

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

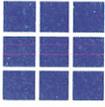
For the Year Ended June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Campbellsville Independent School District
Campbellsville, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbellsville 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 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; the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for Schools District Audits in Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Audit Extension Request and Appendix IV of the Independent Auditor's Contract – Instructions for Submission of the Audit Report. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 9, 2012 on our consideration of the Campbellsville 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on Pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with

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

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The additional information shown on Pages 34 through 37 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards on Pages 38 through 40 are 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 are also not a required part of the basic financial statements of the District. The additional information shown on pages 34 through 37 and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The additional information found on Pages 34 through 38 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Wise, Buckner, Sprowles & Associates, PLLC

Wise, Buckner, Sprowles & Associates, PLLC
Certified Public Accountants

Campbellsville, Kentucky
November 9, 2012

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT – CAMPBELLSVILLE, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
For the Year Ended June 30, 2012

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

FINANCIAL HIGHLIGHTS

- The ending general fund balance for the District was \$2,106,343. The previous year ending balance was \$1,944,539 and also served as the beginning balance for FY 2012. The District was able to maintain a comparable carry forward balance while completing some needed maintenance projects throughout the District and also increasing the spending percentage on Instruction. A District Wide Needs Assessment Committee is utilized to look at long range planning and to be able to prioritize those needs into our Budgeting process.
- Long-term debt was decreased by \$690,736 in FY 2012.
- SEEK revenue increased slightly by \$456,560 from FY 2011 and represented 52.5% of general fund revenue excluding on-behalf revenue adjustments.
- The General Fund had \$7,219,810 in revenue excluding on-behalf revenue adjustment, which primarily consists of the state SEEK program and local taxes.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 8-9 of this report.

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-33 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$9.02 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, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Net Assets for the periods ending June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Current Assets	\$ 2,703,794	\$ 2,717,576
Non-Current Assets	<u>14,173,383</u>	<u>14,690,762</u>
Total Assets	16,877,177	17,408,338
Current Liabilities	1,181,801	1,281,878
Non-Current Liabilities	<u>6,670,562</u>	<u>7,499,173</u>
Total Liabilities	7,852,363	8,781,051
Net Assets		
Investment in Capital Assets (Net of Debt)	6,902,353	6,729,026
Restricted	14,636	19,146
Unreserved Fund Balance	<u>2,107,825</u>	<u>1,879,115</u>
Total Net Assets	<u>\$ 9,024,814</u>	<u>\$ 8,627,287</u>

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

The District put into service \$247,515 of capital assets in the fiscal year ended June 30, 2012.

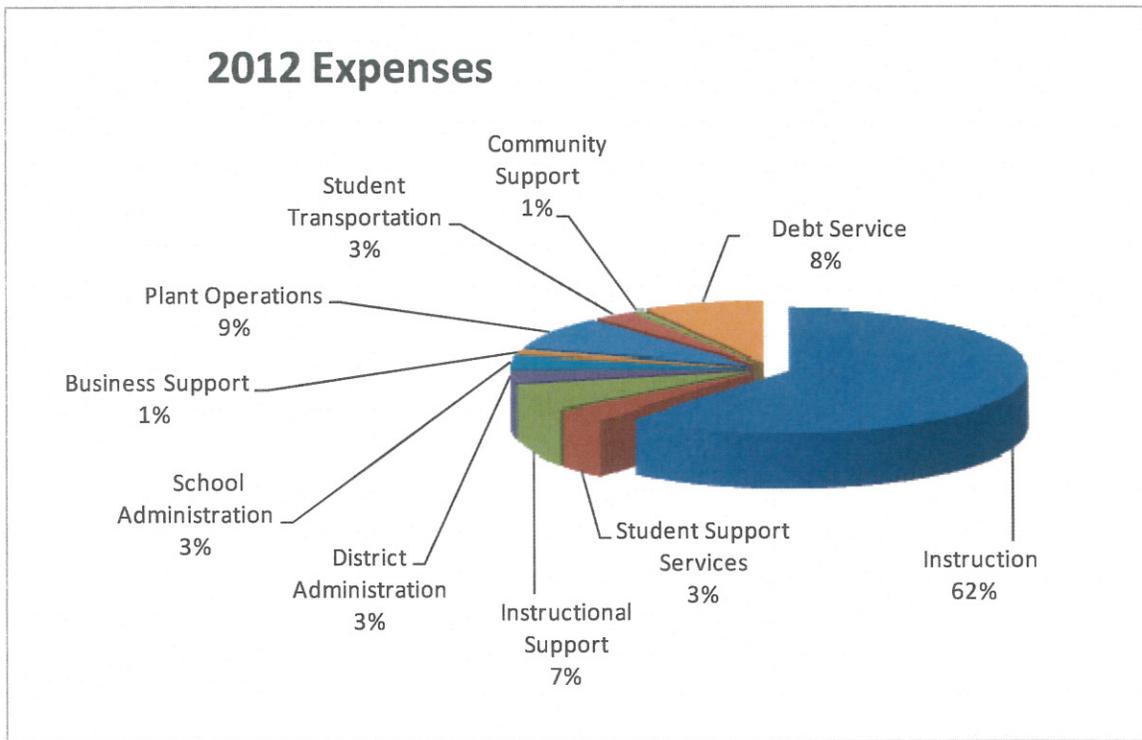
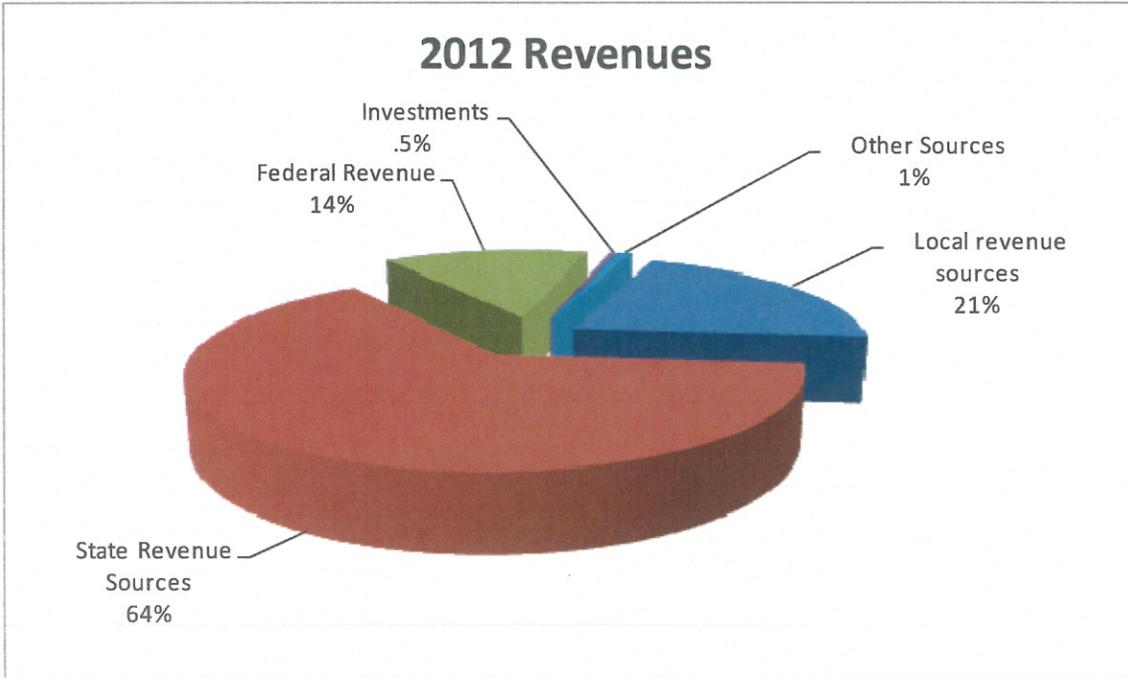
Comments on Budget Comparisons

- The District’s total revenues for the fiscal year ended June 30, 2012 net of inter-fund transfers were \$12,323,534.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$2.26 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 \$1.77 million.
- The total cost of all programs and services was \$8.8 million including debt service.
- The Board had a budgeted contingency of \$680,790.
- General fund budget expenditures to actual varied significantly in Instruction and Other expenses. This resulted from the District not budgeting on-behalf payments made by the State of Kentucky as instructed by the Department of Education and not having to spend budgeted contingency funds.

