

BARDSTOWN INDEPENDENT SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2012

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
AUDIT REPORT
YEAR ENDED JUNE 30, 2012**

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BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS FINANCIAL ADVISORS & BUSINESS CONSULTANTS

442 East Stephen Foster Avenue - Bardstown, Kentucky 40004 - Telephone (502) 349-3000 - Fax (502) 349-2059

William G. Brown, CPA - W. Gilbert Brown III, CPA

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Bardstown Independent School District
Bardstown, Kentucky 40004

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

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated September 25, 2012 on our consideration of Bardstown Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results on our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 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 in an appropriate operational, economic, or historical

context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

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

Brown & Company CPA's

Bardstown, Kentucky

September 25, 2012

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

The discussion and analysis of Bardstown Independent School District's (District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to review the School District's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in the Statement No. 34 *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* issued in June 1999.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$2.1 million in 2012, including a construction fund cash balance of approximately \$ 27 thousand. The ending cash balance for the District was \$1.6 million in 2011.
- The General Fund had \$19.3 million in revenue, which primarily consisted of the state program (SEEK), state on-behalf payments, and property, utility, and motor vehicle taxes. Excluding interfund transfers, there were \$20.0 million in General Fund Expenditures.

USING THIS ANNUAL REPORT

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

Government-wide Financial Statements

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

The statement of net 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 9-10 of this report.

Fund Financial Statements

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

The basic governmental fund financial statements can be found on pages 11-14 of this report.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

Notes to the Basic 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 basic financial statements can be found on pages 20-31 of the 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 \$4.8 million as of June 30, 2012.

The largest portion of the District’s net assets reflects its investment in capital assets (e.g., land and improvements, building and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are 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.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

**Net Assets for the periods ending June 30, 2011 and 2012
(Table 1)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2012	2011	2012	2011	2012
Current And Other Assets	\$ 1,629,502	\$ 2,077,808	\$ 637,606	\$ 695,304	\$ 2,267,108	\$ 2,773,112
Capital Assets	26,837,511	24,258,986	210,087	185,189	27,047,598	24,444,175
Total Assets	\$28,467,013	\$ 26,336,794	\$ 847,693	\$ 880,493	\$29,314,706	\$ 27,217,287
Long-Term Debt	\$21,731,140	\$ 20,722,248	\$ -	\$ -	\$21,731,140	\$ 20,722,248
Other Liabilities	1,552,650	1,674,205	-	6,034	1,552,650	1,680,239
Total Liabilities	\$23,283,790	\$ 22,396,453	\$ -	\$ 6,034	\$23,283,790	\$ 22,402,487
Net Assets						
Investment In Capital Assets	\$ 3,972,254	\$ 2,288,922	\$ 210,087	\$ 185,189	\$ 4,182,341	\$ 2,474,111
Reserved For Construction	128,415	-	-	-	128,415	-
Reserved For Other Purposes	234,037	-	-	-	234,037	-
Reserved For Sick Leave	157,209	-	-	-	157,209	-
Restricted	-	-	637,606	689,270	637,606	689,270
Unrestricted	691,308	1,651,418	-	-	691,308	1,651,418
Total Net Assets	\$ 5,183,223	\$ 3,940,340	\$ 847,693	\$ 874,459	\$ 6,030,916	\$ 4,814,799

Comments on Budget Comparisons

- The District’s total revenues for the fiscal year ended June 30, 2012, net of inter-fund transfers and bond proceeds, were \$27.2 million.
- General fund budget compared to actual revenue varied from line item to line item with the ending actual balance being \$4.0 million more than budget or approximately 25%. The variance is primarily explained by unbudgeted on-behalf payments made by the State of Kentucky in the amount of \$3.8 million for employee retirement and insurance.
- General fund budget expenditures to actual varied significantly in Instruction. The variance for instructional expenses is caused by the state on-behalf payments detailed above.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

**Summary of Changes in Net Assets for the periods ending June 30, 2011 and 2012
(Table 2)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2012	2011	2012	2011	2012
Revenues						
Program Revenues:						
Charges for services	\$ 163,016	\$ 276,680	\$ 869,301	\$ 822,095	\$ 1,032,317	\$ 1,098,775
Operating grants and contributions	153,480	66,199	1,487,844	1,469,171	1,641,324	1,535,370
Capital grants and contributions	-	-	-	-	-	-
General Revenues:						
Property taxes	5,593,050	5,889,061	-	-	5,593,050	5,889,061
Distilled Spirits	892,856	1,050,484	-	-	-	-
Motor vehicle taxes	328,063	344,060	-	-	328,063	344,060
Utility taxes	969,257	981,637	-	-	969,257	981,637
Investment earnings	47,640	28,542	7,550	5,628	55,190	34,170
State and formula grants	15,950,963	16,126,182	-	-	15,950,963	16,126,182
Miscellaneous	42,414	159,424	39	312	42,453	159,736
Total Revenues	\$24,140,739	\$24,922,269	\$2,364,734	\$2,297,206	\$26,505,473	\$27,219,475
Expenses						
Program Activities:						
Instruction	\$14,637,536	\$14,147,906	\$ -	\$ -	\$14,637,536	\$14,147,906
Student support	1,004,070	1,439,625	-	-	1,004,070	1,439,625
Instructional staff support	721,591	860,600	-	-	721,591	860,600
District administrative support	1,160,199	857,556	-	-	1,160,199	857,556
School administrative support	1,062,158	1,337,231	-	-	1,062,158	1,337,231
Business support	195,108	565,640	-	-	195,108	565,640
Plant operation and maintenance	1,865,290	1,874,836	-	-	1,865,290	1,874,836
Student transportation	904,450	1,073,202	-	-	904,450	1,073,202
Community service activities	199,451	238,245	-	-	199,451	238,245
Other	46,974	210,710	-	-	46,974	210,710
Interest cost	715,963	809,391	-	-	715,963	809,391
Depreciation & Amortization	1,156,867	1,423,176	-	-	-	-
Business-Type Activities:						
Food service	-	-	1,464,276	1,490,925	1,464,276	1,490,925
Child Care	-	-	465,327	497,127	-	-
Adult Education	-	-	322,334	282,388	-	-
Total Expenses	\$23,669,657	\$24,838,118	\$2,251,937	\$2,270,440	\$23,977,066	\$24,905,867
Increase (decrease) in net assets	\$ 471,082	\$ 84,151	\$ 112,797	\$ 26,766	\$ 583,879	\$ 110,917

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

Governmental Activities

Instruction comprises 57% of governmental program expenses. Support services expense make up 21% of government expenses. Student transportation and plant operations total 12% of governmental expenses. The remaining expenses for facility acquisition, community service activities, and interest account for the final 10% of total governmental expense.

Business-Type Activities

The business-type activities include the food service, day care and adult education operations. These programs had total revenues of \$2,297,206 and expenses of \$2,270,440 for fiscal year 2012. Of the revenues, \$822,095 was charges for services, and \$1,469,171 was from State and Federal grants. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of this activity.

The School District’s Funds

Information about the School District’s major funds starts on page 11. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$24.9 million and expenditures and other financing uses of \$24.7 million.

General Fund-Budget Highlights

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

Capital Assets

At the end of fiscal year 2012 the School District had \$24.4 million invested in land, buildings, equipment, and vehicles. Of this total, \$24.2 million were in governmental activities. Table 3 shows fiscal year 2011 and 2012 balances.

