

LARUE COUNTY SCHOOL DISTRICT
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS

Year Ended June 30, 2012

LARUE COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Larue County School District
Hodgenville, 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 the Larue County 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. These basic financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract - General Audit Requirements*, *Appendix II of the Independent Auditor's Contract - State Audit Requirements*, *Appendix III of the Independent Auditor's Contract - Audit Extension Request* 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 August 8, 2012, on our consideration of Larue County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 35 through 36 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the Larue County School District's financial statements as a whole. The combining financial statements and school schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining financial statements, school schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 accounting standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Stille, Carter & Associates

Certified Public Accountants
August 8, 2012

REQUIRED SUPPLEMENTARY INFORMATION

**LARUE COUNTY SCHOOL DISTRICT – HODGENVILLE, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

The discussion and analysis of Larue County School District’s financial performance provides an overall review of the School District’s financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to review the School District’s financial performance as a whole; readers should also review the financial statements and notes to the financial statements to enhance their understanding of the School District’s financial performance.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$8.8 million. The ending cash balance for the District was \$9.4 million.
- During fiscal 2012, the District improved its financial position through an increase of \$780 thousand in net assets.
- The General Fund had \$17.5 million in revenue, which primarily consisted of the state program (SEEK), state on-behalf payments for retirement and health insurance and property, utilities, and motor vehicle taxes. Excluding inter-fund transfers, there were \$16.9 million in General Fund expenditures.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District’s total bond debt decreased by \$1.2 million during the fiscal year.

USING THIS ANNUAL REPORT

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

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

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

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

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

The government-wide financial statements can be found on pages 9 - 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. 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 funds, proprietary funds and fiduciary funds. The fiduciary funds are private purpose trust funds that are used for scholarships and agency funds for student education. The proprietary funds are our food service and childcare operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11 - 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 - 34 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 \$14.4 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), less any related debt used to acquire those assets that is outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$ 9,589,043	\$ 9,116,428	\$ 929,688	\$ 1,133,179	\$ 10,518,731	\$ 10,249,607
Capital Assets	<u>25,507,898</u>	<u>26,389,317</u>	<u>1,461,846</u>	<u>1,359,130</u>	<u>26,969,744</u>	<u>27,748,447</u>
Total Assets	<u>35,096,941</u>	<u>35,505,745</u>	<u>2,391,534</u>	<u>2,492,309</u>	<u>37,488,475</u>	<u>37,998,054</u>
Long-term Debt	21,232,379	22,476,065	-	-	21,232,379	22,476,065
Other Liabilities	<u>1,830,328</u>	<u>1,875,594</u>	<u>1,518</u>	<u>2,181</u>	<u>1,831,846</u>	<u>1,877,775</u>
Total Liabilities	<u>23,062,707</u>	<u>24,351,659</u>	<u>1,518</u>	<u>2,181</u>	<u>23,064,225</u>	<u>24,353,840</u>
Net Assets						
Investment in capital assets (net of debt)	4,257,411	2,406,482	1,461,846	1,359,130	5,719,257	3,765,612
Restricted	1,257,806	1,062,191	-	-	1,257,806	1,062,191
Unrestricted	<u>6,519,017</u>	<u>7,685,413</u>	<u>928,170</u>	<u>1,130,998</u>	<u>7,447,187</u>	<u>8,816,411</u>
Total Net Assets	<u>\$ 12,034,234</u>	<u>\$ 11,154,086</u>	<u>\$ 2,390,016</u>	<u>\$ 2,490,128</u>	<u>\$ 14,424,250</u>	<u>\$ 13,644,214</u>

The following are significant current year transactions that have had an impact on the Statement of Net Assets. The District had an increase in capital assets of \$662 thousand and decreased its bond obligations by \$1.2 million.

Comments on Budget Comparisons

- The District's total revenues for the fiscal year ended June 30, 2012, net of Interfund transfers, were \$24.2 million.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$3.8 million more than budget or approximately 28%. Of this amount, \$3.3 million was for state on-behalf payments. The remaining amount was primarily due to increases in tax revenue.
- The total cost of all programs and services was \$24.6 million including debt service.
- General fund budget expenditures to actual varied significantly in Instruction, Plant and the Other Expenditures line item. According to instructions from the Kentucky Department of Education, the District did not budget on-behalf payments and it also did not spend budgeted contingency funds. These are the major reasons for the budget variances.

The following Table 2 presents a summary of changes in net assets for the fiscal years ended June 30, 2012 and 2011.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
REVENUES:						
Program revenues:						
Charges for services	\$ 45,112	\$ 43,995	\$ 343,391	\$ 351,351	\$ 388,503	\$ 395,346
Operating grants and contributions	3,886,624	4,509,063	1,050,928	1,051,732	4,937,552	5,560,795
Capital grants and contributions	1,064,017	1,064,817	-	-	1,064,017	1,064,817
General revenues:						
Property taxes	2,475,752	2,606,953	-	-	2,475,752	2,606,953
Motor vehicle taxes	425,420	417,941	-	-	425,420	417,941
Utility taxes	672,506	683,781	-	-	672,506	683,781
Investment earnings	201,100	271,432	13,576	26,599	214,676	298,031
State and formula grants	13,991,377	13,257,282	-	-	13,991,377	13,257,282
Gain on equipment disposal	-	-	-	260	-	260
Miscellaneous	79,089	70,068	-	-	79,089	70,068
Total revenues	22,840,997	22,925,332	1,407,895	1,429,942	24,248,892	24,355,274
EXPENSES:						
Program Activities:						
Instruction	13,498,331	12,725,312	-	-	13,498,331	12,725,312
Student support	996,571	1,051,054	-	-	996,571	1,051,054
Instructional staff support	1,481,541	2,090,922	-	-	1,481,541	2,090,922
District administrative support	490,730	504,069	-	-	490,730	504,069
School administrative support	1,063,233	1,095,936	-	-	1,063,233	1,095,936
Business support	411,592	390,191	-	-	411,592	390,191
Plant operation and maintenance	1,493,079	1,571,524	-	-	1,493,079	1,571,524
Student transportation	1,425,198	1,320,077	-	-	1,425,198	1,320,077
Community service activities	207,293	220,715	-	-	207,293	220,715
Other	22,476	26	-	-	22,476	26
Interest costs	870,805	972,383	-	-	870,805	972,383
Business-type Activities:						
Food service	-	-	1,405,658	1,275,905	1,405,658	1,275,905
Childcare	-	-	102,349	94,713	102,349	94,713
Total expenses	21,960,849	21,942,209	1,508,007	1,370,618	23,468,856	23,312,827
Increase in net assets before special item	880,148	983,123	(100,112)	59,324	780,036	1,042,447
Special item - sale of school building	-	61,326	-	-	-	61,326
Increase (decrease) in net assets	\$ 880,148	\$ 1,044,449	\$ (100,112)	\$ 59,324	\$ 780,036	\$ 1,103,773