The following table presents a summary of revenue for the fiscal years ended June 30, 2012 and 2011.

	2012	2011
Revenues		
Local revenue sources	\$ 2,589,244	\$ 2,486,501
State revenue sources	7,881,802	7,383,383
Federal Revenue	1,689,332	2,455,074
Investments	59,425	85,644
Other Sources	103,736	156,862
Total revenues	\$12,323,539	\$12,567,464

The majority of revenue was derived from state funding (64%), with local taxes making up another (20.6%) of total revenue.



The following table presents a summary of expenses for the fiscal years ended June 30, 2012 and 2011.

Expenses	<u>2012</u>	<u>2011</u>
Instruction	\$ 7,439,427	\$ 7,407,840
Student Support Services	418,756	405,849
Instructional Support	838,732	835,835
District Administration	408,015	503,678
School Administration	412,155	440,902
Business Support	163,327	176,898
Plant Operations	1,063,695	1,107,314
Student Transportation	342,850	367,478
Community Support	83,378	85,878
Facility Acquisition and Construction	-	29,416
Site Improvement	391	-
Debt Service	991,004	1,232,575
Facility Acquisition and Construction	-	29,416
Total expenses	<u>\$12,161,730</u>	<u>\$12,623,079</u>

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget of \$10,633,830 with a contingency of \$680,790 or 6.4%. The cash balance for the beginning of the 2012 fiscal year was \$1,720,600 or 16.2% of the budget. Anticipated increases in the cost for diesel fuel and utilities as well as the increased obligation for Health and Life Insurance and KTRS Retirement have impacted the CISD budget for the upcoming year.

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. Questions regarding this report should be directed to the Superintendent Mike Deaton or to Chris Kidwell, Director of Financial Services (270) 465-4162 or by mail at 136 S Columbia Ave, Campbellsville, KY 42718.

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
As of June 30, 2012

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,083,293	\$ 94,038	\$ 2,177,331
Inventory	-	14,447	14,447
Accounts Receivable			
Taxes - Current	82,844	-	82,844
Accounts Receivable	879	1,677	2,556
Intergovernmental - State	22,038	-	22,038
Intergovernmental – Indirect Federal	232,553	-	232,553
Bond Issue Costs	172,025	-	172,025
Capital Assets, Net of			
Less: Accumulated Depreciation	14,161,651	11,732	14,173,383
TOTAL ASSETS	16,755,283	121,894	16,877,177
LIABILITIES			
Accounts Payable	43,914	-	43,914
Checks Issued in Excess of Cash	169,827	-	169,827
Deferred Revenue	47,581	-	47,581
Accrued Liabilities	53,753	-	53,753
Interest Payable	43,164	-	43,164
Non Current Liabilities			
Due within one year	823,562	-	823,562
Due in more than one year	6,670,562	-	6,670,562
TOTAL LIABILITIES	7,852,363	-	7,852,363
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	6,890,621	11,732	6,902,353
Restricted for:			
Capital Projects	-	-	-
Other	189	-	189
Inventory	-	14,447	14,447
Unrestricted	2,012,110	95,715	2,107,825
TOTAL NET ASSETS	\$ 8,902,920	\$ 121,894	\$ 9,024,814

The accompanying notes are and integral part of the financial statements.

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expense	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	Total
FUNCTIONS/PROGRAMS							
GOVERNMENTAL ACTIVITIES							
Instruction	\$ 7,550,817	\$ 3,917	\$ 1,957,521	\$ -	\$ (5,589,379)	\$ -	\$ (5,589,379)
Support Services							
Student	425,505	-	672	-	(424,833)	-	(424,833)
Instruction Staff	844,380	-	335,199	-	(509,181)	-	(509,181)
District Administrative	410,081	-	722	-	(409,359)	-	(409,359)
School Administrative	404,247	-	10,209	-	(394,038)	-	(394,038)
Business	165,451	-	-	-	(165,451)	-	(165,451)
Plant Operation and Maintenance	1,351,609	49,725	10,058	-	(1,291,826)	-	(1,291,826)
Student Transportation	373,407	-	9,824	-	(363,583)	-	(363,583)
Community Services	84,284	-	81,453	-	(2,831)	-	(2,831)
Facilities Acquisition & Construction	-	-	391	249,382	249,773	-	249,773
Site Improvement	391	-	-	-	(391)	-	(391)
Interest on Long-Term Debt	316,292	-	-	-	(316,292)	-	(316,292)
TOTAL GOVERNMENTAL ACTIVITIES	11,926,464	53,642	2,406,049	249,382	(9,217,391)	-	(9,217,391)
BUSINESS-TYPE ACTIVITIES							
Food Service	820,031	175,229	654,215	-	-	9,413	9,413
TOTAL BUSINESS-TYPE ACTIVITIES	820,031	175,229	654,215	-	-	9,413	9,413
TOTAL SCHOOL DISTRICT	\$ 12,746,495	\$ 228,871	\$ 3,060,264	\$ 249,382	(9,217,391)	9,413	(9,207,978)
GENERAL REVENUES							
Taxes							
Property Taxes					1,775,781	-	1,775,781
Motor Vehicle					126,602	-	126,602
Utility Taxes					631,728	-	631,728
State and Formula Grants					6,937,872	-	6,937,872
Investment Earnings					59,425	1,540	60,965
Gain/Loss on Sale of Asset					(9,142)	(1,359)	(8,783)
Other					83,058	-	83,058
TOTAL GENERAL REVENUES					9,605,324	181	9,616,006
Change in Net Assets					387,933	9,594	408,028
Net Assets - Beginning					8,514,987	112,300	8,627,287
Net Assets - Ending					\$ 8,902,920	\$ 121,894	\$ 9,024,814

The accompanying notes are an integral part of the financial statements.