**Capital Assets at June 30, 2011 and 2012
Net of Depreciation
(Table 3)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2012	2011	2012	2011	2012
Land	\$ 741,001	\$ 741,001	\$ -	\$ -	\$ 741,001	\$ 741,001
Buildings and improvements	23,667,322	22,686,967	-	-	23,667,322	22,686,967
Machinery & Equipment	2,429,189	831,017	210,087	185,189	2,639,276	1,016,206
Construction In Progress	-	-	-	-	-	-
Total	\$26,837,512	\$ 24,258,985	\$210,087	\$185,189	\$ 27,047,599	\$24,444,174

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

**Changes in Capital Assets for the periods ended June 30, 2011 and 2012
(Table 4)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2012	2011	2012	2011	2012
Beginning Balance	\$25,732,145	\$ 27,166,877	\$235,940	\$229,313	\$ 25,968,085	\$27,396,190
Additions	2,257,499	209,439	-	-	2,257,499	209,439
Retirements	-	(1,699,902)	-	(19,226)	-	(1,719,128)
Depreciation	(1,152,133)	(1,417,429)	(25,854)	(24,898)	(1,177,987)	(1,442,327)
Total	<u>\$26,837,511</u>	<u>\$ 24,258,985</u>	<u>\$210,086</u>	<u>\$185,189</u>	<u>\$ 27,047,597</u>	<u>\$24,444,174</u>

Debt

At June 30, 2012, the School District had \$21,304,435 in debt outstanding; of this amount \$221,878 is to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$1,262,538 is due within one year.

District Challenges for the Future

Bardstown Independent School District continues to be financially sound. However, the current state and national financial climate requires the District to remain prudent. The District has been required to provide financial support for unfunded mandates imposed by the state and federal government.

Bardstown Independent School District will continue to use careful planning and monitoring of finances to provide a quality education for students and a secure financial future for the school district.

Future Budgetary Implications

In Kentucky, the public schools’ fiscal year is July 1–June 30; other programs, i.e. some federal programs, operate on a different fiscal calendar, but are reflected in the District’s overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2011–2012 with a contingency greater than the required minimum of 2%. Projected budgetary shortfalls at the state level are a concern for the 2012-2013 school year.

Contacting the School District’s Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District’s finances and to show the School District’s accountability for the money it receives. If you have any questions about this report or need additional information, contact Tracey Rogers, Bardstown Independent Board of Education, 308 North Fifth Street, Bardstown, KY 40004 or by phone at 502-331-8800.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

Assets	Governmental Activities	Business-Type Activities	Total
<u>Current Assets</u>			
Cash & Cash Equivalents	\$ 1,390,664.75	\$ 662,629.02	\$ 2,053,293.77
Inventory	-	32,675.00	32,675.00
Accounts Receivable	456,949.45	-	456,949.45
Due From State/Federal Government	-	-	-
Total Current Assets	<u>\$ 1,847,614.20</u>	<u>\$ 695,304.02</u>	<u>\$ 2,542,918.22</u>
<u>Noncurrent Assets</u>			
Capital Assets	\$ 39,647,359.52	\$ 594,921.80	\$ 40,242,281.32
Accumulated Depreciation	<u>(15,388,374.00)</u>	<u>(409,733.00)</u>	<u>(15,798,107.00)</u>
Total Noncurrent Assets	<u>\$ 24,258,985.52</u>	<u>\$ 185,188.80</u>	<u>\$ 24,444,174.32</u>
<u>Other Assets</u>			
Bond Refinance Fees	\$ 230,194.00	\$ -	\$ 230,194.00
Total Other Assets	<u>\$ 230,194.00</u>	<u>-</u>	<u>\$ 230,194.00</u>
Total Assets	<u>\$ 26,336,793.72</u>	<u>\$ 880,492.82</u>	<u>\$ 27,217,286.54</u>
Liabilities & Net Assets			
<u>Current Liabilities</u>			
Accounts Payable And Accrued Liabilities	\$ 133,060.19	\$ 6,034.07	\$ 139,094.26
Deferred Revenue	161,941.06	-	161,941.06
Current Portion Of Bond Obligations	1,262,538.00	-	1,262,538.00
Current Portion Of Capital Lease Obligations	<u>116,666.00</u>	<u>-</u>	<u>116,666.00</u>
Total Current Liabilities	<u>\$ 1,674,205.25</u>	<u>\$ 6,034.07</u>	<u>\$ 1,680,239.32</u>
<u>Noncurrent Liabilities</u>			
Noncurrent Portion Of Bond Obligations	\$ 20,041,897.00	\$ -	\$ 20,041,897.00
Noncurrent Portion Of Capital Lease Obligations	548,962.00	-	548,962.00
Noncurrent Portion Of Accrued Sick Leave	<u>131,389.16</u>	<u>-</u>	<u>131,389.16</u>
Total Noncurrent Liabilities	<u>\$ 20,722,248.16</u>	<u>\$ -</u>	<u>\$ 20,722,248.16</u>
Total Liabilities	<u>\$ 22,396,453.41</u>	<u>\$ 6,034.07</u>	<u>\$ 22,402,487.48</u>
<u>Net Assets</u>			
Invested In Capital Assets, Net Of Related Debt	\$ 2,288,922.52	\$ 185,188.80	\$ 2,474,111.32
Reserved For Construction	-	-	-
Reserved For Other Purposes	-	-	-
Reserved For Sick Leave	-	-	-
Restricted	-	689,269.95	689,269.95
Unrestricted	<u>1,651,417.79</u>	<u>-</u>	<u>1,651,417.79</u>
Total Net Assets	<u>\$ 3,940,340.31</u>	<u>\$ 874,458.75</u>	<u>\$ 4,814,799.06</u>

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

	Program Revenues			Net (Expense) Revenue And Changes In Net Assets			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS / PROGRAMS							
Governmental Activities:							
Instruction	\$ 14,147,905.78	\$ 165,842.00	\$ 11,231,256.61	\$ -	\$ (2,750,807.17)	\$ -	\$ (2,750,807.17)
Support Services:							
Student	1,439,625.42	-	788,158.01	-	(651,467.41)	-	(651,467.41)
Instruction Staff	860,599.60	-	471,435.69	-	(389,163.91)	-	(389,163.91)
District Administration	857,556.28	-	385,067.54	-	(472,488.74)	-	(472,488.74)
School Administrative	1,337,231.13	-	600,458.91	-	(736,772.22)	-	(736,772.22)
Business	565,640.15	-	253,990.25	-	(311,649.90)	-	(311,649.90)
Plant Operation & Maintenance	1,874,836.50	-	841,860.65	722,310.00	(310,665.85)	-	(310,665.85)
Student Transportation	1,073,201.92	110,837.66	518,689.98	-	(443,674.28)	-	(443,674.28)
Other Expenses	96,590.63	-	43,372.24	-	(53,218.39)	-	(53,218.39)
Building Improvements	114,119.23	-	-	-	(114,119.23)	-	(114,119.23)
Community Service Activities	238,244.54	-	200,720.07	-	(37,524.47)	-	(37,524.47)
Depreciation & Amortization	1,423,175.90	-	-	-	(1,423,175.90)	-	(1,423,175.90)
Interest on Long-Term Debt	809,390.62	-	135,061.28	-	(674,329.34)	-	(674,329.34)
Total Governmental Activities	\$ 24,838,117.70	\$ 276,679.66	\$ 15,470,071.23	\$ 722,310.00	\$ (8,369,056.81)	\$ -	\$ (8,369,056.81)
Business-Type Activities:							
Food Service	\$ 1,490,924.79	\$ 375,663.66	\$ 1,146,328.55	\$ -	\$ -	\$ 31,067.42	\$ 31,067.42
Child Care	497,127.30	446,431.54	50,695.99	-	-	-	-
Adult Education	282,387.71	-	272,145.92	-	-	(10,241.79)	(10,241.79)
Total Business-Type Activities	\$ 2,270,439.80	\$ 822,095.20	\$ 1,469,170.46	\$ -	\$ -	\$ 20,825.63	\$ 20,825.63
Total Primary Government	\$ 27,108,557.50	\$ 1,098,774.86	\$ 16,939,241.69	\$ 722,310.00	\$ (8,369,056.81)	\$ 20,825.63	\$ (8,348,231.18)
General Revenues:							
Taxes:							
Real Property		\$ 5,889,060.62			\$ 5,889,060.62	\$ -	\$ 5,889,060.62
Distilled Spirits		1,050,484.18			1,050,484.18	-	1,050,484.18
Motor Vehicle		344,059.61			344,059.61	-	344,059.61
Utility		981,637.49			981,637.49	-	981,637.49
Investment Earnings		28,542.39			28,542.39	5,628.13	34,170.52
State & Formula Grants		-			-	-	-
Miscellaneous		155,413.13			155,413.13	-	155,413.13
Gain (Loss) On Sale Of Assets		4,010.65			4,010.65	312.35	4,323.00
Change In Net Assets		\$ 84,151.26			\$ 84,151.26	\$ 26,766.11	\$ 110,917.37
Net Assets - Beginning		5,183,223.06			5,183,223.06	847,692.41	6,030,915.47
Prior Period Adjustment		(1,327,034.00)			(1,327,034.00)	-	(1,327,034.00)
Net Assets - Ending		\$ 3,940,340.31			\$ 3,940,340.31	\$ 874,458.75	\$ 4,814,799.06