Governmental Activities

Instruction comprises 61% of governmental program expenses. Support services expenses make up 35% of government expenses. The remaining expense for community services, interest and other items accounts for the remaining 5% of total government expense.

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

	Governmental Activities Total Cost of Services		Net Cost of Services	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Instruction	\$ 13,498,331	\$ 12,725,312	\$ 10,827,295	\$ 10,340,512
Support Services	7,361,944	8,023,773	6,308,537	6,076,282
Other	229,769	220,741	22,476	(26)
Interest costs	<u>870,805</u>	<u>972,383</u>	<u>(193,212)</u>	<u>(92,434)</u>
Total expenses	<u>\$ 21,960,849</u>	<u>\$ 21,942,209</u>	<u>\$ 16,965,096</u>	<u>\$ 16,324,334</u>

Business-Type Activities

The business-type activities include the food service and childcare operations. These programs had total revenues of \$1,407,895 and expenses of \$1,508,007 for fiscal year 2012. Of the revenues, \$343,391 was charges for services, \$1,050,928, was from State and Federal grants, and \$13,576 was from investment earnings. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of this activity. If it becomes necessary, the School District will increase the charges for this activity.

The School District's Funds

Information about the School District's major funds starts on page 11. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$22.8 million and expenditures and other financing uses of \$23.2 million. Net changes in fund balances for the year were most significant in General Fund which increased by \$467 thousand.

General Fund-Budget Highlights

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

For the General Fund, revenues were budgeted at \$13.7 million with actual amounts of \$17.5 million. Budgeted expenditures of \$18.9 million compare with actual expenditures of \$16.9 million. The most significant fluctuation is for on-behalf payments of \$3.3 million.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012 the School District had \$26.9 million invested in land, buildings, vehicles, and equipment and \$25.5 million in governmental activities. Table 4 shows fiscal year 2012 and 2011 balances.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 600,933	\$ 600,933	\$ -	\$ -	\$ 600,933	\$ 600,933
Land improvements	749,586	827,542	-	-	749,586	827,542
Buildings and improvements	21,911,586	22,512,604	807,877	832,981	22,719,463	23,345,585
Technology	812,485	1,091,471	4,521	2,719	817,006	1,094,190
Vehicles	1,095,704	1,003,245	-	-	1,095,704	1,003,245
General equipment	337,604	353,522	649,448	523,430	987,052	876,952
Total	<u>\$25,507,898</u>	<u>\$26,389,317</u>	<u>\$1,461,846</u>	<u>\$1,359,130</u>	<u>\$26,969,744</u>	<u>\$27,748,447</u>

Table 5 shows changes in capital assets for the fiscal years 2012 and 2011.

	Change in Capital Assets					
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Beginning balance	\$26,389,317	\$26,445,200	\$1,359,130	\$1,466,036	\$27,748,447	\$27,911,236
Additions	440,070	1,317,606	222,774	14,677	662,844	1,332,283
Retirements	(32,908)	(105,604)	(9,096)	(22,038)	(42,004)	(127,642)
Depreciation	<u>(1,288,581)</u>	<u>(1,267,885)</u>	<u>(110,962)</u>	<u>(99,545)</u>	<u>(1,399,543)</u>	<u>(1,367,430)</u>
Ending balance	<u>\$25,507,898</u>	<u>\$26,389,317</u>	<u>\$1,461,846</u>	<u>\$1,359,130</u>	<u>\$26,969,744</u>	<u>\$27,748,447</u>

Debt

At June 30, 2012, the School District had \$21.9 million, in bonds outstanding, of this amount \$10 million is to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$1.2 million is due within one year.

District Challenges for the Future

The School District has continued to improve facilities per our District Facility Plan. The LaRue County Middle School HVAC/window renovation was completed in the fall of 2009. Buffalo Elementary School was sold in the spring of 2010 and Magnolia Elementary School was sold in November of 2010. Other improvements to facilities include the construction of tennis courts, blacktop paving for the tennis court and softball field area, and the installation of a wireless network at LaRue County High School. Interactive whiteboards were installed at Hodgenville Elementary, LaRue County Middle School and LaRue County High School. The LaRue County High School implemented a 1:1 laptop learning initiative in October of 2010. The board spent \$800,000 for the initial purchase of laptops and has \$717,810 as committed funds which will sustain the initiative for 8 years.

The costs associated with growth have in the past been offset due to increased student enrollment producing additional state funding, and continued increases in business and residential property subject to tax within the School District. Our property tax base increased slightly, but new property took a dramatic decrease from last year. Our School District, like all Kentucky School Districts, is limited to a 4% annual growth in property tax revenue on existing property. The board has made an effort to keep the property tax rate as low as possible because they realize many local taxpayers are struggling. Since 2007 the board has levied the compensating tax rate or less. Many other schools districts in the area and state have levied the 4% rate.

