders	3,570	8,254	7,067	4,757	-	-	4,757
Future Educators of America	716	288	544	460	-	-	460
Future Farmers of America	796	14,962	12,929	2,829	-	-	2,829
General Fund	10,900	3,589	7,153	7,336	-	-	7,336
Girls' Basketball	4,487	22,621	25,231	1,877	-	-	1,877
Girls' Basketball Banners	50	825	825	50	-	-	50
Girl's Season Pass	30	2,693	2,723	-	-	-	-
Golf	10	-	-	10	-	-	10
Graduation	78	163	241	-	-	-	-
Grand March	1,790	971	1,447	1,314	-	-	1,314
Greenhouse Plants	-	13,440	8,440	5,000	-	-	5,000
Subtotals to next page	<u>\$ 66,085</u>	<u>\$ 252,520</u>	<u>\$ 257,832</u>	<u>\$ 60,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,773</u>

CRITTENDEN COUNTY BOARD OF EDUCATION

STATEMENT OF CHANGES IN NET POSITION
EXPENDABLE TRUST FUNDS
CRITTENDEN COUNTY HIGH SCHOOL ACTIVITY FUNDS (continued)
Year Ended June 30, 2013

Name of Fund	Net Position Beginning of the Year	Receipts	Disburse- ments	Cash Balance End of the Year	Accounts Receivable	Accounts Payable	Net Position End of the Year
Subtotals from previous page	\$ 66,085	\$ 252,520	\$ 257,832	\$ 60,773	\$ -	\$ -	\$ 60,773
Greenhouse Technology Fee	-	180	77	103	-	-	103
Guidance	408	2,901	2,633	676	-	-	676
Jenkins Scholarship	3,000	3,000	3,000	3,000	-	-	3,000
JR Sportsman	305	455	320	440	-	-	440
Junior Class Trip	491	-	-	491	-	-	491
Library	1,892	880	673	2,099	-	-	2,099
Life Skills Fee	-	210	87	123	-	-	123
Mac Lab Copies	5	-	-	5	-	-	5
Mascot Heads	1,907	2,704	1,555	3,056	-	-	3,056
Multimedia 1 & 2 Fee	-	380	360	20	-	-	20
Motion Picture History Fee	-	50	5	45	-	-	45
Office Operations	1,595	-	-	1,595	-	-	1,595
Pep Club	17	353	139	231	-	-	231
Play	1,491	-	676	815	-	-	815
Principles of Agriscience	-	240	224	16	-	-	16
Poster Machine	34	-	-	34	-	-	34
Prom	3,688	1,915	2,309	3,294	-	-	3,294
Rachel's Challenge	-	100	-	100	-	-	100
S.A.D.D.	649	-	211	438	-	-	438
School Grants	586	2,500	475	2,611	-	-	2,611
School Jacket	484	-	-	484	-	-	484
School Store	16	-	-	16	-	-	16
School Trips	715	1,427	1,231	911	-	-	911
Security/Parking	1,050	245	109	1,186	-	-	1,186
Senior Class Trip	1,732	1,535	1,176	2,091	-	-	2,091
Soccer	2,907	698	413	3,192	-	-	3,192
Soccer Concessions	-	1,748	1,748	-	-	-	-
Softball	1,228	27	-	1,255	-	-	1,255
Special Olympics	1,736	3,528	1,689	3,575	-	-	3,575
Speech	852	85	928	9	-	-	9
Student Concessions	239	-	-	239	-	-	239
Student Council	2,909	2,597	2,556	2,950	-	-	2,950
Student Technology Leadership	597	200	192	605	-	-	605
Technology Fee	-	800	233	567	-	-	567
Technology Students Association	19	578	164	433	-	-	433
Text Book Rental	5,410	2,460	90	7,780	-	-	7,780
Text Book	2,286	100	-	2,386	-	-	2,386
Unknown	-	403	403	-	-	-	-
Washington Trip	-	19,546	18,980	566	-	-	566
Woodworking Fee	-	420	341	79	-	-	79
Word Processing	-	120	112	8	-	-	8
Volleyball	304	880	1,085	99	-	-	99
Yearbook	24,311	6,634	14,172	16,773	-	-	16,773
Young Politicians	788	195	228	755	-	-	755
Total before interfund transfers	129,736	312,614	316,426	125,924	-	-	125,924
Interfund transfers	-	(38,900)	(38,900)	-	-	-	-
TOTALS	\$ 129,736	\$ 273,714	\$ 277,526	\$ 125,924	\$ -	\$ -	\$ 125,924