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets & Resources:					
Cash & Cash Equivalents	\$ 906,216.56	\$ 96,531.55	\$ 26,862.89	\$ 361,053.75	\$ 1,390,664.75
Receivables	390,456.47	66,492.98	-	-	456,949.45
Total Assets & Resources	\$ 1,296,673.03	\$ 163,024.53	\$ 26,862.89	\$ 361,053.75	\$ 1,847,614.20
Liabilities & Fund Balances:					
Liabilities:					
Accounts Payable	\$ 4,414.60	\$ 1,083.47	\$ -	\$ -	\$ 5,498.07
Accrued Liabilities	127,562.12	-	-	-	127,562.12
Deferred Revenue	-	161,941.06	-	-	161,941.06
Total Liabilities	\$ 131,976.72	\$ 163,024.53	\$ -	\$ -	\$ 295,001.25
Fund Balances:					
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	26,862.89	-	26,862.89
Committed	-	-	-	-	-
Assigned	418.00	-	-	-	418.00
Unassigned	1,164,278.31	-	-	361,053.75	1,525,332.06
Total Fund Balances	\$ 1,164,696.31	\$ -	\$ 26,862.89	\$ 361,053.75	\$ 1,552,612.95
Total Liabilities & Fund Balances	\$ 1,296,673.03	\$ 163,024.53	\$ 26,862.89	\$ 361,053.75	\$ 1,847,614.20

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Fund balances - total governmental funds. \$ 1,552,612.95

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

Capital assets used in governmental activities are not current financial
resources and, therefore, are not reported in the governmental funds. 24,489,179.52

Long-term liabilities (such as bonds payable, the long-term portion of accrued
sick leave, and accrued interest) are not due and payable in the current
period and, therefore, are not reported in the governmental funds. (22,101,452.16)

Net assets of governmental activities. \$ 3,940,340.31

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Construction Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From Local Sources:					
Taxes:					
Property	\$ 4,275,174.62	-	-	\$ 1,613,886.00	\$ 5,889,060.62
Distilled Spirits	1,050,484.18	-	-	-	1,050,484.18
Motor Vehicle	344,059.61	-	-	-	344,059.61
Utilities	981,637.49	-	-	-	981,637.49
Tuition And Fees	38,820.00	-	-	96,665.00	135,485.00
Transportation	98,633.66	-	-	-	98,633.66
Earnings On Investments	27,503.78	1,038.61	-	-	28,542.39
Community Service Activities	-	-	-	30,357.00	30,357.00
Food Service	431.90	-	-	-	431.90
Student Activities	1,263.98	-	-	-	1,263.98
Other Local Revenues	51,606.47	84,947.44	12,567.20	-	149,121.11
Intergovernmental - State	12,779,913.72	890,005.81	-	820,068.73	14,489,988.26
Intergovernmental - Indirect Federal	-	1,591,939.01	-	-	1,591,939.01
Intergovernmental - Direct Federal	-	16,498.80	-	37,302.55	127,254.09
Total Revenues	<u>\$ 19,722,982.15</u>	<u>\$ 2,584,429.67</u>	<u>\$ 12,567.20</u>	<u>\$ 2,598,279.28</u>	<u>\$ 24,918,258.30</u>
Expenditures:					
Instruction	\$ 12,282,338.95	\$ 1,891,386.98	-	-	\$ 14,173,725.93
Support Services:					
Student	1,160,126.25	279,499.17	-	-	1,439,625.42
Instructional Staff	692,965.47	167,634.13	-	-	860,599.60
District Administration	857,551.28	-	-	5.00	857,556.28
School Administrative	1,337,231.13	-	-	-	1,337,231.13
Business	565,640.15	-	-	-	565,640.15
Plant Operation & Maintenance	1,874,836.50	-	-	-	1,874,836.50
Student Transportation	1,000,648.32	72,553.60	-	-	1,073,201.92
Other Instructional	96,590.63	-	-	-	96,590.63
Facilities Acquisition & Construction	-	-	114,119.23	-	114,119.23
Community Service Activities	53,370.76	184,873.78	-	-	238,244.54
Debt Service	118,413.75	-	-	-	118,413.75
Total Expenditures	<u>\$ 20,039,713.19</u>	<u>\$ 2,595,947.66</u>	<u>\$ 114,119.23</u>	<u>\$ 1,988,049.28</u>	<u>\$ 24,737,834.36</u>
Excess (Deficit) of Revenues Over Expenditures	<u>\$ (316,731.04)</u>	<u>\$ (11,517.99)</u>	<u>\$ (101,552.03)</u>	<u>\$ 610,225.00</u>	<u>\$ 180,423.94</u>
Other Financing Sources (Uses):					
Proceeds From Sale Of Bonds	-	-	-	-	-
Proceeds From Sale Of Fixed Assets	4,010.65	-	-	-	4,010.65
Operating Transfers In	526,310.11	54,620.10	-	1,852,988.00	2,433,918.21
Operating Transfers Out	(54,620.10)	(43,102.11)	-	(2,336,196.00)	(2,433,918.21)
Total Other Financing Sources (Uses)	<u>\$ 475,700.66</u>	<u>\$ 11,517.99</u>	<u>\$ -</u>	<u>\$ (483,208.00)</u>	<u>\$ 4,010.65</u>
Excess (Deficit) of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	<u>\$ 158,969.62</u>	<u>\$ -</u>	<u>\$ (101,552.03)</u>	<u>\$ 127,017.00</u>	<u>\$ 184,434.59</u>
Fund Balance, July 1, 2011	<u>1,005,726.69</u>	<u>-</u>	<u>128,414.92</u>	<u>234,036.75</u>	<u>1,368,178.36</u>
Fund Balance, June 30, 2012	<u>\$ 1,164,696.31</u>	<u>\$ -</u>	<u>\$ 26,862.89</u>	<u>\$ 361,053.75</u>	<u>\$ 1,552,612.95</u>