Additional factors concerning our School District's financial status include the implementation of various unfunded mandates. Examples include the Flex Fund accounts (Professional Development, Safe Schools, Preschool, Textbooks, and Extended School Services). State funding for these programs does not meet our instructional needs as a District. There, local generated funds will have to address these areas. Also, the uncertainty of state budgeted revenue projections may impact our funding as well as future mandated salary increases for all certified personnel. In addition, the full effect of SB-1 has yet to be determined. Funding for SB-1 is not equal to the mandates required by the state legislature. The ARRA (stimulus) and Edu Jobs funding are no longer be available.

The District has made the commitment to have competitive salaries for its teachers. We have raised/adjusted all salary scale categories to be ranked 10th in the state in certified salaries. This will have a re-occurring financial effect, so the district must closely monitor personnel costs.

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

Future Budgetary Implications

In Kentucky, the public schools fiscal year is July 1 - June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2012 - 2013 with a 5.7% contingency. Significant Board action that impacts the finances includes pay increases for all employees, additional spending for facility repairs outside of bonded building and renovation projects, and continued funding of Board initiatives.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information contact Pamela Kay Bryant, Finance Officer, 208 College Street, Hodgenville, Kentucky, (270) 358-4111.

BASIC FINANCIAL STATEMENTS

LARUE COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

Assets	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<u>Current Assets</u>			
Cash and cash equivalents	\$ 8,418,996	\$ 988,806	\$ 9,407,802
Inventory		20,146	20,146
Receivables:			
Taxes-current	77,746		77,746
Taxes-delinquent	9,598		9,598
Other receivables	24,931		24,931
Intergovernmental-State	42,819		42,819
Intergovernmental-Indirect Federal	226,176		226,176
Internal balances	79,264	(79,264)	-
Total Current Assets	8,879,530	929,688	9,809,218
<u>Noncurrent Assets</u>			
Capital assets, net of accumulated depreciation	25,507,898	1,461,846	26,969,744
Deferred amount on refunding	339,366		339,366
Bond discount and expense	370,147		370,147
Total Noncurrent Assets	26,217,411	1,461,846	27,679,257
Total Assets	35,096,941	2,391,534	37,488,475
Liabilities			
<u>Current Liabilities</u>			
Accounts payable	148,223	1,518	149,741
Deferred revenue	28,523		28,523
Current portion of bond obligations	1,230,000		1,230,000
Current portion of accrued sick leave	97,570		97,570
Interest payable	326,012		326,012
Total Current Liabilities	1,830,328	1,518	1,831,846
<u>Noncurrent Liabilities</u>			
Noncurrent portion of bond obligations	20,730,000		20,730,000
Noncurrent portion of accrued sick leave	502,379		502,379
Total Noncurrent Liabilities	21,232,379	-	21,232,379
Total Liabilities	23,062,707	1,518	23,064,225
<u>Net Assets</u>			
Invested in capital assets, net of related debt	4,257,411	1,461,846	5,719,257
Restricted for:			
Grants	168,313		168,313
Capital projects	515,978		515,978
Debt service	573,515		573,515
Unrestricted	6,519,017	928,170	7,447,187
Total Net Assets	\$ 12,034,234	\$ 2,390,016	\$ 14,424,250

See accompanying notes to financial statements.

LARUE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Instruction	\$ 13,498,331	\$ 45,112	\$ 2,625,924	\$ -	\$ (10,827,295)	\$ -	\$ (10,827,295)
Support services:							
Student	996,571		138,193		(858,378)		(858,378)
Instruction staff	1,481,541		571,412		(910,129)		(910,129)
District administrative	490,730				(490,730)		(490,730)
School administrative	1,063,233		63,108		(1,000,125)		(1,000,125)
Business	411,592		11,868		(399,724)		(399,724)
Plant operation and maintenance	1,493,079		49,662		(1,443,417)		(1,443,417)
Student transportation	1,425,198		219,164		(1,206,034)		(1,206,034)
Community service activities	207,293		207,293		-		-
Other	22,476				(22,476)		(22,476)
Interest on long-term debt	870,805			1,064,017	193,212		193,212
Total Governmental Activities	21,960,849	45,112	3,886,624	1,064,017	(16,965,096)	-	(16,965,096)
Business-Type Activities:							
Food service	1,405,658	288,403	979,529			(137,726)	(137,726)
Childcare	102,349	54,988	71,399			24,038	24,038
Total Business-Type Activities	1,508,007	343,391	1,050,928	-	-	(113,688)	(113,688)
Total Primary Government	\$ 23,468,856	\$ 388,503	\$ 4,937,552	\$ 1,064,017	(16,965,096)	(113,688)	(17,078,784)
			General Revenues:				
			Taxes:				
			Property taxes		2,475,752		2,475,752
			Motor vehicle taxes		425,420		425,420
			Utility taxes		672,506		672,506
			Investment earnings		201,100	13,576	214,676
			State and formula grants		13,991,377		13,991,377
			Miscellaneous		79,089		79,089
			Total general revenues		17,845,244	13,576	17,858,820
			Change in net assets		880,148	(100,112)	780,036
			Net assets - beginning		11,154,086	2,490,128	13,644,214
			Net assets - ending		\$ 12,034,234	\$ 2,390,016	\$ 14,424,250

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

LARUE COUNTY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2012

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 7,362,744	\$ -	\$ 1,089,493	\$ 8,452,237
Receivables:				
Taxes - current	77,746			77,746
Taxes - delinquent	9,598			9,598
Other receivables	23,417	1,514		24,931
Intergovernmental - State		42,819		42,819
Intergovernmental - Indirect Federal		226,176		226,176
Due from other funds	79,264			79,264
Total Assets	\$ 7,552,769	\$ 270,509	\$ 1,089,493	\$ 8,912,771
Liabilities and Fund Balances:				
Liabilities				
Accounts payable	\$ 107,791	\$ 40,432	\$ -	\$ 148,223
Cash overdraft		33,241		33,241
Deferred revenue		28,523		28,523
Total Liabilities	107,791	102,196	-	209,987
Fund Balances				
Restricted		168,313	1,089,493	1,257,806
Committed	1,623,882			1,623,882
Unassigned	5,821,096			5,821,096
Total Fund Balances	7,444,978	168,313	1,089,493	8,702,784
Total Liabilities and Fund Balances	\$ 7,552,769	\$ 270,509	\$ 1,089,493	\$ 8,912,771

See accompanying notes to financial statements.