SEE INDEPENDENT AUDITOR'S REPORT

CRITTENDEN COUNTY BOARD OF EDUCATION

STATEMENT OF CHANGES IN NET POSITION
EXPENDABLE TRUST FUNDS

CRITTENDEN COUNTY MIDDLE SCHOOL AND ELEMENTARY SCHOOL ACTIVITY FUNDS
Year Ended June 30, 2013

	Crittenden County Middle School	Crittenden County Elementary School	Total
	<u> </u>	<u> </u>	<u> </u>
Cash balance, beginning of the year	\$ 42,307	\$ 25,018	\$ 67,325
Receipts, net of interfund transfers	35,756	53,712	89,468
Disbursements, net of interfund transfers	<u>(32,482)</u>	<u>(47,460)</u>	<u>(79,942)</u>
Cash balance, end of the year	45,581	31,270	76,851
Accounts receivable	-	-	-
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Net position, end of the year	<u>\$ 45,581</u>	<u>\$ 31,270</u>	<u>\$ 76,851</u>

SEE INDEPENDENT AUDITOR'S REPORT

CRITTENDEN COUNTY BOARD OF EDUCATION

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND - CHILD CARE
Year Ended June 30, 2013

REVENUES	
Child care revenues	\$ 3,122
EXPENSES	
Supplies	<u>4,952</u>
NET INCOME (LOSS)	(1,830)
NET POSITION, beginning of the year	<u>4,001</u>
NET POSITION, end of the year	<u>\$ 2,171</u>

SEE INDEPENDENT AUDITOR'S REPORT

CRITTENDEN COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION			
Passed through the Kentucky Department of Education			
Title I Grants to Local Educational Agencies	84.010	3100002 11	\$ 49,641
Title I Grants to Local Educational Agencies	84.010	3100002 11	11,673
Title I Grants to Local Educational Agencies	84.010	3100002 11	2,888
Title I Grants to Local Educational Agencies	84.010	3100002 12	399,613
Title I Grants to Local Educational Agencies	84.010	3100002 12	<u>1,657</u>
Total Title I Grants to Local Educational Agencies			465,472
Career and Technical Education - Basic Grants to States	84.048	4621232 11	640
Career and Technical Education - Basic Grants to States	84.048	4621332 12	14,024
Career and Technical Education - Basic Grants to States	84.048	4621332 12	<u>4,097</u>
Total Career and Technical Education - Basic Grants to States			18,761
Special Education Cluster, IDEA			
Special Education, Grants to States	84.027	3810002 12	8,267
Special Education, Grants to States	84.027	3810002 12	303,808
Special Education, Grants to States	84.027	3810002 12	3,232
Special Education, Preschool Grants	84.173	3800002 12	14,868
Special Education, Preschool Grants	84.173	3800002 12	<u>363</u>
Total Special Education Cluster			330,538
Twenty-First Century Community Learning Centers	84.287	3400002 10	28,942
Twenty-First Century Community Learning Centers	84.287	3400002 10	4,272
Twenty-First Century Community Learning Centers	84.287	3400002 10	4,793
Twenty-First Century Community Learning Centers	84.287	3400002 11	100,028
Twenty-First Century Community Learning Centers	84.287	3400002 10	19,816
Twenty-First Century Community Learning Centers	84.287	3400002 10	<u>351</u>
Total Twenty-First Century Community Learning Centers			158,202
Enhancing Education Through Technology Program	84.318	3210002 10	(410)
Rural Education	84.358	3140002 12	21,472
Rural Education	84.358	3140002 11	<u>4,298</u>
Total Rural Education			25,770
Improving Teacher Quality State Grants	84.367	3230002 12	90,735
Improving Teacher Quality State Grants	84.367	3230002 11	<u>17,521</u>
Total Teacher Quality Enhancement Grants			108,256
Race to the Top - State	84.413	N/A	11,681
Education Jobs Fund	84.410	EJOB00 11	<u>4,315</u>
TOTAL U.S. DEPARTMENT OF EDUCATION, passed through the Kentucky Department of Education			<u><u>\$ 1,122,585</u></u>