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2012

	General Fund	Special Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES					
Cash and Cash Equivalents	\$ 2,083,104	\$ -	\$ -	\$ 189	\$ 2,083,293
Accounts Receivable					
Taxes - Current	82,844	-	-	-	82,844
Accounts Receivable	879	-	-	-	879
Intergovernmental - State	-	22,038	-	-	22,038
Intergovernmental – Indirect Federal	37,183	195,370	-	-	232,553
TOTAL ASSETS AND RESOURCES	<u>\$ 2,204,010</u>	<u>\$ 217,408</u>	<u>\$ -</u>	<u>\$ 189</u>	<u>\$ 2,421,607</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Checks Issued in Excess of Cash	\$ -	\$ 169,827	\$ -	\$ -	\$ 169,827
Accounts Payable	43,914	-	-	-	43,914
Accrued Payroll and Related Expenses	53,753	-	-	-	53,753
Deferred Revenue	-	47,581	-	-	47,581
TOTAL LIABILITIES	97,667	217,408	-	-	315,075
FUND BALANCES					
Committed - Sick Leave Payable	120,000	-	-	-	120,000
Committed - Future Construction	250,000	-	-	-	250,000
Committed - Other	75,000	-	-	-	75,000
Restricted - Debt Service	-	-	-	189	189
Unassigned Fund Balance	1,661,343	-	-	-	1,661,343
TOTAL FUND BALANCES	<u>2,106,343</u>	<u>-</u>	<u>-</u>	<u>189</u>	<u>2,106,532</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,204,010</u>	<u>\$ 217,408</u>	<u>\$ -</u>	<u>\$ 189</u>	<u>\$ 2,421,607</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
For the Year Ended June 30, 2012

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

TOTAL GOVERNMENTAL FUND BALANCE		\$ 2,106,532
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	\$ 22,738,884	
Accumulated Depreciation	<u>(8,577,233)</u>	14,161,651
Bond issue costs are not current financial resources and therefore are not reported as assets in governmental funds.		
	<u>172,025</u>	172,025
Certain liabilities are not reported in the governmental fund financial statement because they are not due and payable, but they are presented in the statement of net assets.		
Bonds and Capital Lease Payable	(7,271,000)	
Accrued Sick Leave	(223,124)	
Accrued Interest Payable	<u>(43,164)</u>	<u>(7,537,288)</u>
Net assets for governmental activities		<u><u>\$ 8,902,920</u></u>

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	General Fund	Special Revenue (Grant) Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
From Local Sources					
Taxes					
Property	\$ 1,571,683	\$ -	\$ -	\$ 204,098	\$ 1,775,781
Motor Vehicles	126,602	-	-	-	126,602
Utilities	631,728	-	-	-	631,728
Other	51,216	-	-	-	51,216
Tuition and Fees	3,917	-	-	-	3,917
Earnings and Investments	59,420	-	-	5	59,425
Other Local Revenues	81,567	22,169	-	-	103,736
Intergovernmental – State	6,397,547	759,256	-	724,999	7,881,802
Intergovernmental – Indirect Federal	64,708	1,624,624	-	-	1,689,332
TOTAL REVENUES	8,988,388	2,406,049	-	929,102	12,323,539
EXPENDITURES					
Instruction	5,465,283	1,974,144	-	-	7,439,427
Support Services					
Student	418,084	672	-	-	418,756
Instructional Staff	503,533	335,199	-	-	838,732
District Administration	407,293	722	-	-	408,015
School Administration	401,946	10,209	-	-	412,155
Business Support Services	163,327	-	-	-	163,327
Plant Operations and Maintenance	1,053,637	10,058	-	-	1,063,695
Student Transportation	333,026	9,824	-	-	342,850
Community Services	1,924	81,454	-	-	83,378
Site Improvement	-	391	-	-	391
Debt Service	61,907	-	-	929,097	991,004
TOTAL EXPENDITURES	8,809,960	2,422,673	-	929,097	12,161,730
Excess (Deficit) of Revenues Over Expenditures	178,428	(16,624)	-	5	161,809
OTHER FINANCING SOURCES (USES)					
Bond Principal Proceeds	-	-	-	-	-
Proceeds from Sale of Assets	-	-	-	-	-
Operating Transfers In	3,002	19,626	-	-	22,628
Operating Transfers Out	(19,626)	(3,002)	-	-	(22,628)
TOTAL OTHER FINANCING SOURCES (USES)	(16,624)	16,624	-	-	-
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	161,804	-	-	5	161,809
Fund Balance June 30, 2011	1,944,539	-	-	184	1,944,723
Fund Balance June 30, 2012	<u>\$ 2,106,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189</u>	<u>\$ 2,106,532</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELLSVILLE 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

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

NET CHANGE - GOVERNMENTAL FUNDS		\$ 161,809
<p>Governmental funds report capital outlays as expenditures because they use current financial resources, but they are presented as assets in the statement of net assets and depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities. The difference is the amount by which capital outlays exceeds depreciation expense for the year.</p>		
Capital Outlays	\$ 247,515	
Depreciation Expense	<u>(752,299)</u>	(504,784)
<p>Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balances. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.</p>		
Bond Issue Costs	(20,762)	
Decrease in Capital Leases	19,736	
Principal Paid		
District	671,000	
State	<u>-</u>	669,974
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
Accrued Sick Leave	65,338	
Accrued Interest Payable	4,738	
Loss on Sale of Asset	<u>(9,142)</u>	<u>60,934</u>
Change in net assets of governmental activities		<u><u>\$ 387,933</u></u>

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
As of June 30, 2012

	<u>Food Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 94,038
Inventory	14,447
Accounts Receivable	<u>1,677</u>
TOTAL CURRENT ASSETS	110,162
NON-CURRENT ASSETS	
Capital Assets	168,925
Less: Accumulated Depreciation	<u>(157,193)</u>
TOTAL NON-CURRENT ASSETS	<u>11,732</u>
TOTAL ASSETS	<u><u>\$ 121,894</u></u>
LIABILITIES	
CURRENT LIABILITIES	
Checks Issued in Excess of Cash	\$ -
Accounts Payable	<u>-</u>
TOTAL CURRENT LIABILITIES	-
NET ASSETS	
Reserved for Inventory	14,447
Invested in Capital Assets, Net of Related Debt	11,732
Unrestricted	<u>95,715</u>
TOTAL NET ASSETS	<u>121,894</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 121,894</u></u>

The accompanying notes are an integral part of the financial statements.

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	<u>Food Service Fund</u>
OPERATING REVENUES	
Lunchroom Sales	\$ 175,229
TOTAL OPERATING REVENUES	175,229
OPERATING EXPENSES	
Salaries and Wages	451,491
Contract Services	6,405
Material and Supplies	355,865
Property	4,176
Depreciation	2,094
TOTAL OPERATING EXPENSES	<u>820,031</u>
OPERATING INCOME (LOSS)	(644,802)
NON-OPERATING REVENUES (EXPENSES)	
Federal Grants	517,214
Donated Commodities	35,680
State Grants	101,321
Interest Income	1,540
Loss on Sale of Asset	(1,359)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>654,396</u>
NET INCOME (LOSS)	9,594
Net Assets - June 30, 2011	<u>112,300</u>
Net Assets - June 30, 2012	<u>\$ 121,894</u>

The accompanying notes are an integral part of the financial statements.

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

	Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received From	
Lunchroom Sales	\$ 175,229
Cash Paid to/for	
Employees	(357,164)
Supplies	(320,632)
Other Activities	(10,581)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(513,148)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Grants	6,994
Federal Grants	523,338
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	530,332
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipt of Interest Income	1,540
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,540
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18,725
Balances, Beginning of Year	75,313
Balances, End of Year	\$ 94,038
RECONCILIATION OF CHANGE IN NET INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Net Income (Loss)	\$ (644,802)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	2,094
State On-behalf Payments	94,327
Donated Commodities	35,680
Change in Assets and Liabilities	
(Increase) Decrease in Inventory	4,516
Increase (Decrease) in Accounts Payable	(4,963)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (513,148)
SCHEDULE OF NON-CASH TRANSACTIONS	
On Behalf Payments from the State for Employee Benefits	\$ 101,321
Donated Commodities Received from Federal Government	35,680

The accompanying notes are an integral part of the financial statements.