LARUE COUNTY SCHOOL DISTRICT

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

June 30, 2012

Total fund balance per fund financial statements	\$ 8,702,784
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.	25,507,898
Certain liabilities are not reported in this fund financial statement because because they are not due and payable, but they are presented in the statement of net assets:	
Bonds payable	(21,960,000)
Bond discount and expense	370,147
Deferred amount on refunding	339,366
Interest payable	(326,012)
Accrued sick leave	<u>(599,949)</u>
Net assets for governmental activities	<u>\$ 12,034,234</u>

See accompanying notes to financial statements.

LARUE COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2012

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Taxes:				
Property	\$ 2,147,125	\$ -	\$ 328,627	\$ 2,475,752
Motor vehicle	425,420			425,420
Utilities	672,506			672,506
Tuition and fees	1,310	3,981		5,291
Earnings on investments	146,432	2,243	52,425	201,100
Other local revenues	96,090	35,191		131,281
Intergovernmental - State	13,991,377	877,702	1,737,350	16,606,429
Intergovernmental - Indirect Federal		2,302,071		2,302,071
Intergovernmental - Direct Federal	21,150			21,150
Total Revenues	17,501,410	3,221,188	2,118,402	22,841,000
Expenditures:				
Instruction	10,608,802	2,002,219		12,611,021
Support services:				
Student	869,799	138,193		1,007,992
Instruction staff	892,437	571,412		1,463,849
District administrative	447,814			447,814
School administrative	987,983	63,108		1,051,091
Business	384,229	11,868		396,097
Plant operation and maintenance	1,405,494	49,662		1,455,156
Student transportation	1,300,292	219,164		1,519,456
Community service activities		207,293		207,293
Other	22,476			22,476
Debt service:				
Principal			1,210,000	1,210,000
Interest			786,414	786,414
Total Expenditures	16,919,326	3,262,919	1,996,414	22,178,659
Excess (Deficit) of Revenues over Expenditures	582,084	(41,731)	121,988	662,341
Other Financing Sources (Uses):				
Proceeds from disposal of capital assets	159			159
Transfers in	1,657	117,015	870,547	989,219
Transfers out	(117,015)	(1,657)	(870,547)	(989,219)
Total Other Financing Sources (Uses)	(115,199)	115,358	-	159
Net Change in Fund Balances	466,885	73,627	121,988	662,500
Fund Balance, July 1, 2011	6,978,093	94,686	967,505	8,040,284
Fund Balance, June 30, 2012	\$ 7,444,978	\$ 168,313	\$ 1,089,493	\$ 8,702,784

See accompanying notes to financial statements.

LARUE COUNTY SCHOOL DISTRICT

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

Year Ended June 30, 2012

Net change in total fund balances per fund financial statements	\$ 662,500
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlays for the year.	(848,511)
Bond payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets.	1,210,000
In the statement of activities, only the gain (loss) on disposal of capital assets is reported, whereas in the governmental funds, the proceeds for the sale increased financial resources.	(32,908)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>(110,933)</u>
Change in net assets of governmental activities	<u><u>\$ 880,148</u></u>

See accompanying notes to financial statements.

LARUE COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

June 30, 2012

	Food Service Fund	Childcare Fund	Total
Assets			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 923,954	\$ 64,852	\$ 988,806
Inventory	20,146		20,146
Total Current Assets	<u>944,100</u>	<u>64,852</u>	<u>1,008,952</u>
<u>Noncurrent Assets</u>			
Capital assets, net of accumulated depreciation	<u>1,461,846</u>		<u>1,461,846</u>
Total Noncurrent Assets	<u>1,461,846</u>	<u>-</u>	<u>1,461,846</u>
Total Assets	<u>2,405,946</u>	<u>64,852</u>	<u>2,470,798</u>
Liabilities			
<u>Current Liabilities</u>			
Accounts payable	33	1,485	1,518
Due to other funds	<u>79,264</u>		<u>79,264</u>
Total Current Liabilities	<u>79,297</u>	<u>1,485</u>	<u>80,782</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	1,461,846		1,461,846
Unrestricted	<u>864,803</u>	<u>63,367</u>	<u>928,170</u>
Total Net Assets	<u>\$ 2,326,649</u>	<u>\$ 63,367</u>	<u>\$ 2,390,016</u>

See accompanying notes to financial statements.

LARUE COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

Year Ended June 30, 2012

	Food Service Fund	Childcare Fund	Total
Operating Revenues:			
Lunchroom sales	\$ 288,403	\$ -	\$ 288,403
Other operating revenues		54,988	54,988
Total Operating Revenues	288,403	54,988	343,391
Operating Expenses:			
Salaries and wages	514,863	88,832	603,695
Materials and supplies	731,993	12,074	744,067
Depreciation	110,962		110,962
Other operating expenses	39,094	1,443	40,537
Total Operating Expenses	1,396,912	102,349	1,499,261
Operating loss	(1,108,509)	(47,361)	(1,155,870)
Non-Operating Revenues (Expenses):			
Federal grants	773,050	10,980	784,030
Donated commodities	89,376		89,376
State grants	12,332	42,833	55,165
State on-behalf payments	104,771	17,586	122,357
Loss on disposal of equipment	(8,746)		(8,746)
Interest income	13,494	82	13,576
Total Non-Operating Revenues (Expenses)	984,277	71,481	1,055,758
Change in Net Assets	(124,232)	24,120	(100,112)
Net assets, July 1, 2011	2,450,881	39,247	2,490,128
Net assets, June 30, 2012	\$ 2,326,649	\$ 63,367	\$ 2,390,016

See accompanying notes to financial statements.