Continued on next page

CRITTENDEN COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Subtotal from previous page			\$ 1,122,585
Passed through the Lyon County, KY Board of Education Special Education, Grants to States	84.027	4500-3370R	54,241
Passed through the West Educational Cooperative Career and Technical Education - Basic Grants to States	84.048	N/A	. <u>321</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>\$ 1,177,147</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed through the Kentucky Department of Agriculture Child Nutrition Cluster Non-Cash Assistance (Commodities) National School Lunch Program	10.555	Fund 51	\$ 40,526
Cash Assistance School Breakfast Program	10.553	7760005 12	24,817
School Breakfast Program	10.553	7760005 13	88,231
National School Lunch Program	10.555	7750002 12	97,469
National School Lunch Program	10.555	7750002 13	<u>208,083</u>
Total Cash Assistance			<u>418,600</u>
TOTAL CHILD NUTRITION CLUSTER			<u>\$ 459,126</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 1,636,273</u>

CRITTENDEN COUNTY BOARD OF EDUCATION

NOTES TO THE 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 Crittenden County Board of Education and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: COMMODITIES

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and used.

NOTE C: RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE FINANCIAL STATEMENTS

Federal awards presented in the financial statements, by fund:	
General fund	\$ 322
Special revenue	1,176,825
Proprietary fund (food service)	<u>459,126</u>
 Federal awards presented in the financial statements	 <u>\$ 1,636,273</u>
 Total federal awards reported in the Schedule of Expenditures of Federal Awards	 <u>\$ 1,636,273</u>

CRITTENDEN COUNTY BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weaknesses identified? _____ yes X no

Significant deficiencies identified that are not considered to be material weaknesses _____ yes X no

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weaknesses identified? _____ yes X no

Significant deficiencies identified that are not considered to be material weaknesses _____ yes X

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? X yes _____ no

Section II -- Financial Statement Findings

There are no matters to be reported.

Section III -- Federal Award Findings and Questioned Costs

There are no matters to be reported.

CRITTENDEN COUNTY BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

There are no findings for the current year.

CRITTENDEN COUNTY BOARD OF EDUCATION

SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2013

Finding 2012-01

Payroll and Benefits

Criteria:

Employees should only receive pay and benefits to which they are entitled under employment agreements with the District.

Status:

All employees are required to sign his/her time sheet.

Finding 2012-02

Annual Financial Report (AFR)

Criteria:

The Kentucky Department of Education routinely distributes instructions for making necessary year-end adjustments and instructions for making required transfers for program support and matching funds. Some adjustments that were required to be included in the first AFR submitted to KDE were not made until the audit was in progress.

Status:

Appropriate year-end adjustments were recorded by the finance officer prior to filing the AFR.

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

Kentucky State Committee for School District Audits
Members of the Board of Education
Crittenden County Board of Education
Marion, Kentucky

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, provisions of *Office of Management and Budget Circular A-133, Audits of states, Local Governments and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirement, and Appendix III to the Independent Auditor's Contract – Electronic Submission*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Crittenden County Board of Education, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Crittenden County Board of Education's basic financial statements, and have issued my report thereon dated November 4, 2013.