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUNDS
As of June 30, 2012

	Agency Funds	Other Fiduciary Funds	Total Fiduciary Funds
ASSETS			
Cash	\$ 106,913	\$ -	\$ 106,913
Accounts Receivable	-	-	-
TOTAL ASSETS	106,913	-	106,913
LIABILITIES			
Accounts Payable	3,297	-	3,297
Due to Student Groups	103,616	-	103,616
TOTAL LIABILITIES	106,913	-	106,913
NET ASSETS	\$ -	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable (Unfavorable)
REVENUES				
Taxes				
Property	\$ 1,465,000	\$ 1,465,000	\$ 1,571,683	\$ 106,683
Motor Vehicle	110,000	110,000	126,602	16,602
Utilities	525,000	525,000	631,728	106,728
Other	49,000	49,000	51,216	2,216
Tuition and Fees	-	-	3,917	3,917
Earnings on Investments	55,000	55,000	59,420	4,420
Other Local Revenues	52,000	52,000	81,567	29,567
Intergovernmental – State	4,436,544	4,436,544	6,397,547	1,961,003
Intergovernmental –Indirect Federal	35,000	35,000	64,708	29,708
TOTAL REVENUES	6,727,544	6,727,544	8,988,388	2,260,843
EXPENDITURES				
Instruction	4,260,586	4,347,771	5,465,283	(1,117,512)
Support Services				-
Student	324,876	325,035	418,084	(93,049)
Instructional Staff	427,439	427,842	503,533	(75,691)
District Administration	559,169	451,505	407,293	44,212
School Administration	311,949	312,229	401,946	(89,717)
Business Support Services	154,186	154,186	163,327	(9,141)
Plant Operations and Maintenance	1,070,547	1,107,816	1,053,637	54,179
Student Transportation	316,123	316,123	333,026	(16,903)
Community Services	1,373	1,492	1,924	(432)
Contingency	681,500	680,790	-	680,790
Debt	105,000	85,000	61,907	23,093
TOTAL EXPENDITURES	8,212,748	8,209,789	8,809,960	(600,172)
Excess (Deficit) of Revenues Over Expenditures	(1,485,204)	(1,482,245)	178,428	1,660,672
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	2,332	2,332	3,002	670
Operating Transfers Out	(18,500)	(19,626)	(19,626)	-
TOTAL OTHER FINANCING SOURCES (USES)	(16,168)	(17,294)	(16,624)	670
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(1,501,372)	(1,499,539)	161,804	1,661,342
Fund Balance June 30, 2011	831,320	1,751,950	1,944,539	218,795
Fund Balance June 30, 2012	\$ (670,052)	\$ 252,411	\$ 2,106,343	\$ 1,880,137

On-behalf payments totaling \$1,768,578 are not budgeted by the Campbellsville Independent School District

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
SPECIAL REVENUE
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Other Local Revenues	\$ 37,182	\$ 21,850	\$ 22,169	\$ 319
Intergovernmental – State	732,424	741,323	759,256	17,933
Intergovernmental –Indirect Federal	1,614,758	1,643,415	1,624,624	(18,791)
TOTAL REVENUES	2,384,364	2,406,588	2,406,049	(539)
EXPENDITURES				
Instruction	1,897,067	1,914,605	1,974,144	(59,539)
Support Services				
Student	-	-	672	(672)
Instructional Staff	334,968	343,622	335,199	8,423
District Administration	13,020	3,726	722	3,004
School Administration	9,634	10,376	10,209	167
Business Support Services	-	-	-	-
Plant Operations and Maintenance	11,938	19,209	10,058	9,151
Student Transportation	51,050	51,050	9,824	41,226
Community Services	82,854	81,453	81,454	(1)
Site Improvements	-	-	391	(391)
TOTAL EXPENDITURES	2,400,531	2,424,041	2,422,673	(1,368)
Excess (Deficit) of Revenues Over Expenditures	(16,167)	(17,453)	(16,624)	829
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	24,165	19,626	19,626	-
Operating Transfers Out	(2,332)	(2,176)	(3,002)	(826)
TOTAL OTHER FINANCING SOURCES (USES)	21,833	17,450	16,624	(826)
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	-	-	-
Fund Balance June 30, 2011	-	-	-	-
Fund Balance June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Campbellsville 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 within the jurisdiction of the Campbellsville 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 Campbellsville 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 statements of the following organization are included in the accompanying financial statements:

Campbellsville Independent School District Finance Corporation - On November 19, 1990, the Campbellsville Independent, Kentucky, Board of Education resolved to authorize the establishment of the Campbellsville 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 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Campbellsville Independent Board of Education also comprise the Corporation’s Board of Directors.

Basis of Presentation

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

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include 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.

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

1. 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.
2. The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 38 through 40. This is a major fund of the District.
3. 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).
 - a. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
 - b. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan. This is a major fund of the District.
 - c. The Construction Fund includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

- Proprietary Fund Types (Enterprise Fund)

1. The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.
2. The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- Fiduciary Fund Type (includes agency funds)

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

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available.

Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

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

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

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

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

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

Property Taxes

Property taxes are levied each November 1 on the assessed value listed as of the prior January 1, for all real and personal property in the city limits. 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 \$.465 per \$100 valuation for real property, \$.465 per \$100 valuation for business personal property and \$.553 per \$100 valuation for motor vehicles.

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000 with the exception of buildings and building improvements for which the threshold is \$25,000. The cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized. The District does not possess any infrastructure.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	25-50 years
Land Improvements	20 years
Technology Equipment	5 years
Vehicles	5-10 years
Audio-Visual Equipment	15 years
Food Service Equipment	10-12 years
Furniture and Fixtures	7 years
Rolling Stock	15 years
Other	10 years

Inter-fund Balances

On fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as “inter-fund receivables / payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances. For the year ended June 30, 2012 there were no inter-fund balances.

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).

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- The budget can be amended after initial approval.
- 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.
- On-Behalf payments were not considered in the budget.

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

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the Enterprise Fund. Inventory consists of donated and purchased food held for resale and is expensed when used. Purchased food is valued at cost and U.S. Government donated commodities value is determined by the U.S. Department of Agriculture.

Prepaid Assets

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance Reserves

Beginning with fiscal year 2011, the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance- amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balances- amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- Committed fund balance- amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint;
- Assigned fund balance- amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority;
- Unassigned fund balances- amounts that are available for any purpose; positive amounts are reported only in the General Fund

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board has provided otherwise in its commitment or assignment actions.

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 imitations 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.

Use of Resources

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

NOTE 2: ESTIMATES

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

NOTE 3: 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.

The District's cash and cash equivalents consist of amounts deposited in both interest and non interest-bearing accounts. As of June 30, 2012, the carrying amount of the District's deposits, including activity funds was \$2,114,279. Of the total cash balance, \$250,000 was covered by Federal depository insurance, with the remainder covered by collateral held by the pledging banks' trust departments in their name and pledged to the District. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2012

NOTE 3: CASH AND CASH EQUIVALENT, CONTINUED

The District's cash and cash equivalents at June 30, 2012 consisted of the following:

	Bank Balance	Book Balance
Checking Accounts	\$ 2,767,658	\$ 2,114,229
	\$ 2,767,658	\$ 2,114,229

Breakdown per financial statements:

Governmental Funds	\$ 2,736,208	\$ 2,083,104
Agency Funds	107,238	106,913
Proprietary Funds	94,038	94,038
Checks Issued in Excess of Cash (Special Revenue)	(169,826)	(169,826)
	\$ 2,767,658	\$ 2,114,229

NOTE 4: INVESTMENTS

Kentucky revised statutes authorize the District to invest in the following:

- (1) Obligations of the United States and of its agencies and instrumentalities, repurchase agreements, and specially approved AAA rated corporate bonds;
- (2) Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and municipalities;
- (3) Any savings and loan associations insured by an agency of the United States up to the amount insured;
- (4) Interest bearing deposits in national and state banks chartered in Kentucky and insured by an agency of the United States up to the amount so insured, and in larger amounts providing such bank shall pledge as security obligations having a current quoted market value at least equal to any uninsured deposits.