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Net change in fund balances - total governmental funds.	\$ 184,434.59
Amounts reported for governmental activities in the statement of activities are different because of the following:	
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 and the gain from the sale of assets exceeds depreciation expense for the year.	(1,357,346.84)
Debt service payments are reported as expenditures in this fund financial statement because they use current financial resources, but they are separated and shown as payments of long-term debt on the statement of net assets and interest expense on the statement of activities. The difference is the amount of principal payment made for the year.	1,178,658.66
Expenses are recognized in governmental funds only when current financial resources are used, but expenses are recognized in the statement of activities when they are incurred. This is the amount resulting from this timing difference.	<u>(5,746.41)</u>
Change in net assets of governmental activities.	<u><u>\$ 84,151.26</u></u>

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

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
JUNE 30, 2012

Assets	Business-Type Activities - Enterprise Funds			
	Food Service	Day Care	Adult Education	Total
<u>Current Assets</u>				
Cash & Cash Equivalents	\$ 555,495.04	\$ 28,060.23	\$ 79,073.75	\$ 662,629.02
Inventory	32,675.00	-	-	32,675.00
Accounts Receivable	-	-	-	-
Due From Other Funds	-	-	-	-
Due From State Government	-	-	-	-
Total Current Assets	<u>\$ 588,170.04</u>	<u>\$ 28,060.23</u>	<u>\$ 79,073.75</u>	<u>\$ 695,304.02</u>
<u>Noncurrent Assets</u>				
Capital Assets	\$ 594,921.80	\$ -	\$ -	\$ 594,921.80
Accumulated Depreciation	<u>(409,733.00)</u>	<u>-</u>	<u>-</u>	<u>(409,733.00)</u>
Total Noncurrent Assets	<u>\$ 185,188.80</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 185,188.80</u>
Total Assets	<u>\$ 773,358.84</u>	<u>\$ 28,060.23</u>	<u>\$ 79,073.75</u>	<u>\$ 880,492.82</u>
Liabilities & Net Assets				
<u>Current Liabilities</u>				
Accounts Payable	\$ 3,405.92	\$ -	\$ 2,628.15	\$ 6,034.07
Accrued Expenses	-	-	-	-
Due To Other Funds	-	-	-	-
Total Current Liabilities	<u>\$ 3,405.92</u>	<u>\$ -</u>	<u>\$ 2,628.15</u>	<u>\$ 6,034.07</u>
<u>Net Assets</u>				
Invested In Capital Assets, Net Of Related Debt	\$ 185,188.80	\$ -	\$ -	\$ 185,188.80
Reserved For Inventories	-	-	-	-
Restricted For Grants	-	-	-	-
Reserved	<u>584,764.12</u>	<u>28,060.23</u>	<u>76,445.60</u>	<u>689,269.95</u>
Total Net Assets	<u>\$ 769,952.92</u>	<u>\$ 28,060.23</u>	<u>\$ 76,445.60</u>	<u>\$ 874,458.75</u>

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Business-Type Activities - Enterprise Funds			Total
	Food Service	Day Care	Adult Education	
Operating Revenues:				
Lunchroom Sales	\$ 375,663.66	\$ -	\$ -	\$ 375,663.66
Child Care Fees	-	446,803.54	-	446,803.54
Other Revenues	-	-	33,790.24	33,790.24
Total Operating Revenues	\$ 375,663.66	\$ 446,803.54	\$ 33,790.24	\$ 856,257.44
Operating Expenses:				
Personnel Services	\$ 817,595.90	\$ 451,416.46	\$ 211,948.90	\$ 1,480,961.26
Contractual Services	28,531.91	4,242.70	44,927.65	77,702.26
Materials & Supplies	559,639.79	23,689.96	25,461.16	608,790.91
Facilities Acquisition & Construction	-	-	-	-
Depreciation	24,897.83	-	-	24,897.83
Other Operating Expenses	60,259.36	17,778.18	50.00	78,087.54
Total Operating Expenses	\$ 1,490,924.79	\$ 497,127.30	\$ 282,387.71	\$ 2,270,439.80
Operating Income (Loss)	\$ (1,115,261.13)	\$ (50,323.76)	\$ (248,597.47)	\$ (1,414,182.36)
Non-Operating Revenues (Expenses):				
Federal Grants - Indirect	\$ 1,046,310.00	\$ -	\$ 85,242.68	\$ 1,131,552.68
State Grants	100,018.55	50,323.99	153,113.00	303,455.54
Interest Income	5,628.13	-	-	5,628.13
Gain On Disposal Of Capital Assets	312.35	-	-	312.35
Total Non-Operating Revenues (Expenses)	\$ 1,152,269.03	\$ 50,323.99	\$ 238,355.68	\$ 1,440,948.70
Change in Net Assets	\$ 37,007.90	\$ 0.23	\$ (10,241.79)	\$ 26,766.34
Total Net Assets, July 1, 2011	732,945.02	28,060.00	86,687.39	847,692.41
Total Net Assets, June 30, 2012	\$ 769,952.92	\$ 28,060.23	\$ 76,445.60	\$ 874,458.75

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

Cash Flows from Operating Activities	
Receipts From Sales And Fees	\$ 822,467.20
Receipts From Other Revenues	33,790.24
Payments To/For Employees	(1,480,961.26)
Payments To Suppliers	(605,187.25)
Payments For Contractual Services	(77,702.26)
Other Receipts (Payments)	<u>(78,087.54)</u>
Net Cash Provided (Used) By Operating Activities	\$ (1,385,680.87)
Cash Flows From Capital & Related Financing Activities	
Purchases Of Capital Assets	\$ (24,898.00)
Proceeds From Miscellaneous	25,210.35
Proceeds From Federal Grants - Indirect	1,131,552.68
Proceeds From State Grants	<u>303,455.54</u>
Net Cash Provided (Used) by Capital & Related Financing Activities	\$ 1,435,320.57
Cash Flows From Investing Activities	
Receipt Of Interest Income	<u>\$ 5,628.13</u>
Net Increase In Cash & Cash Equivalents	\$ 55,267.83
Balances, Beginning Of Year	<u>607,361.19</u>
Balances, End Of Year	<u><u>\$ 662,629.02</u></u>
Reconciliation Of Operating Income (Loss) To Net Cash Provided (Used) By Operating Activities:	
Operating Income (Loss)	\$ (1,414,182.36)
Adjustments To Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities:	
Depreciation	24,897.83
On-Behalf Payments	-
Change In Assets And Liabilities	
Receivables	-
Inventory	(2,430.41)
Accounts Payables	6,034.07
Due To Other Funds	<u>-</u>
Net Cash Provided (Used) By Operating Activities	<u><u>\$ (1,385,680.87)</u></u>

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012**

	<u>Fiscal Agent Fund</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets			
Cash & Cash Equivalents	\$ -	\$ -	\$ 198,982.68
Accounts Receivable	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,982.68</u>
Liabilities			
Accounts Payable	\$ -	\$ -	\$ -
Due To Student Groups	-	-	-
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Assets Held in Trust	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 198,982.68</u></u>

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
JUNE 30, 2012**

	<u>Fiscal Agent Fund</u>	<u>Private Purpose Trust Funds</u>
Additions		
Tuition From Individuals	\$ -	\$ -
Restricted Federal Revenues - Indirect	-	-
Net Interest	-	-
	<hr/>	<hr/>
Total Additions	\$ -	\$ -
 Deductions		
Benefits Paid	\$ -	\$ -
Operating Transfers Out	-	-
	<hr/>	<hr/>
Total Deductions	\$ -	\$ -
 Change In Net Assets	 \$ -	 \$ -
 Net Assets, Beginning Of Year	 \$ -	 \$ -
	<hr/>	<hr/>
 Net Assets, End Of Year	 \$ -	 \$ -
	<hr/> <hr/>	<hr/> <hr/>

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Bardstown Independent 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-Teacher Associations, etc.