Internal Control Over Financial Reporting

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

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

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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

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I noted certain matters that were reported to management of Crittenden County Board of Education in a separate letter dated November 4, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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.

A handwritten signature in black ink, appearing to read "E. James James". The signature is written in a cursive style with a large initial "E".

November 4, 2013
Paducah, Kentucky

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Kentucky State Committee for School District Audits
Members of the Board of Education
Crittenden County Board of Education
Marion, Kentucky

Report on Compliance for Each Major Federal Program

I have audited Crittenden County Board of Education'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 Crittenden County Board of Education's major federal programs for the year ended June 30, 2013. Crittenden County Board of Education'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

My responsibility is to express an opinion on compliance for each of Crittenden County Board of Education's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirement, and Appendix III to the Independent Auditor's Contract – Electronic Submission*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Crittenden County Board of Education's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Crittenden County Board of Education's compliance.

Opinion on Each Major Federal Program

In my opinion, Crittenden County Board of Education, complied, in all material respects, with the types of 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 Crittenden County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Crittenden County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and

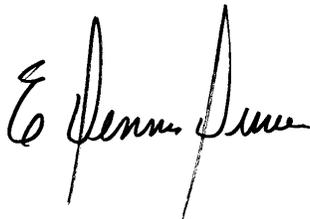
Kentucky State Committee for School District Audits
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to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Crittenden County Board of Education'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 a 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.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I 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 my 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.

A handwritten signature in black ink, appearing to read "E. Dennis Jones". The signature is written in a cursive style with a large, prominent initial "E".

Paducah, Kentucky
November 4, 2013

E DENNIS DRIVER

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November 4, 2013

Kentucky State Committee for School District Audits
Members of the Board of Education
Crittenden County Board of Education
Marion, Kentucky

I have examined the financial statements of Crittenden County Board of Education for the year ended June 30, 2013 and have issued my report thereon dated November 4, 2013. As part of my examination, I made a study and evaluation of the Crittenden County Board of Education's system of internal accounting control to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of my study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Crittenden County Board of Education's financial statements. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

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

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

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

However, during my audit, I became aware of some matters that are opportunities for strengthening internal controls and operating efficiency. Those comments, management's responses and the status of prior year's recommendations are contained in other letters in this report.

Management's responses to these comments have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, I express no opinion on them.

This report is intended solely for the information of members of the Kentucky State Committee for School District Audits, the Kentucky Department of Education, the management, audit committee and members of the Board of Education of Crittenden County Board of Education and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

CENTRAL OFFICE

Comment: During the audit, it was noted that several invoice forms were not signed as approved for payment, however, no unsupported payments were noted.

Cause: The personnel involved stated that there was either a lack of time or signing the invoice forms was simply overlooked. The finance office considered her signature on the checks as an authorization for payment.

Effect: The effect on the control system is negligible; however, all required procedures should be followed.
Kentucky State Committee for School District Audits

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Recommendation: All procedures should be followed.

Management's Response: Every reasonable effort will be made to insure all required authorizations are obtained.

Comment: Two instances were noted where bills were paid from copies of vendor's invoices.

To the Members of the Board of Education
Crittenden County Board of Education
Marion, Kentucky

Cause: On occasion, bills are sent from the individual schools for payment. The school bookkeeper forwards copies of the invoices to the treasurer and retains the original in her files.

Effect: No discrepancies were noted as the result of using copies of invoices, the potential exists for duplicate payments.

Recommendation: The procedures used should be reversed. The school bookkeeper should forward original invoices to the District treasurer for payment and retain copies for her files.

Management's Response: School bookkeepers will be instructed to forward original invoices for payment.

I will review the status of these comments during my next audit engagement. I have already discussed these comments and suggestions with various Board personnel, and I 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.

STATUS OF PRIOR YEAR'S COMMENTS

Prior year's comments are addressed in the schedule titled "Schedule of Prior Year Findings."

Yours very truly,



E. Dennis Driver
Certified Public Accountant