Financial instruments which potentially subject the District to concentrations of credit risk consist principally of temporary cash investments, taxes receivable and receivables from federal and state governments.

As of June 30, 2012, the District had no investments.

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 5: CAPITAL ASSETS

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

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012
GOVERNMENTAL ACTIVITIES				
Land and Improvements	\$ 908,599	\$ 78,220	\$ -	\$ 986,819
Buildings and Building Improvements	19,336,591	45,809	-	19,382,400
Technology Equipment	1,422,281	110,536	409,679	1,123,138
Vehicles	825,547	-	-	825,547
General Equipment	447,616	12,950	39,585	420,981
Construction-in-Progress	-	-	-	-
Totals at historical cost	<u>22,940,634</u>	<u>247,515</u>	<u>449,264</u>	<u>22,738,885</u>
Less accumulated depreciation for:				
Land and Improvements	343,625	16,733	-	360,358
Buildings and Building Improvements	5,992,206	546,084	-	6,538,290
Technology Equipment	1,054,799	141,969	400,977	795,791
Vehicles	529,395	34,058	-	563,453
General Equipment	345,032	13,455	39,145	319,342
Total accumulated depreciation	<u>8,265,057</u>	<u>752,299</u>	<u>440,122</u>	<u>8,577,234</u>
Governmental Activities Capital Assets - Net	<u>\$14,675,577</u>	<u>\$ (504,784)</u>	<u>\$ 9,142</u>	<u>\$14,161,651</u>
	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012
PROPRIETARY ACTIVITIES				
Food Service and Equipment	\$ 173,022	\$ -	\$ 5,132	\$ 167,890
Technology Equipment	1,035	-	-	1,035
Totals at Historical Cost	174,057	-	5,132	168,925
Less Accumulated Depreciation For:				
Food Service and Equipment	157,941	1,991	3,773	156,159
Technology Equipment	931	103	-	1,034
Total Accumulated Depreciation	<u>158,872</u>	<u>2,094</u>	<u>3,773</u>	<u>157,193</u>
Proprietary Activities Capital Net	<u>\$ 15,185</u>	<u>\$ (2,094)</u>	<u>\$ 1,359</u>	<u>\$ 11,732</u>

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 5: CAPITAL ASSETS, CONTINUED

Depreciation Expense Charged to Governmental Functions is as Follows:

Instructional	\$ 309,126
Plant Operation and Maintenance	381,400
Student Transportation	30,557
Student Support Services	9,459
Staff Support Services	7,984
District Administration	3,831
School Administration	6,912
Business Support Services	2,124
Community Service Operations	906
	\$ 752,299
Total	\$ 752,299

NOTE 6: LONG-TERM OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to bonds issued by the Fiscal Court of Campbellsville Independent and Campbellsville Independent School District Finance Corporation.

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

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

Issue	District Original Amount	SFCC Original Amount	Interest Rate Ranges	Maturity Dates
1997	\$ 113,880	\$ 211,120	4.50% - 5.00%	June 1, 2018
1999	\$ 440,000	\$ -	4.30% - 4.70%	May 1, 2009
2002	\$ 1,990,000	\$ -	1.50% - 3.70%	June 30, 2013
2003	\$ 580,000	\$ -	3.70%	November 1, 2018
2004	\$ 1,284,823	\$ 134,369	2.20% - 3.85%	June 30, 2015
2005	\$ 1,000,000	\$ -	2.95% - 3.80%	February 1, 2016
2005	\$ -	\$ 280,000	4.00%	September 1, 2025
2008	\$ 5,395,000	\$ -	2.30%-4.125%	June 1, 2028

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Campbellsville 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 Facilities Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the local bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 6: LONG-TERM OBLIGATIONS, CONTINUED

The bonds may be called prior to maturity and redemption premiums are specified in each issued. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2012, for debt service (principal and interest) are as follows:

Year	CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT		KENTUCKY SCHOOL CONSTRUCTION COMMISSION		Total
	Principal	Interest	Principal	Interest	
2012-2013	\$ 442,568	\$ 76,142	\$ 254,432	\$ 190,236	\$ 963,378
2013-2014	471,384	64,879	260,616	181,800	978,679
2014-2015	495,941	47,284	273,059	172,878	989,162
2015-2016	520,099	28,329	267,901	163,188	979,517
2016-2017	84,335	7,185	274,665	153,484	519,669
2018-2022	122,722	4,367	1,462,278	609,245	2,198,612
2023-2027	-	-	1,751,000	295,522	2,046,522
2028-2032	-	-	380,000	15,676	395,676
Totals	\$ 2,137,049	\$ 228,186	\$ 4,923,951	\$ 1,782,029	\$ 9,071,215

Loans Payable

The District entered into a loan from the Kentucky Inter-local School Transportation Association (KISTA) during the 2003 fiscal year for the purpose of installing a new roof on the high school. Interest is payable semiannually on November 1 and May 1 at 4.75%. The commission has expressed the intention to make 100% of the principal and interest payments. Debt service on the loan is as follows:

Year Ending June 30,	Kentucky School Facility Construction Commission	
	Principal	Interest
2013	\$ 15,000	\$ 9,350
2014	15,000	8,788
2015	15,000	8,150
2016	15,000	7,512
2017	15,000	6,874
2018-2022	95,000	23,238
2023-2027	40,000	2,850
	\$ 210,000	\$ 66,762

Accumulated Unpaid Sick Leave Benefits

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

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

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2012

NOTE 6: LONG-TERM OBLIGATIONS, CONTINUED

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

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

Long-term liability for the year ended June 30, 2012, was as follows:

	Beginning Balance June 30, 2011	Additions	Reductions	Ending Balance June 30, 2012	Amounts Due Within One Year
Governmental Activities:					
Revenue Bonds payable	\$ 7,732,000	\$ -	\$ 671,000	\$ 7,061,000	\$ 697,000
Loans payable	229,736	-	19,736	210,000	15,000
Accrued sick leave	288,462	-	65,338	223,124	111,562
Governmental Activities:					
Long-term liabilities	<u>\$ 8,250,198</u>	<u>\$ -</u>	<u>\$ 756,074</u>	<u>\$ 7,494,124</u>	<u>\$ 823,562</u>

The debt service fund is primarily responsible for paying the bond obligations through funding from the capital outlay and FSPK funds. The general fund is primarily responsible for paying accrued vacation and sick leave.

NOTE 7: COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for equipment provide for minimum future rental payments as of June 30, 2012, as follows:

Year ending June 30:

2013	\$ 7,744
2014	4,356
2015	3,040
2016	<u>-</u>
Total Minimum Payments	<u>\$ 15,140</u>

Rent expense for the year ended June 30, 2012 was \$13,765.

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 8: RETIREMENT PLANS

All the District's eligible employees participate in the Kentucky Teachers Retirement System (KTRS), a statewide multiple-employer public employee retirement system covering all employees of local school districts within the State of Kentucky. KTRS is a cost sharing public employee retirement system with one exception: all risks and costs are not shared by the District but are the liability of the State of Kentucky. KTRS is funded through state employee contributions and the District has no legal obligation for paying benefits. As discussed below, the District may be required in certain situations to make limited contributions on behalf of certain employees.

Funding policy - Contribution rates are established by KRS. Members are required to contribute 10.355% of their salaries to KTRS for members established before July 1, 2008 and 10.855% for members established after July 1, 2008. The Commonwealth of Kentucky is required to contribute 13.605% of salaries for members established before July 1, 2008 and 14.105% for member established after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions.