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

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

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

Basis of Presentation

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

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

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

The District has the following funds:

Governmental Fund Types

- 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.
- The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expandable trust 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 the report on pages 33-34. This is a major fund of the District.
- Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- 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 cost; and for the payment of interest on general obligation notes payable, as required by Kentucky law.

Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Fiduciary Fund Type (Agency and Private Purpose Trust Funds) – (concluded)

- The Private Purpose Trust funds is used to report trust arrangements under which income benefit individuals, private organizations, or other governments.

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

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

Revenues – 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 the 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.

On Behalf payments are payments made by the state, on the behalf of the District. The most significant "on behalf" payments were for employee health insurance and for Teachers' Retirement match. The "on behalf" payments are required to be presented as part of both revenues and expenditures within these financial statements.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2012, to finance the General fund operations were \$0.654 per \$100 valuation for real property, \$0.654 per \$100 valuation for business personal property, and \$0.531 per \$100 valuation for motor vehicles.

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

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 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:

Description	Governmental Activities Estimated Lives
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipments	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.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Accumulated Unpaid Sick Leave Benefits – (concluded)

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

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

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

Budgetary Process

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

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

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

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 an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Assets.

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.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Accrued Liabilities and Long-Term Obligations – (concluded)

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 60 days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

Following GASB 54, the District may divide its fund balance into one of the following categories:

Non-Spendable Fund Balances are amounts that are not in a spendable form nor are they required to be maintained intact. Restricted Fund Balances are amounts constrained to specific purposes by their providers through constitutional provisions or by enabling legislation. Committed Fund Balances are amounts constrained to specific purposes by the board itself, using its highest level of decision-making authority. Assigned Fund Balances are amounts the board intends to use for a specific purpose, but are neither restricted nor committed. Unassigned Fund Balances are amounts that are available for any purpose.

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 and charges for before and after school child care.

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.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after 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.

NOTE B – ESTIMATES

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2012**

NOTE C – CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits

Custodial Credit is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$2,954,161. Of the total cash balance, \$250,000 was covered by Federal Depository Insurance, \$2,704,161 covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

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

	Bank Balance	Book Balance
Wilson & Muir Bank	\$ 2,954,161	\$ 2,252,277
Totals	\$ 2,954,161	\$ 2,252,277

Governmental Funds	\$ 1,390,665
Proprietary Funds	662,629
Subtotal	\$ 2,053,294
Agency Funds	198,983
Total Cash and Cash Equivalents All Funds	\$ 2,252,277

NOTE D – INVESTMENTS

The District held no investments on June 30, 2012.

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Bardstown Independent School District Finance Corporation to construct school facilities.

The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. The District has "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local schools districts in meeting school construction needs.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2012**

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS – (CONTINUED)

The table below sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bonds issued. 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 maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30 for debt service (principal and interest) are as follows:

Year		Bardstown Independent School District		Kentucky School Facility Construction Commission		Total Principal	Total Interest
		Principal	Interest	Principal	Interest		
2012	2013	\$ 1,229,712	\$ 650,550	\$ 32,826	\$ 8,304	\$ 1,262,538	\$ 658,854
2013	2014	1,233,322	633,332	24,223	6,999	1,257,545	640,331
2014	2015	1,069,054	597,889	25,070	6,152	1,094,124	604,041
2015	2016	1,295,964	567,207	25,948	5,274	1,321,912	572,481
2016	2017	1,334,786	535,903	26,908	4,314	1,361,694	540,217
2017	2018	1,363,537	502,596	27,903	3,318	1,391,440	505,914
2018	2019	1,392,183	466,039	28,950	2,272	1,421,133	468,311
2019	2020	1,435,755	425,402	30,050	1,172	1,465,805	426,574
2020	2021	1,485,456	382,457	-	-	1,485,456	382,457
2021	2022	1,520,060	338,780	-	-	1,520,060	338,780
2022	2023	1,569,620	293,131	-	-	1,569,620	293,131
2023	2024	1,614,148	245,259	-	-	1,614,148	245,259
2024	2025	1,326,043	180,085	-	-	1,326,043	180,085
2025	2026	1,400,850	122,914	-	-	1,400,850	122,914
2026	2027	575,636	79,648	-	-	575,636	79,648
2027	2028	360,404	57,583	-	-	360,404	57,583
2028	2029	280,156	39,531	-	-	280,156	39,531
2029	2030	289,891	24,350	-	-	289,891	24,350
2030	2031	305,980	8,261	-	-	305,980	8,261
Totals		<u>\$21,082,557</u>	<u>\$6,150,917</u>	<u>\$ 221,878</u>	<u>\$ 37,805</u>	<u>\$21,304,435</u>	<u>\$6,188,722</u>

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2012**

NOTE F – CAPITAL ASSETS

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

	Beginning Balances	Additions	Retirements	Ending Balances
Governmental Activities:				
Land	\$ 741,001	\$ -	\$ -	\$ 741,001
Buildings & Building Improvements	35,328,221	17,621	-	35,345,842
Technology Equipment	2,945,167	-	1,767,885	1,177,282
Vehicles	1,374,799	174,318	-	1,549,117
General Equipment	885,239	17,500	68,622	834,117
Construction In Progress	-	-	-	-
Total At Historical Cost	\$ 41,274,427	\$ 209,439	\$1,836,507	\$ 39,647,359
Less Accumulated Depreciation For:				
Buildings & Building Improvements	\$ 11,660,900	\$ 997,975	\$ -	\$ 12,658,875
Technology Equipment	807,608	152,745	67,983	892,370
Vehicles	808,713	236,642	-	1,045,355
General Equipment	830,329	30,067	68,622	791,774
Total Accumulated Depreciation	\$ 14,107,550	\$ 1,417,429	\$ 136,605	\$ 15,388,374
Governmental Activities Capital Net	<u>\$ 27,166,877</u>	<u>\$ (1,207,990)</u>	<u>\$1,699,902</u>	<u>\$ 24,258,985</u>
Proprietary Activities:				
Technology Equipment	\$ 26,968	\$ -	\$ -	\$ 26,968
General Equipment	613,095	-	45,141	567,954
Total At Historical Cost	\$ 640,063	\$ -	\$ 45,141	\$ 594,922
Less Accumulated Depreciation For:				
Technology Equipment	\$ 1,217	\$ -	\$ -	\$ 1,217
General Equipment	409,533	24,898	25,915	408,516
Total Accumulated Depreciation	\$ 410,750	\$ 24,898	\$ 25,915	\$ 409,733
Proprietary Activities Capital Net	<u>\$ 229,313</u>	<u>\$ (24,898)</u>	<u>\$ 19,226</u>	<u>\$ 185,189</u>

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2012**

NOTE G – RETIREMENT PLANS

Classified Employees – Classified employees (substantially all full time District employees other than certified employees) are covered by the County Employees Retirement Systems (“CERS”), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. CERS provides retirement, death and disability benefits to Plan members and beneficiaries. Cost of living adjustments are provided at the discretion of the State Legislature.

Under the provisions of the Kentucky Revised Statute Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions.

Plan members are required to contribute 5% of their annual covered compensation and the District is required to contribute at an actuarially determined rate. All new members hired after August 31, 2008 are required to contribute 6% at an actuarially determined rate. The current rate is 18.96% of the employee's total covered compensation. The contribution requirements of Plan members and the District are established and may be amended by the Kentucky Retirement Systems' Board of Trustees. The District's contributions to CERS for the year ended June 30, 2012 was \$736,600.