LARUE COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2012

	Food Service Fund	Childcare Fund	Total
Cash Flows from Operating Activities			
Cash received from:			
Lunchroom sales	\$ 288,386	\$ -	\$ 288,386
Other activities		54,988	54,988
Cash paid to/for:			
Employees	410,092	71,246	481,338
Supplies	647,954	11,290	659,244
Other activities	39,094	1,443	40,537
Net Cash Used by Operating Activities	(808,754)	(28,991)	(837,745)
Cash flows from Non-Capital Financing Activities			
Federal grants	781,622	10,980	792,602
State grants	12,332	42,833	55,165
Net Cash Provided by Non-Capital Financing Activities	793,954	53,813	847,767
Cash Flows from Capital and Related Financing Activities			
Sale of capital assets	350		350
Purchases of capital assets	(222,774)		(222,774)
Net Cash Used by Capital and Related Financing Activities	(222,424)	-	(222,424)
Cash Flows from Investing Activities			
Receipt of interest income	13,494	82	13,576
Net increase (decrease) in cash and cash equivalents	(223,730)	24,904	(198,826)
Balances, beginning of year	1,147,684	39,948	1,187,632
Balances, end of year	\$ 923,954	\$ 64,852	\$ 988,806
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (1,108,508)	\$ (47,361)	\$ (1,155,869)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	110,962		110,962
State on-behalf payments	104,771	17,586	122,357
Donated commodities	89,376		89,376
Change in assets and liabilities:			
Inventory	4,700		4,700
Accounts payable	(1,447)	784	(663)
Due to other funds	(8,608)		(8,608)
Net cash used by operating activities	\$ (808,754)	\$ (28,991)	\$ (837,745)
Schedule of non-cash transactions:			
Donated commodities received from federal government	\$ 89,376	\$ -	\$ 89,376
State on-behalf payments	\$ 104,771	\$ 17,586	\$ 122,357

See accompanying notes to financial statements.

LARUE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2012

	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
Assets		
Cash and cash equivalents	\$ 25,825	\$ 157,852
Accounts receivable		
Total Assets	<u>25,825</u>	<u>157,852</u>
Liabilities		
Accounts payable	-	372
Due to student groups		<u>157,480</u>
Total Liabilities	<u>-</u>	<u>157,852</u>
Net Assets Held in Trust	<u>\$ 25,825</u>	<u>\$ -</u>

See accompanying notes to financial statements.

LARUE COUNTY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

Year Ended June 30, 2012

	<u>Private Purpose Trust Funds</u>
Additions	
Net interest and investment gains (losses)	\$ 371
Contributions	200
Deductions	
Scholarships paid	<u>(1,500)</u>
Change in net assets	(929)
Net Assets, beginning of year	<u>26,754</u>
Net Assets, end of year	<u><u>\$ 25,825</u></u>

See accompanying notes to financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Larue County Board of Education (“Board”), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Larue County Board of Education (“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. As allowed in Section P80 of GASB’s Codification of Governmental Accounting and Financial Reporting Standards, the District has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

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

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

Basis of Presentation

The District’s basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

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.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

The 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 fund balances. Proprietary funds are reported using the economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases and decreases in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities. Fiduciary funds are also reported using the economic resources measurement focus.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards. This is a major fund.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- (D) The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

- A. The Food Service Fund is used to account for school food service activities, including the National School Lunch and Breakfast Programs, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. This is a major fund.
- B. The Childcare Fund accounts for the day care operations of the District.

III. Fiduciary Fund Type (Agency Fund)

- A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.
- B. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Basis of Accounting

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

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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

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

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

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

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

Property Taxes

Property Tax Revenues – Property taxes are normally levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund. The usual collection date is the period from November 1 through December 31. Property tax bills paid prior to December 1 received a two percent discount. Property taxes received after December 31, are considered to be delinquent and the County Attorney can file a lien against the property.

The property tax rates assessed for the year ended June 30, 2012, to finance operations were \$.452 per \$100 valuation for real property, \$.452 per \$100 valuation for business personal property and \$.552 per \$100 valuation for motor vehicles.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

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

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>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	5-15 years
Food service equipment	5-12 years

Interfund Balances

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

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:

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

Cash and Cash Equivalents

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

Inventories

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

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

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

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. There were no prepaid assets at June 30, 2012.

Receivables

The District recognizes revenues as receivable when they are measurable and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions.

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.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Net Assets

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

Operating Revenues and Expenses

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

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

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

NOTE B – ESTIMATES

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

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

Year Ended June 30, 2012

NOTE C – FUND BALANCES

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2012, the District had \$168,313 restricted in the special revenue fund for grants and \$1,089,493 restricted in the nonmajor funds (\$515,978 restricted for capital projects and \$573,515 restricted for debt service).

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments at June 30, 2012 in the General Fund - \$656,072 for debt service (a certificate of deposit to be used to retire the QZAB bonds), \$250,000 for future construction and \$717,810 for a laptop initiative.