During the years ended June 30, 2012, 2011 and 2010, contributions of \$665,176, \$638,413, and \$632,877 were made by the State of Kentucky and \$118,878, \$138,935, and \$118,516 in contributions were passed through the District's federally funded programs. The employee contribution rates of 10.105 % and 10.855% are actuarially determined and withheld by the District. Such withholdings during the years ended June 30, 2012, 2011 and 2010 totaled \$615,315, \$599,313, and \$565,592 and were paid by the District to the State of Kentucky as required. The District has no other liability under the plan. The District's total payroll for all employees during the years ended June 30, 2012, 2011 and 2010 was \$7,341,094, \$7,259,701, and \$7,143,820 and \$5,921,262, \$5,900,999, and \$5,716,959 of such amounts related to employees covered by the retirement plan. All payments were made to the retirement system in the amount of the annually required contributions.

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

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS). Funding for the Plan is provided through payroll withholdings of 5% and a District contribution for the years ended June 30, 2012, 2011 and 2010 of 18.96%, 16.93%, and 16.16% of the employee's total compensation subject to contribution. The contribution rate is actuarially determined. The District's contribution requirement for CERS for the years ended June 30, 2012, 2011 and 2010 was \$256,002, \$230,027, and \$225,165 from the District and \$69,079, \$69,038, and \$80,280 from employees. The total covered payroll for CERS during the years ended June 30, 2012, 2011 and 2010 was \$1,419,832, \$1,358,702, and \$1,426,861. Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents. All payments were made to the retirement system in the amount of the annually required contributions.

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

DEFERRED COMPENSATION:

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

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2012

NOTE 9: RISK MANAGEMENT

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

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

NOTE 10: CONTINGENCIES

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

NOTE 11: 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 12: DEFICIT OPERATING/FUND BALANCES

There are no funds of the District that currently have a deficit fund balance. In addition, there were no funds that had operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance.

NOTE 13: TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special	Technology Match	\$ 19,626
Operating	Special Revenue	General	Indirect Cost	\$ 3,002

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2012

NOTE 14: ON-BEHALF PAYMENTS

The District receives on-behalf payments for fringe benefits from the Commonwealth of Kentucky. For the year ended June 30, 2012, total payments were \$1,862,905. The following amounts were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities:

Health Insurance	\$ 1,269,168
Kentucky Teacher's Retirement System	664,222
Flexible Plans	51,401
Administrative Fees	13,526
Vocational Education	2,500
Life Insurance	2,861
Less: Federal Reimbursement	<u>(140,773)</u>
 Total	 <u><u>\$ 1,862,905</u></u>

NOTE 15: LITIGATION

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

NOTE 16: COMMITTED FUND BALANCES – GOVERNMENTAL FUNDS

As of June 30, 2012, Other Committed Fund Balance components consist of the following:

Committed for KETS Match	\$ 25,000
Committed for Future Bus Purchase	<u>50,000</u>
Total	<u><u>\$ 75,000</u></u>

NOTE 17: RESTRICTED NET ASSETS

The government-wide statement of net assets reports \$14,658 of restricted net assets, of which \$189 is restricted by enabling legislation.

NOTE 18: SUBSEQUENT EVENT

The District's management has evaluated subsequent events through November 9, 2012. There are no material subsequent events to disclose.

REQUIRED SUPPLEMENTARY INFORMATION

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 As of June 30, 2012

	SEEK Capital Outlay Fund	FSPK Building Fund	Debt Service Fund	Total Non-Major Governmental Funds
ASSETS AND RESOURCES				
Cash and Cash Equivalents	\$ -	\$ -	\$ 189	\$ 189
Inventory	-	-	-	-
Accounts Receivable				
Taxes - Current	-	-	-	-
Accounts Receivable	-	-	-	-
Intergovernmental – State	-	-	-	-
Intergovernmental – Direct Federal	-	-	-	-
Intergovernmental – Indirect Federal	-	-	-	-
Prepaid Expenses	-	-	-	-
Due from Other Funds	-	-	-	-
Interest Receivable	-	-	-	-
Investments	-	-	-	-
Furniture and Equipment, Net	-	-	-	-
TOTAL ASSETS AND RESOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189</u>	<u>\$ 189</u>
LIABILITIES AND FUND BALANCES				
	-	-	-	-
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Payroll and Related Expenses	-	-	-	-
Current Portion of Accumulated Sick Leave	-	-	-	-
Deferred Revenue	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
FUND BALANCES				
Restricted - Debt Service	-	-	189	-
Unassigned Fund Balance	-	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>189</u>	<u>189</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189</u>	<u>\$ 189</u>

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2012

	SEEK Capital Outlay Fund	FSPK Building Fund	Debt Service Fund	Total Non-Major Governmental Funds
REVENUES				
From Local Sources				
Taxes				
Property	\$ -	\$ 204,098	\$ -	\$ 204,098
Motor Vehicles	-	-	-	-
Tuition and Fees	-	-	-	-
Transportation	-	-	-	-
Earnings and Investments	-	-	5	5
Other Local Revenues	-	-	-	-
Intergovernmental – State	98,914	150,468	475,617	724,999
Intergovernmental – Direct Federal	-	-	-	-
Intergovernmental – Indirect Federal	-	-	-	-
TOTAL REVENUES	98,914	354,566	475,622	929,102
EXPENDITURES				
Instruction	-	-	-	-
Support Services				
Student	-	-	-	-
Instructional Staff	-	-	-	-
District Administration	-	-	-	-
School Administration	-	-	-	-
Business Support Services	-	-	-	-
Plant Operations and Maintenance	-	-	-	-
Student Transportation	-	-	-	-
Community Services	-	-	-	-
Site Improvement	-	-	-	-
Facilities Acquisition and Construction	-	-	-	-
Debt	98,914	354,566	475,617	929,097
TOTAL EXPENDITURES	98,914	354,566	475,617	929,097
Excess (Deficit) of Revenues Over Expenditures	-	-	5	5
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Bonds	-	-	-	-
Proceeds from Sale of Assets	-	-	-	-
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	-	5	5
Fund Balance June 30, 2011	-	-	184	184
Fund Balance June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189</u>	<u>\$ 189</u>

SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCES
SCHOOL ACTIVITY FUNDS

CAMPBELLVILLE INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
 CAMPBELLVILLE INDEPENDENT SCHOOL ACTIVITY FUNDS
 For The Year Ended June 30, 2012

	Cash Balance	Receipts	Disbursements	Cash Balance	Accounts	Accounts	Fund Balance
	July 1, 2011	Actual	Actual	June 30, 2012	Receivable	Payable	June 30, 2012
High School							
General Fund	\$ 907	\$ 4,305	\$ 4,541	\$ 671	\$ -	\$ -	\$ 671
Good Behavior	36	-	35	1	-	-	1
Soft Drinks	141	631	772	-	-	-	-
Snacks	47	14	50	11	-	-	11
Teachers Lounge	308	640	792	156	-	-	156
Pictures	-	211	210	1	-	-	1
Text Book	260	-	77	183	-	-	183
Cheerleaders	4,153	5,634	5,999	3,788	-	-	3,788
Dance Team	66	-	-	66	-	-	66
Heartland Conference Account	-	1,170	1,101	69	-	-	69
Athletics	7,122	62,695	67,033	2,784	-	-	2,784
Boys Basketball	180	14,536	14,515	200	-	-	200
Girls Basketball	2,462	9,689	12,151	-	-	-	-
Football	1,004	27,897	28,901	-	-	-	-
Band	788	10,811	10,037	1,562	-	-	1,562
Tennis	-	336	336	-	-	-	-
Golf	421	1,142	1,239	324	-	-	324
Track	722	3,155	3,036	841	-	-	841
Cross Country	-	65	65	-	-	-	-
Volleyball	1,758	3,603	3,401	1,960	-	-	1,960
Honor Society	19	60	-	79	-	-	79
Academic Team	12	-	-	12	-	-	12
Gifted and Talented	-	320	47	273	-	-	273
Athletics Club	1,010	21,026	21,613	423	-	-	423
Soccer	9	-	-	9	-	-	9
FCA	183	-	89	94	-	-	94
FCCLA	109	846	885	70	-	-	70
FCS Class Account	6	408	401	13	-	-	13
Pep Club	11	-	-	11	-	-	11
Kentucky Youth Assoc.	-	3,105	3,105	-	-	-	-
SADD	138	-	-	138	-	-	138
Student Council	622	-	534	88	-	-	88
Yearbook	4,981	6,301	2,501	8,781	-	-	8,781
STLP	75	918	540	452	-	-	452
Staff Fund	-	2,948	2,704	244	-	-	244