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601.

Certified employees are covered under the Teachers' Retirement System of Kentucky (“KTRS”), a cost sharing, multiple employer defined benefit pension plan. KTRS provides retirement, death and disability benefits to Plan members. Cost of living increases are 1.5% annually. Any benefit amendments must be authorized by the State Legislature.

Plan members are required to contribute 10.355% of their annual covered compensation and all new members hired after June 30, 2008 are required to contribute 10.855% of their annual covered compensation of which the Commonwealth of Kentucky provides matching contributions as required by Kentucky Revised Statutes 165.540 and 161.550 (13.60% - 14.105% of salaries). The payments made by the Commonwealth of Kentucky on behalf of the District's certified employees are reflected in the accompanying financial statements as both revenues and expenses/expenditures. The Commonwealth of Kentucky requires payments for federally funded employees to be made by such federal funds; for the fiscal year ended June 30, 2012, this funding amounted to \$132,633.

KTRS issues a publicly available financial report that includes financial statements and required supplementary information on the Plan. That report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Bardstown Road, Frankfort, KY 40601.

KTRS and CERS do not make separate measurements of assets and pension benefit obligations for individual employers.

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

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

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2012**

NOTE H – CONTINGENCIES

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

NOTE I – INSURANCE AND RELATED ACTIVITIES

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

NOTE J – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District obtains quotes from commercial insurance companies. Currently, the District maintains insurance coverage through Kentucky School Boards Insurance Trust Fund.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The District paid an additional \$33,095 for unemployment claims last year that exceeded the annual premium amount.

NOTE K – DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance. The following funds have operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance.

Construction Fund	(\$ 101,552.03)
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NOTE L - COBRA

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

NOTE M – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	\$ 54,620
Facility	Capital Outlay	General	Facility	222,615
Facility	Building Fund	General	Facility	260,593
Facility	Special Revenue	General	Facility	43,102

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2012**

NOTE N – INTERFUND RECEIVABLES AND PAYABLE

There were no interfund balances at June 30, 2012.

NOTE O – SUBSEQUENT EVENTS

Management has reviewed subsequent event through September 25, 2012. There are no material subsequent events to disclose.

NOTE P – ON BEHALF PAYMENTS

State agencies make payments on behalf of local school districts for the employer's portion of health benefits, vocational education, Kentucky Teachers' Retirement System, technology and debt services, along with receiving federal reimbursement payments from districts for the employer's portion of health benefits paid for federally funded district employees. The total amount of on behalf payments paid on behalf of the district for the year ended June 30, 2012 is \$3,937,169.80

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
From Local Sources:			
Taxes:			
Property	\$ 4,176,261.00	\$ 4,275,174.62	\$ 98,913.62
Distilled Spirits	1,050,484.00	1,050,484.18	0.18
Motor Vehicle	362,781.00	344,059.61	(18,721.39)
Utilities	969,000.00	981,637.49	12,637.49
Tuition And Fees	34,000.00	38,820.00	4,820.00
Transportation	75,800.00	98,633.66	22,833.66
Earnings On Investments	21,000.00	27,503.78	6,503.78
Food Service	400.00	431.90	31.90
Student Activities	-	1,263.98	1,263.98
Other Local Revenues	45,451.00	51,606.47	6,155.47
Intergovernmental - State	8,977,366.00	12,779,913.72	3,802,547.72
Intergovernmental - Direct Federal	-	73,452.74	73,452.74
Total Revenues	<u>\$ 15,712,543.00</u>	<u>\$ 19,722,982.15</u>	<u>\$ 4,010,439.15</u>
Expenditures:			
Instruction	\$ 9,569,930.00	\$ 12,282,338.95	\$ (2,712,408.95)
Support Services:			
Student	947,658.00	1,160,126.25	(212,468.25)
Instructional Staff	561,564.00	692,965.47	(131,401.47)
District Administration	742,336.00	857,551.28	(115,215.28)
School Administrative	1,142,069.00	1,337,231.13	(195,162.13)
Business Support	468,817.00	565,640.15	(96,823.15)
Plant Operation & Maintenance	1,804,624.30	1,874,836.50	(70,212.20)
Student Transportation	833,495.45	1,000,648.32	(167,152.87)
Other Instructional	26,524.00	96,590.63	(70,066.63)
Community Services Activities	43,837.00	53,370.76	(9,533.76)
Debt Service	118,531.00	118,413.75	117.25
Contingency	892,483.94	-	892,483.94
Total Expenditures	<u>\$ 17,151,869.69</u>	<u>\$ 20,039,713.19</u>	<u>\$ (2,887,843.50)</u>
Excess (Deficit) of Revenues Over Expenditures	\$ (1,439,326.69)	\$ (316,731.04)	\$ 1,122,595.65
Other Financing Sources (Uses)			
Proceeds From Sale Of Bonds	\$ -	\$ -	\$ -
Proceeds From Sale Of Fixed Assets	3,000.00	4,010.65	1,010.65
Operating Transfers In	483,208.00	526,310.11	43,102.11
Operating Transfers Out	(52,608.00)	(54,620.10)	(2,012.10)
Total Other Financing Sources (Uses)	<u>\$ 433,600.00</u>	<u>\$ 475,700.66</u>	<u>\$ 42,100.66</u>
Excess (Deficit) of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	\$ (1,005,726.69)	\$ 158,969.62	\$ 1,164,696.31
Fund Balance, July 1, 2011	<u>1,005,726.69</u>	<u>1,005,726.69</u>	<u>-</u>
Fund Balance, June 30, 2012	<u>\$ (0.00)</u>	<u>\$ 1,164,696.31</u>	<u>\$ 1,164,696.31</u>

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012**

	<u>CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>		
Passed through the Kentucky Department of Education		
Title I	84.010	\$ 618,075.56
Title I - Professional Development	84.010	100,320.50
Title I - Parent Involvement	84.010	17,790.93
Title I - Tier 3 Deferred Amount	84.010	973.70
Title I - ARRA	84.389A	1,221.01
Title I - ARRA Professional Development	84.389A	2,518.91
Title I - ARRA Parent Involvement	84.389A	1,998.10
Total Title I Cluster		\$ 742,898.71
IDEA B	84.027	\$ 571,200.75
IDEA B Private School	84.027A	11,614.16
IDEA Preschool	84.173	33,981.81
IDEA B ARRA	84.173A	11,301.75
Total IDEA Cluster		\$ 628,098.47
Education Jobs Fund	84.410	\$ 7,213.00
Title V - Innovative Ed Program Strategies	84.298A	611.30
Title II - Teacher Quality	84.367	99,929.41
Title IV - Safe and Drug Free Schools	84.186A	2,573.90
Title II - Fed Educ Tech/No Child Left Behind	84.318X	4,440.27
Title II D - ARRA Funds	84.386A	3,541.49
Title III ESL - Limited English Proficiency	84.365	8,238.79
KY Hybrid Electric Bus Program	81.086	59,314.00
Perkins Carry Forward	84.048	2,320.00
Perkins	84.048	27,568.00
Total Other		\$ 215,750.16
Passed through the Council of Post Secondary Education		
Adult Education	84.002	\$ 75,804.00
Recruitment, Retention & Rehabilitation	84.002	13,354.00
Adult Education / Staff Development	84.002	502.00
Total Adult Ed		\$ 89,660.00
Total U.S. Department of Education		1,676,407.34
<u>U.S. Department of Labor</u>		
Workforce Investment Act	17.250	\$ 25,400.00
<u>U.S. Department of Agriculture</u>		
National School Lunch Program	10.555	\$ 1,448,830.90
Summer Food Program	10.559	16,220.55
Total U.S. Department of Agriculture		\$ 1,465,051.45
Total Expenditure of Federal Awards		\$ 3,166,858.79

See accompanying notes to Schedule of Expenditures of Federal Awards.