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

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

NOTE D – DEPOSITS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. At June 30, 2012, \$9,863,784 of the District's bank balance of \$10,113,784 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution in the District's name.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE E - CAPITAL ASSETS

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

Governmental Activities	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Non-Depreciable Assets:				
Land	\$ 600,933	\$ -	\$ -	\$ 600,933
Depreciable Assets:				
Land improvements	1,759,626			1,759,626
Buildings and improvements	29,246,195			29,246,195
Technology equipment	2,554,271	114,867	(60,514)	2,608,624
Vehicles	2,571,046	295,055		2,866,101
General equipment	1,100,812	30,148	(3,215)	1,127,745
Totals at historical cost	37,832,883	440,070	(63,729)	38,209,224
Accumulated depreciation:				
Land improvements	932,084	77,956		1,010,040
Buildings and improvements	6,733,591	601,018		7,334,609
Technology equipment	1,462,800	363,816	(30,477)	1,796,139
Vehicles	1,567,801	202,596		1,770,397
General equipment	747,290	43,195	(344)	790,141
Total accumulated depreciation	11,443,566	1,288,581	(30,821)	12,701,326
Government Activities Capital Assets - Net	<u>\$ 26,389,317</u>	<u>\$ (848,511)</u>	<u>\$ (32,908)</u>	<u>\$ 25,507,898</u>
Business-Type Activities				
Depreciable Assets:				
Buildings and improvements	\$ 1,255,218	\$ -	\$ -	\$ 1,255,218
Technology equipment	15,212	2,980	(2,871)	15,321
General equipment	872,560	219,794	(29,258)	1,063,096
Totals at historical cost	2,142,990	222,774	(32,129)	2,333,635
Accumulated depreciation:				
Buildings and improvements	422,237	25,104		447,341
Technology equipment	12,493	1,178	(2,871)	10,800
General equipment	349,130	84,680	(20,162)	413,648
Total accumulated depreciation	783,860	110,962	(23,033)	871,789
Business-Type Activities Capital Assets - Net	<u>\$ 1,359,130</u>	<u>\$ 111,812</u>	<u>\$ (9,096)</u>	<u>\$ 1,461,846</u>
Depreciation was charged to governmental functions as follows:				
Instruction	\$ 957,308			
Student support	7,613			
Instructional staff	17,691			
District administration	19,491			
School administration	18,675			
Business support	20,995			
Plant	67,224			
Transportation	179,584			
	<u>\$ 1,288,581</u>			

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE F – LONG-TERM OBLIGATIONS

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

Issue Date	Proceeds	Interest Rates
2003	\$ 1,075,000	1.35% - 3.5%
2006	10,725,000	4.0% - 4.5%
2007 Urgent Needs	500,000	4.0%
2007 Refunding	945,000	3.3% - 3.7%
2008	1,280,000	3.0% - 4.92%
2008 QZAB	1,000,000	0%
2009 Refunding	2,120,000	1.5% - 3.0%
2010 Refunding	7,395,000	1.0% - 3.625%

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 Larue County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

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

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

Year	Principal	Interest	Participation	District's Portion
2013	\$ 1,230,000	\$ 746,230	\$ 1,048,205	\$ 928,025
2014	1,210,000	710,975	1,001,185	919,790
2015	1,235,000	673,860	981,774	927,086
2016	1,260,000	634,069	971,881	922,188
2017	1,315,000	591,019	976,164	929,855
2018-2022	7,780,000	2,269,133	4,571,587	5,477,546
2023-2027	7,130,000	946,708	3,568,128	4,508,580
2028-2029	800,000	38,459	65,570	772,889
	<u>\$ 21,960,000</u>	<u>\$ 6,610,453</u>	<u>\$ 13,184,494</u>	<u>\$ 15,385,959</u>

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE F – LONG-TERM OBLIGATIONS – CONTINUED

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

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

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

	Beginning Balance July 1, 2011	Additions	Reductions	Ending Balance June 30, 2012	Amounts Due Within One Year
Governmental Activities:					
Revenue bonds payable	\$ 23,170,000	\$ -	\$ 1,210,000	\$ 21,960,000	\$ 1,230,000
Accrued sick leave	617,397	11,936	29,384	599,949	97,570
Governmental Activities:					
Long-term liabilities	<u>\$ 23,787,397</u>	<u>\$ 11,936</u>	<u>\$ 1,239,384</u>	<u>\$ 22,559,949</u>	<u>\$ 1,327,570</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 sick leave.

NOTE G – RETIREMENT PLANS

All the District’s eligible employees participate in the Kentucky Teacher’s 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 and 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.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE G – RETIREMENT PLANS – CONTINUED

The State of Kentucky contributes 13.105% of the employee's gross earnings for employees with un-refunded accounts before July 1, 2008 and 14.105% of employee's gross earnings for employees on or after July 1, 2008, except for those District employees being paid from and participating in federally funded programs. During the years ended June 30, 2012, 2011 and 2010, contributions of \$1,234,832, \$1,221,864 and \$1,229,439 were made by the State of Kentucky and \$120,939, \$117,399 and \$157,724 in contributions were passed through the District's federally funded programs. Contributions by the employees are 10.355 % of gross earnings for employees with un-refunded accounts before July 1, 2008 and 10.855% of employee's gross earnings for employees on or after July 1, 2008 and are withheld by the District. The contribution rate is actuarially determined. Such withholdings during the years ended June 30, 2012, 2011 and 2010 totaled \$1,091,199, \$1,050,839 and \$1,020,062 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 \$13,249,145, \$13,052,333 and \$13,121,996 and \$10,496,158, \$10,356,500 and \$10,310,804 of such amount related to employees covered by the retirement plan. All payments were made to the retirement system in the amount of the annually required contributions.

Additional information and historical trend information can be obtained from the separately issued Teacher Retirement System of Kentucky Comprehensive Annual Financial Report by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601.

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% for those employee participating in CERS before September 1, 2008 and 6% for those employee participating in CERS on or after September 1, 2008 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 \$631,969, \$583,216 and \$568,919 which consisted of \$496,636, \$450,627 and \$434,751 from the District and \$135,333, \$132,589 and \$134,168 from the employees. The total covered payroll for CERS during the years ended June 30, 2012, 2011 and 2010 was \$2,621,998, \$2,662,227 and \$2,690,148. Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

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 omit plan assets and related liabilities from their financial statements. The District therefore does not show these assets and liabilities on this financial statement.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE H – CONTINGENCIES AND COMMITMENTS

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

NOTE I – LITIGATION

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

NOTE J – INSURANCE AND RELATED ACTIVITIES

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

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District purchases insurance from a commercial carrier.