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES - CONTINUED
 CAMPBELLSVILLE INDEPENDENT SCHOOL ACTIVITY FUNDS
 For The Year Ended June 30, 2012

	Cash Balance July 1, 2011	Receipts Actual	Disbursements Actual	Cash Balance June 30, 2012	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2012
Field Trips	\$ 69	\$ -	\$ -	\$ 69	\$ -	\$ -	\$ 69
Junior	1,673	4,585	5,938	320	-	-	320
Class of 2014	280	-	-	280	-	-	280
Senior	446	45	135	356	-	-	356
Counselor	29	3	8	24	-	-	24
Chorus	471	2,603	2,924	150	-	-	150
BETA	226	2,831	3,056	1	-	-	1
Anne Fraim Scholarship	172	-	-	172	-	-	172
Biology	112	-	112	-	-	-	-
Spanish	118	-	-	118	-	-	118
Bowling Team	60	-	-	60	-	-	60
Baseball	227	9,786	9,598	415	-	-	415
Softball	15	7,725	7,740	-	-	-	-
Credit Recovery	565	-	-	565	-	-	565
Virtual School	-	250	100	150	-	-	150
Purple Pep Club	42	-	-	42	-	-	42
Swim Team	340	1,246	1,585	-	-	-	-
21st Century	50	1,375	217	1,208	-	-	1,208
Less: Interfund Transfers	-	(20,785)	(20,785)	-	-	-	-
Campbellsville High School	32,445	192,131	197,341	27,235	-	-	27,235
Campbellsville Middle School	35,703	98,591	103,911	30,383	-	-	30,383
Campbellsville Elementary	47,204	57,338	55,247	49,295	-	3,297	45,998
Totals	\$ 115,352	\$ 348,060	\$ 356,499	\$ 106,913	\$ -	\$ 3,297	\$ 103,616

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2012

	Federal CFDA Number	Pass Through Number	Disbursements
U.S. Department of Education			
Passed Through Kentucky Department of Education:			
Adult Education State Grant Program - Recruitment Retention	84.002A	3652	\$ 11,819
Adult Education State Grant Program	84.002	3712	20,899
Adult Education State Grant Program	84.002	3732	65,168
Adult Education State Grant Program	84.002	3732S	576
			<u>98,462</u>
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010A	3101	134,873
Title I Grants to Local Educational Agencies	84.010A	3101M	5,893
Title I Grants to Local Educational Agencies	84.010A	3102	477,282
Title I Grants to Local Educational Agencies	84.010A	3102M	5,282
ARRA - Title I	84.389A	3919	10,125
ARRA - Title I Parent Involvement	84.389A	3919M	672
Total Title I, Part A Cluster			<u>634,127</u>
Special Education Cluster:			
Special Education-Grants to States	84.027A	3372	233,938
Special Education - Preschool Grants	84.173A	3431	9,117
Special Education - Early childhood	84.173A	3432	7,511
ARRA - Special Education - Preschool	84.392A	4239	18,213
Total Special Education Cluster			<u>268,779</u>
Vocational Education-Basic Grants to States	84.048	3481	602
Vocational Education-Basic Grants to States	84.048	3481A	877
Vocational Education-Basic Grants to States	84.048	3482	18,632
			<u>20,111</u>
Safe and Drug-Free Schools and Communities- National Programs	84.184A	5341A	153,817
Safe and Drug-Free Schools and Communities-State Grants	84.186	4060	747
Twenty-First Century Community Learning Centers	84.287	5500	28,535
Twenty-First Century Community Learning Centers	84.287	5500C	12,871
Twenty-First Century Community Learning Centers	84.287	5500Q	4,000
Twenty-First Century Community Learning Centers	84.287	5500Z	28,000
Twenty-First Century Community Learning Centers	84.287	5501	101,916
Twenty-First Century Community Learning Centers	84.287	5501C	52,836
Twenty-First Century Community Learning Centers	84.287	5501J	5,000
Twenty-First Century Community Learning Centers	84.287	5501S	5,000
			<u>238,158</u>
Education Technology State Grants	84.318	4251	2,060

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – (CONTINUED)
For The Year Ended June 30, 2012

	Federal CFDA Number	Pass Through Number	Disbursements
Rural Education	84.358	3501	\$ 355
Rural Education	84.358	3502	<u>22,836</u>
			23,191
Improving Teacher Quality State Grant	84.367	4011	1,295
Improving Teacher Quality State Grant	84.367	4012	<u>97,114</u>
			98,409
ARRA - Education Technology State Grants	84.386A	4860	3,095
Education Jobs Fund	84.410	* 4411	<u>144,407</u>
Totals for U.S. Department of Education			1,685,363
U.S Department of Justice			
Passed Through Kentucky Department of Education:			
Drug-Free Communities Grant	16.279	5001	2,607
Drug-Free Communities Grant	16.279	5002	<u>1,000</u>
Totals for U.S. Department of Justice			3,607
U.S. Department of Energy			
Passed through the Kentucky Dept. of Energy Development & Independence			
State Energy Program	81.041	5692	<u>1,385</u>
Totals for U.S. Department of Energy			1,385
U.S. Department of Agriculture			
Passed Through Kentucky Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	* 7760005 11	33,792
School Breakfast Program	10.553	* 7760005 12	115,894
National School Lunch Program	10.555	* 7750002 11	83,622
National School Lunch Program	10.555	* 7750002 12	282,229
Summer Food Service Program for Children	10.559	* 7690023 10	<u>1,677</u>
Total Child Nutrition Cluster			517,214
Passed Through Kentucky Department of Agriculture:			
Food Distribution	10.565	51	<u>35,680</u>
Total U.S. Department of Agriculture			35,680
Totals for U.S. Department of Agriculture			<u>552,894</u>
Total Federal Financial Assistance			<u>\$ 2,243,249</u>

* Denotes Major Program

CAMPBELLSVILLE 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 Campbellsville Independent School District and is presented on the modified 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 Government, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair value of the commodities disbursed.

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2012

Section I - Summary of Auditors' Results

Financial Statements

Type of audit issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs?

- Material weakness(es) identified? _____ Yes X No
- Significant Deficiencies identified that are not considered to be material weakness(es)? _____ Yes X 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 X No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.553, 10.555, 10.559	Child Nutrition Cluster
84.41	Education Jobs Fund

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

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement of Findings

No matters were reported

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2012

Financial Statement Findings

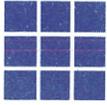
Finding 2011-01: Recording of Non-Technology Assets

During our prior year audit, we proposed material non-technology capital asset adjustments to the financial statements.