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – FOOD DISTRIBUTION

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET FOR NON-MAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2012**

	Capital Outlay Fund	Building Fund	Trust Activity Fund	Debt Service Fund	Totals
Assets & Resources:					
Cash & Cash Equivalents - Restricted	\$ -	\$ -	\$ 361,053.75	\$ -	\$ 361,053.75
Accounts Receivable	-	-	-	-	-
Investments	-	-	-	-	-
Total Assets & Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 361,053.75</u>	<u>\$ -</u>	<u>\$ 361,053.75</u>
Liabilities & Fund Balances:					
Liabilities:					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Revenue	-	-	-	-	-
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:					
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	361,053.75	-	361,053.75
Total Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 361,053.75</u>	<u>\$ -</u>	<u>\$ 361,053.75</u>
Total Liabilities & Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 361,053.75</u>	<u>\$ -</u>	<u>\$ 361,053.75</u>

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Capital Outlay Fund	Building Fund	Trust Activity Fund	Debt Service Fund	Totals
Revenues:					
From Local Sources:					
Property Taxes	\$ -	\$ 1,613,886.00	\$ -	\$ -	\$ 1,613,886.00
Tuition and Fees	-	-	96,665.00	-	96,665.00
Community Service Activities	-	-	30,357.00	-	30,357.00
Intergovernmental - State	222,615.00	499,695.00	-	97,758.73	820,068.73
Intergovernmental - Direct Federal	-	-	-	37,302.55	37,302.55
Total Revenues	\$ 222,615.00	\$ 2,113,581.00	\$ 127,022.00	\$ 135,061.28	\$ 2,598,279.28
Expenditures:					
Instruction	\$ -	\$ -	\$ -	\$ -	\$ -
Support Services:					
District Administration	-	-	5.00	-	5.00
Debt Service	-	-	-	1,988,049.28	1,988,049.28
Total Expenditures	\$ -	\$ -	\$ 5.00	\$ 1,988,049.28	\$ 1,988,054.28
Excess (Deficit) Of Revenues Over Expenditures	\$ 222,615.00	\$ 2,113,581.00	\$ 127,017.00	\$ (1,852,988.00)	\$ 610,225.00
Other Financing Sources (Uses)					
Operating Transfers In	\$ -	\$ -	\$ -	\$ 1,852,988.00	\$ 1,852,988.00
Operating Transfers Out	(222,615.00)	(2,113,581.00)	-	-	(2,336,196.00)
Total Other Financing Sources (Uses)	\$ (222,615.00)	\$ (2,113,581.00)	\$ -	\$ 1,852,988.00	\$ (483,208.00)
Excess (Deficit) of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	\$ -	\$ -	\$ 127,017.00	\$ -	\$ 127,017.00
Fund Balance, July 1, 2011	-	-	234,036.75	-	234,036.75
Fund Balance, June 30, 2012	\$ -	\$ -	\$ 361,053.75	\$ -	\$ 361,053.75

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES -
 ALL ACTIVITY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Cash Balance July 1, 2011</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash Balance June 30, 2012</u>
Bardstown Elementary School	\$ 19,147.84	\$ 68,168.46	\$ 67,223.24	\$ 20,093.06
Bardstown Middle School	32,040.84	188,936.30	188,613.99	32,363.15
Bardstown High School	88,845.75	533,182.57	536,878.15	85,150.17
Bardstown Primary School	44,312.46	57,310.55	43,608.29	58,014.72
Bardstown Early Childhood	4,679.14	11,405.53	12,723.09	3,361.58
Totals	<u>\$ 189,026.03</u>	<u>\$ 859,003.41</u>	<u>\$ 849,046.76</u>	<u>\$ 198,982.68</u>

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES -
HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Cash Balance July 1, 2011</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash Balance June 30, 2012</u>
All A Classic	\$ -	\$ 5,864.54	\$ 5,864.54	\$ -
Athletics- Game Expense	-	20,936.66	20,936.66	-
Athletics- General	-	15,686.13	15,686.13	-
Athletics- Gate Receipts	-	75,783.60	75,783.60	-
Athletics- Transportation	-	34,791.06	34,783.84	7.22
Banquets	90.00	11,571.95	11,661.95	-
Baseball	-	3,378.96	3,378.96	-
Basketball - Boys	-	1,762.35	1,762.35	-
Basketball - Girls	-	9,454.67	9,454.67	-
Century Club - Football	1,069.52	7,509.49	7,695.02	883.99
Cheerleaders	-	1,717.71	1,717.71	-
Cross Country	-	2,027.50	2,027.50	-
District Tournament	-	20,799.64	20,799.64	-
Fifth Region Coaches Assoc	-	-	-	-
Football	-	22,237.86	22,237.86	-
Football Playoffs	-	2,622.00	2,622.00	-
Friends Of Athletics	2,623.76	4,430.00	3,873.41	3,180.35
Friends Of Band	999.71	28,114.14	28,560.75	553.10
Friends Of Baseball	12,357.62	25,718.43	32,075.77	6,000.28
Friends Of Boys Basketball	6,716.30	22,802.00	16,444.92	13,073.38
Friends Of Cheerleading	1,375.85	12,618.31	13,994.16	-
Friends Of Chorus	619.39	2,067.04	2,603.16	83.27
Friends Of Cross Country	1,356.32	3,977.74	5,151.83	182.23
Friends Of Football	67.00	3,335.00	3,236.05	165.95
Friends Of Girls Basketball	933.35	10,497.12	10,994.55	435.92
Friends Of Boys Soccer	4,805.27	2,560.00	5,606.66	1,758.61
Friends Of Girls Soccer	1,134.35	15,015.38	12,247.89	3,901.84
Friends Of Golf	1,365.98	1,555.00	1,680.32	1,240.66
Friends Of Orchestra	-	519.25	55.00	464.25
Friends Of Softball	840.41	4,750.47	2,966.52	2,624.36
Friends Of Tennis	876.00	2,036.00	2,617.57	294.43
Friends Of Track	2,918.92	13,264.25	12,870.88	3,312.29
Friends Of Girls Track	1,091.88	-	1,091.88	-
Friends Of Volleyball	2,045.75	7,267.93	8,952.70	360.98
Gamers Club	350.15	-	-	350.15
Garnis Martin Bowl	-	100.00	100.00	-
Golf	-	150.00	150.00	-
Region Tournaments	-	3,541.85	3,541.85	-
Soccer- Boys	-	736.00	736.00	-
Soccer- Girls	-	692.00	692.00	-
Softball/ Fast Pitch	-	2,059.00	2,059.00	-