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 L – DEFICIT OPERATING BALANCES

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

Debt Service Fund	\$ 19,688
Food Service Fund	124,232

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2012

NOTE M – COBRA

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

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	Technology Match	\$ 44,034
General	Special Revenue	Laptop Initiative	72,981
Special Revenue	General	Indirect Costs	1,657
Nonmajor Governmental	Nonmajor Governmental	Debt Service	870,547

NOTE O – INTERFUND RECEIVABLES AND PAYABLES

The interfund balances at June 30, 2012, were as follows:

Reported in Fund Financial Statements

Payable Fund	Receivable Fund	Amount	Explanation
Food Service	General	\$ 79,264	Charges paid by General Fund

Reported in Government-Wide Financial Statements

Payable Fund	Receivable Fund	Amount	Explanation
Food Service	General	\$ 79,264	Charges paid by General Fund

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONCLUDED

June 30, 2012

NOTE P – POST-EMPLOYMENT HEALTH CARE BENEFITS

Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advance funded on an actuarially determined basis through the CERS and KTRS plans.

NOTE Q – ON-BEHALF PAYMENTS

The District receives on-behalf payments from the State of Kentucky for items including retirement, insurance and technology. The amount received for the fiscal year ended June 30, 2012, was \$3,454,101. The payments were allocated as follows:

General Fund	\$3,331,744
Food Service Fund	104,771
Childcare Fund	17,586

REQUIRED SUPPLEMENTARY INFORMATION

LARUE COUNTY SCHOOL DISTRICT

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

GENERAL FUND

Year Ended June 30, 2012

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
From local sources:			
Taxes:			
Property	\$ 1,890,000	\$ 1,990,000	\$ 2,147,125
Motor vehicle	300,000	325,000	425,420
Utilities	600,000	600,000	672,506
Tuition and fees			1,310
Earnings on investments	100,000	95,000	146,432
Other local revenues	3,500	4,000	96,090
Intergovernmental - State	10,093,196	10,650,531	13,991,377
Intergovernmental - Direct Federal	1,000	1,000	21,150
Total Revenues	<u>12,987,696</u>	<u>13,665,531</u>	<u>17,501,410</u>
Expenditures:			
Instruction	8,710,340	8,911,118	10,608,802
Support services:			
Student	671,554	698,113	869,799
Instruction staff	723,217	755,270	892,437
District administrative	799,889	837,984	447,814
School administrative	783,288	779,532	987,983
Business	583,799	584,549	384,229
Plant operation and maintenance	2,042,703	2,270,833	1,405,494
Student transportation	1,447,466	1,467,955	1,300,292
Other	920,440	2,619,761	22,476
Total Expenditures	<u>16,682,696</u>	<u>18,925,115</u>	<u>16,919,326</u>
Excess (Deficit) of Revenues over Expenditures	(3,695,000)	(5,259,584)	582,084
Other Financing Sources (Uses):			
Proceeds from disposal of capital assets			159
Transfers in		1,465	1,657
Transfers out	(55,000)	(55,000)	(117,015)
Total Other Financing (Uses)	<u>(55,000)</u>	<u>(53,535)</u>	<u>(115,199)</u>
Net Change in Fund Balances	(3,750,000)	(5,313,119)	466,885
Fund balance, July 1, 2011	<u>3,750,000</u>	<u>5,313,119</u>	<u>6,978,093</u>
Fund balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,444,978</u>

Both inflows and outflows are equally different in the Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds by the amount of on-behalf payments of \$3,331,744.

LARUE COUNTY SCHOOL DISTRICT

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

SPECIAL REVENUE FUND

Year Ended June 30, 2012

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
Earnings on investments	\$ -	\$ -	\$ 2,243
Tuition and fees			3,981
Other local revenues	20,000	18,000	35,191
Intergovernmental - State	915,011	869,888	877,702
Intergovernmental - Indirect Federal	1,358,602	1,600,784	2,302,071
Total Revenues	<u>2,293,613</u>	<u>2,488,672</u>	<u>3,221,188</u>
Expenditures:			
Instruction	1,325,567	1,327,769	2,002,219
Support services:			
Student	138,011	146,669	138,193
Instruction staff	630,981	635,182	571,412
School administrative			63,108
Business			11,868
Plant operation and maintenance			49,662
Student transportation	40,681	214,315	219,164
Community service activities	213,373	207,274	207,293
Total Expenditures	<u>2,348,613</u>	<u>2,531,209</u>	<u>3,262,919</u>
Excess (Deficit) of Revenues over Expenditures	(55,000)	(42,537)	(41,731)
Other Financing Sources (Uses):			
Transfers in	55,000	44,034	117,015
Transfers out		(1,497)	(1,657)
Total Other Financing Sources (Uses)	<u>55,000</u>	<u>42,537</u>	<u>115,358</u>
Net Change in Fund Balances	-	-	73,627
Fund balance, July 1, 2011	<u>-</u>	<u>-</u>	<u>94,686</u>
Fund balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,313</u>

SUPPLEMENTARY INFORMATION

LARUE COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2012

	<u>Capital Outlay Fund</u>	<u>FSPK Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 349,637	\$ 27,067	\$ 139,274	\$ 573,515	\$ 1,089,493
Total Assets	<u>\$ 349,637</u>	<u>\$ 27,067</u>	<u>\$ 139,274</u>	<u>\$ 573,515</u>	<u>\$ 1,089,493</u>
Fund Balances					
Restricted	<u>349,637</u>	<u>27,067</u>	<u>139,274</u>	<u>573,515</u>	<u>1,089,493</u>
Total Fund Balances	<u>\$ 349,637</u>	<u>\$ 27,067</u>	<u>\$ 139,274</u>	<u>\$ 573,515</u>	<u>\$ 1,089,493</u>