Current year observation: Control procedures have been implemented over capital asset to allow for proper recording of non-technology capital asset additions

Federal Award Findings and Questioned Costs:

No matters were reported



WISE, BUCKNER, SPROWLES

& ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

GREGORY S. WISE, CPA
SHIRLEY M. BUCKNER, CPA
JEFFREY G. SPROWLES, 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*

Kentucky State Committee for School District Audits
Members of the Board of Education
Campbellsville Independent School District
Campbellsville, KY 42719

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbellsville Independent School District, as of and for the year ended June 30, 2012, which collectively comprise the Campbellsville Independent School District's basic financial statements and have issued our report thereon dated November 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, *Audits of States, Local Governments, and Non-Profit Organizations* and the requirements prescribed by the Kentucky State Committee for School District Audits and Appendices I, II, III & IV of the *Independent Auditor's Contract*.

Internal Control Over Financial Reporting

Management of the Campbellsville Independent School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Campbellsville 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 on the effectiveness of Campbellsville Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Campbellsville 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Campbellsville 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

Kentucky State Committee for School District Audits
Members of the Board of Education
Campbellsville Independent School District
Page 2

matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

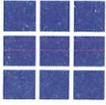
We noted certain matters that we reported to management of Campbellsville Independent School District, in a separate letter dated November 9, 2012.

This report is intended solely for the information and use of management, Board Members, the Kentucky State Committee for School District Audits 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.

Wise, Buckner, Sprowles & Associates, PLLC

Wise, Buckner, Sprowles & Associates, PLLC
Campbellsville, KY

November 9, 2012



WISE, BUCKNER, SPROWLES

& ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

GREGORY S. WISE, CPA
SHIRLEY M. BUCKNER, CPA
JEFFREY G. SPROWLES, CPA

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

Kentucky State Committee for School District Audits
Members of the Board of Education
Campbellsville Independent School District
Campbellsville, Kentucky 42718

Compliance

We have audited Campbellsville Independent School District's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Campbellsville Independent School District's major federal programs for the year ended June 30, 2012. Campbellsville 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 Campbellsville Independent School District's management. Our responsibility is to express an opinion on Campbellsville 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 Organizations* and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Audit Extension Request and Appendix IV of the Independent Auditor's Contract – Instructions for Submission of the Audit Report.. 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 Campbellsville 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 Campbellsville Independent School District's compliance with those requirements.

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

Internal Control Over Compliance

The management of Campbellsville 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 Campbellsville Independent School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over

compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Campbellsville Independent School District's internal control over compliance.

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

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

This report is intended for the information and use of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Campbellsville 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.

Wise, Buckner, Sprowles & Associates, PLLC

Wise, Buckner, Sprowles & Associates, PLLC
Certified Public Accountants

Campbellsville, Kentucky
November 9, 2012

MANAGEMENT LETTER



WISE, BUCKNER, SPROWLES

& ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

GREGORY S. WISE, CPA
SHIRLEY M. BUCKNER, CPA
JEFFREY G. SPROWLES, CPA

To the Members of the Board of Education
and Mike Deaton, Superintendent
of Campbellsville Independent School District

In planning and performing our audit of the financial statements of the Campbellsville Independent School District for the year ended June 30, 2012, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated November 9, 2012, contains our report on the District's internal control. This letter does not affect our report dated November 9, 2012, on the financial statements of the Campbellsville Independent School District.

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

This report is intended for the information of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Campbellsville 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.

Wise, Buckner, Sprowles & Associates, PLLC

Wise, Buckner, Sprowles & Associates, PLLC
Certified Public Accountants

Campbellsville, KY
November 9, 2012

PRIOR YEAR COMMENTS

CAMPBELLSVILLE MIDDLE SCHOOL

Purchasing Procedures: We noted multiple occurrences in which purchase orders were signed off and dated after the invoice date. Red Book purchasing procedures state that purchase orders...”shall be prepared and approved by the sponsor and principal before the payment is obligated.”

Observation: Current year test of disbursements for the Campbellsville Middle School revealed no occurrences in which purchase orders were signed off and dated after the invoice date.

CAMPBELLSVILLE MIDDLE SCHOOL

Fundraisers: We noted two (2) fundraisers that were not documented as required by “Red Book” procedures. Those procedures require that receipts and expenses be documented individually enabling them to be traced back to a corresponding amount in the activity fund ledger. Receipts should be recorded on line three (3) and expenses on line four (4) of the School Activity Fundraiser Worksheet F-SA-2B.

Observation: Current year test of fundraisers for the Campbellsville Middle School revealed no occurrences of improper fundraiser documentation.

UNCORRECTED PRIOR YEAR COMMENTS

CENTRAL OFFICE

Purchasing Procedures: We noted multiple purchase orders that were signed off and dated after the date of the invoice. Chapter 4 Sections 4.31 and 04.3111 of the District’s Policies and Procedures state in part that “All purchases shall require the prior approval of the Superintendent or the Superintendent designee,” and... “No bill shall be paid without... a purchase order signed by the Superintendent or the Superintendent’s designee.”

Observation: Current year audit procedures revealed 5 occurrences in which purchase orders were signed off and dated after the invoice date. We also observed that all such occurrences happened before the prior audit fieldwork in which management was made aware of the exceptions.

CAMPBELLSVILLE HIGH SCHOOL

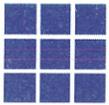
Purchasing Procedures: We noted multiple occurrences in which purchase orders were signed off and dated after the invoice date. Red Book purchasing procedures state that purchase orders...”shall be prepared and approved by the sponsor and principal before the payment is obligated.”

Observation: Current year audit procedures revealed 3 occurrences in which purchase orders were signed off and dated after the invoice date. We recommend that proper Red Book procedures for purchases be reviewed by the school secretary and implement proper approval procedures being aware not to allow purchases before prior approval.

CAMPBELLSVILLE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
November 9, 2012

CURRENT YEAR COMMENTS:

No new management letter comment other than the uncorrected prior year comments listed above.



WISE, BUCKNER, SPROWLES

& ASSOCIATES, PLLC

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State Committee for School District Audits
Members of the Board of Education
Campbellsville Independent School District
Campbellsville, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Campbellsville 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 accompanying table of contents, and have issued our report thereon dated November 9, 2012. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under auditing standards generally accepted in the United States of America, the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I, II, III & IV of the *Independent Auditor's Contract*.

As stated in our engagement letter dated June 26, 2012, or 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 consider Campbellsville 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 consider internal control over compliance with requirement that could have a direct and material effect on a major federal program in order to determine our auditing procedures 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 assurance about whether Campbellsville 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 Campbellsville 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 Campbellsville 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 Campbellsville Independent School District's compliance with those requirements.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Campbellsville 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 changing during the fiscal year ended June 30, 2012. We noted no transactions entered into by the governmental unit during the year 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 accrued sick leave is based on expected future employee retirements. We evaluated the key factors and assumptions used to develop the accrued sick leave estimate 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 significant 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, some 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 the purpose of this letter, professional standards define a disagreement with management as a matter whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. There have been no disagreements during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 9, 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" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements 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 no such consultations with other accountants.

State Committee for School District Audits
Members of the Board of Education
Campbellsville Independent School District
Campbellsville, Kentucky
Page 3

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 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 report is intended solely for the use of members of the Board of Education, Kentucky State Committee for School District Audits and management and is not intended and should not be used by anyone other than these specified parties.

Wise, Buckner, Sprowles & Associates, PLLC

Wise, Buckner, Sprowles & Associates, PLLC
Certified Public Accountants

Campbellsville, KY
November 9, 2012