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES -
HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Cash Balance July 1, 2011</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash Balance June 30, 2012</u>
Special Acct - Sign	\$ -	\$ 2,795.00	\$ 2,760.73	\$ 34.27
Sports Programs	92.94	117.00	209.94	-
Tennis	-	296.40	296.40	-
Track	-	1,620.00	1,620.00	-
Uniforms (Athletic)	-	13,392.30	13,392.30	-
Volleyball	-	4,185.00	4,185.00	-
Academic Club	-	4,287.02	4,287.02	-
Archery Team	-	640.00	575.00	65.00
Stride Club	1,423.36	1,596.50	1,762.92	1,256.94
Annual/ Yearbook	5,629.90	7,226.51	7,349.21	5,507.20
Art Club	-	-	-	-
Blue Dot Books	786.98	1,123.01	963.03	946.96
Central Kentucky Academy	752.98	-	-	752.98
Chess Club	43.02	-	-	43.02
Chorus	-	2,250.03	2,250.03	-
Counselor - K. Martin	-	-	-	-
Diversity	-	-	-	-
Drama	-	2,680.45	2,680.45	-
FBLA Club	864.19	18,382.02	19,165.85	80.36
FCCLA	578.09	407.00	204.34	780.75
Fellowship Christian	41.21	1,309.80	1,312.52	38.49
4-H Club	-	-	-	-
Freshman Class	644.21	-	-	644.21
General Fund	2,934.36	2,553.73	3,762.58	1,725.51
Graduation Fees	58.90	-	-	58.90
Hardman Special Ed	37.10	-	-	37.10
Heart Of Kentucky	0.03	-	-	0.03
Health & P.E.	923.04	-	-	923.04
Home Ec Department	998.27	1,665.00	1,707.41	955.86
Industrial Technology	316.19	758.70	594.98	479.91
I - Class	2,535.00	780.00	1,530.00	1,785.00
Interest On Accounts	2,516.96	393.19	-	2,910.15
Journalism/Tiger Newspaper	36.30	-	-	36.30
Junior Class	30.89	-	-	30.89
Junior / Senior Prom	7,841.10	7,880.00	6,003.16	9,717.94
Key Club	2,383.07	2,416.00	4,524.89	274.18
National Honor Society	758.23	2,340.20	2,530.04	568.39

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES -
HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Cash Balance July 1, 2011	Receipts	Disbursements	Cash Balance June 30, 2012
Night School	\$ 313.98	\$ -	\$ -	\$ 313.98
Outdoor Classroom	425.41	485.25	771.29	139.37
Orchestra	-	710.49	710.49	-
Pep Club	259.77	1,343.00	1,170.00	432.77
Project Graduation	25.56	-	-	25.56
Science Club	309.16	1,546.00	1,696.54	158.62
Senior Class	1,406.43	10,779.79	10,233.00	1,953.22
Administrator Reward	500.00	-	-	500.00
A-School Reward	-	-	-	-
Group Home Reward	-	-	-	-
Math Reward	-	-	-	-
Science Reward	-	-	-	-
Social Studies Reward	-	-	-	-
French Reward	-	-	-	-
Spanish Reward	-	-	-	-
Vocational Reward	246.67	-	-	246.67
P.E. Reward	369.70	-	-	369.70
Art & Humanities Reward	280.33	-	-	280.33
Library Reward	5.26	-	-	5.26
Special Ed Reward	561.10	-	-	561.10
Sophomore Class	37.50	50.00	-	87.50
Spanish Club	-	354.00	354.00	-
Special Olympics	775.97	1,216.00	438.00	1,553.97
Speech and Drama Club	-	7,550.94	7,550.94	-
STLP Grant - Student	43.42	-	-	43.42
Student Council	317.09	-	104.85	212.24
Sunshine Fund	-	490.00	379.15	110.85
Testing	1,476.13	10,533.00	9,456.04	2,553.09
Textbooks	2,141.51	274.00	265.69	2,149.82
Tiger Mentoring Team	-	-	-	-
Teacher Cadet Program	36.60	145.00	130.00	51.60
Tiger Pause Newsletter	-	-	-	-
Tiger Town	-	-	-	-
TMH- Dorsey	94.20	422.00	304.76	211.44
TSA Club	70.00	576.20	646.20	-
Vending	2,576.73	1,464.00	950.53	3,090.20
Y Club	304.36	3,779.31	2,909.87	1,173.80
Youth In Charge	405.02	90.00	96.00	399.02
Due To From	-	6,327.70	6,327.70	-
Totals	\$ 88,845.75	\$ 533,182.57	\$ 536,878.15	\$ 85,150.17

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

Section I - Summary of Auditor's Results

Financial Statements

Type of audit issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I - Cluster
84.027	IDEA - Cluster

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

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement of Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2012**

Significant Deficiencies – Internal Control – District Office

None

BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS FINANCIAL ADVISORS & BUSINESS CONSULTANTS

442 East Stephen Foster Avenue - Bardstown, Kentucky 40004 - Telephone (502) 349-3000 - Fax (502) 349-2059

William G. Brown, CPA - W. Gilbert Brown III, CPA

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

Members of the Board of Education
Bardstown Independent School District
Bardstown, Kentucky 40004

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Bardstown Independent School District, as of and for the year ended June 30, 2012, which collectively comprise the Bardstown Independent School District's basic financial statements and have issued our report thereon dated September 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract - General Auditing Requirements and Appendix II to the Independent Auditor's Contract - State Audit Requirements*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Bardstown Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Bardstown Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the Bardstown Independent School District's internal control over financial reporting.

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

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

Compliance and other Matters

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

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

Brown & Company CPA's

Bardstown, Kentucky
September 25, 2012

BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS FINANCIAL ADVISORS & BUSINESS CONSULTANTS

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William G. Brown, CPA - W. Gilbert Brown III, CPA

INDEPENDENT REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Education
Bardstown Independent School District
Bardstown, Kentucky 40004

Compliance

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

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

In our opinion, Bardstown Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

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

Brown & Company CPA's

Bardstown, Kentucky
September 25, 2012

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William G. Brown, CPA - W. Gilbert Brown III, CPA

MANAGEMENT LETTER COMMENTS

Members of the Board of Education
Bardstown Independent School District
Bardstown, Kentucky 40004

In planning and performing our audit of the financial statements of Bardstown Independent School District (District) for the year ended June 30, 2012, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. Our professional standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We feel that the District's financial statements are free of material misstatement. However, we offer the following suggestions that we feel will strengthen your organization's internal control structure.

During the course of our audit, we became aware of two checks that cleared the activity fund account of the high school that did not contain two signatures. It is our recommendation that the District simply remind the bookkeepers of the activity funds, the importance of following the correct procedures as outlined within the Red Book when issuing disbursements.

Management Response:

Bookkeepers will be instructed not to issue any disbursements without the proper number of signatures on the checks.

We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the District is complying with requirements such as those mentioned above.

We will review that status of the comment during our next audit engagement. We have already discussed this comment and suggestion with various District personnel, and we will be pleased to perform any additional study of the matter or to assist you in implementing the recommendation.

Brown & Company CPA's

Bardstown, Kentucky
September 25, 2012

BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS FINANCIAL ADVISORS & BUSINESS CONSULTANTS

442 East Stephen Foster Avenue - Bardstown, Kentucky 40004 - Telephone (502) 349-3000 - Fax (502) 349-2059

William G. Brown, CPA - W. Gilbert Brown III, CPA

LETTER TO THOSE CHARGED WITH GOVERNANCE

Members of the Board of Education
Bardstown Independent School District
Bardstown, Kentucky 40004

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bardstown Independent School District for the year ended June 30, 2012, and have issued our report thereon dated September 25, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133:

As stated in our engagement letter dated August 6, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Bardstown Independent School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Bardstown Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Bardstown Independent School District's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on Bardstown Independent School District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Bardstown Independent School District's compliance with those requirements.

Significant Auditing Findings:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Bardstown Independent School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011-2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the sick leave liability is based on current pay rates and those currently eligible for retirement. We evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 25, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" or certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statement or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were not such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Bardstown Independent Board of Education and management of Bardstown Independent School District and is not intended to be and should not be used by anyone other than these specified parties.

Brown & Company CPA's

Bardstown, Kentucky
September 25, 2012