LARUE COUNTY SCHOOL DISTRICT

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

Year Ended June 30, 2012

	<u>Capital Outlay Fund</u>	<u>FSPK Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues					
From local sources:					
Taxes:					
Property	\$ -	\$ 328,627	\$ -	\$ -	\$ 328,627
Earnings on investments	3,566	317	6,380	42,162	52,425
Intergovernmental - State	220,166	453,167		1,064,017	1,737,350
Total Revenues	<u>223,732</u>	<u>782,111</u>	<u>6,380</u>	<u>1,106,179</u>	<u>2,118,402</u>
Expenditures					
Debt service - principal				1,210,000	1,210,000
Debt service - interest				786,414	786,414
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,996,414</u>	<u>1,996,414</u>
Excess (Deficit) of Revenues over Expenditures	223,732	782,111	6,380	(890,235)	121,988
Other Financing Sources (Uses)					
Transfers in				870,547	870,547
Transfers out	(95,782)	(774,765)			(870,547)
Total Other Financing Sources (Uses)	<u>(95,782)</u>	<u>(774,765)</u>	<u>-</u>	<u>870,547</u>	<u>-</u>
Net Change in Fund Balances	127,950	7,346	6,380	(19,688)	121,988
Fund balance, July 1, 2011	<u>221,687</u>	<u>19,721</u>	<u>132,894</u>	<u>593,203</u>	<u>967,505</u>
Fund balance, June 30, 2012	<u>\$ 349,637</u>	<u>\$ 27,067</u>	<u>\$ 139,274</u>	<u>\$ 573,515</u>	<u>\$ 1,089,493</u>

LARUE COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

AGENCY FUNDS

June 30, 2012

	Abraham Lincoln Elementary School	Hodgenville Elementary	Larue County Middle School	Larue County High School	Total Agency Fund
Assets					
Cash and cash equivalents	\$ 20,748	\$ 28,420	\$ 29,508	\$ 79,176	\$ 157,852
Receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 20,748</u>	<u>\$ 28,420</u>	<u>\$ 29,508</u>	<u>\$ 79,176</u>	<u>\$ 157,852</u>
Liabilities					
Accounts payable	\$ -	\$ 372	\$ -	\$ -	\$ 372
Due to student groups	<u>20,748</u>	<u>28,048</u>	<u>29,508</u>	<u>79,176</u>	<u>157,480</u>
Total Liabilities	<u>\$ 20,748</u>	<u>\$ 28,420</u>	<u>\$ 29,508</u>	<u>\$ 79,176</u>	<u>\$ 157,852</u>

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

AGENCY FUNDS

June 30, 2012

SCHOOL	CASH		DISBURSE- MENTS	CASH		ACCOUNTS PAYABLE	DUE TO STUDENT GROUPS
	BALANCE July 1, 2011	RECEIPTS		BALANCE June 30, 2012	RECEIVABLES June 30, 2012		
Larue County High	\$ 76,106	\$ 329,573	\$ 326,503	\$ 79,176	\$ -	\$ -	\$ 79,176
Larue County Middle	26,794	83,283	80,569	29,508			29,508
Hodgenville Elementary	23,960	52,299	47,839	28,420		372	28,048
Abraham Lincoln Elementary	17,786	31,744	28,782	20,748			20,748
Total	<u>\$ 144,646</u>	<u>\$ 496,899</u>	<u>\$ 483,693</u>	<u>\$ 157,852</u>	<u>\$ -</u>	<u>\$ 372</u>	<u>\$ 157,480</u>

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

LARUE COUNTY HIGH SCHOOL

YEAR ENDED JUNE 30, 2012

NAME OF ACTIVITY	CASH	RECEIPTS	DISBURSE- MENTS	CASH	RECEIVABLES	ACCOUNTS PAYABLE	DUE TO
	BALANCE July 1, 2011			BALANCE June 30, 2012			June 30, 2012
Academic	\$ 148	\$ -	\$ -	\$ 148	\$ -	\$ -	\$ 148
Adventure Club	230	183	408	5	-	-	5
Agriscience	-	4,225	2,342	1,883	-	-	1,883
Alternative School	753	192	642	303	-	-	303
Art Club	4	-	-	4	-	-	4
Athletics	11,803	88,486	85,085	15,204	-	-	15,204
Band	12	-	-	12	-	-	12
Beta Club	-	1,520	1,518	2	-	-	2
Business Department	6,592	21,698	28,277	13	-	-	13
Candy Machines	-	-	-	-	-	-	-
Club 3D	62	60	-	122	-	-	122
Coke - Faculty	423	3,123	2,330	1,216	-	-	1,216
Community Service Club	189	489	307	371	-	-	371
English Supplies	609	1,013	-	1,622	-	-	1,622
FBLA	-	2,939	2,753	186	-	-	186
FCA	433	-	164	269	-	-	269
FFA	2,730	45,304	47,746	288	-	-	288
Field Trip	34	3,088	2,207	915	-	-	915
Football Coke	463	93	556	-	-	-	-
Future Educators of America	393	-	-	393	-	-	393
General Fund	10,626	9,403	7,072	12,957	-	-	12,957
Guidance Office	459	5,192	5,163	488	-	-	488
Junior Class	1,392	6,727	7,792	327	-	-	327
KVHS Registration	-	-	-	-	-	-	-
Laptop Fee	68	13,164	13,232	-	-	-	-
Library Club	2,157	447	1,199	1,405	-	-	1,405
Pep Club	162	144	302	4	-	-	4
Philosophy Club	-	-	-	-	-	-	-
Senior Class	1,712	48,488	48,616	1,584	-	-	1,584
Spanish Club	80	-	-	80	-	-	80
Speech Fund	2,306	17,825	18,718	1,413	-	-	1,413
Student Coke	2,858	976	1,784	2,050	-	-	2,050
Student of the Week	50	-	15	35	-	-	35
Student Council	219	765	925	59	-	-	59
Taylor Classroom	-	-	-	-	-	-	-
Technology Classes	5	-	-	5	-	-	5
Technology Study Association	2,151	610	404	2,357	-	-	2,357
Teenage Republicans	500	-	-	500	-	-	500
Textbook Account	180	24,521	24,701	-	-	-	-
Y-Club	-	4,560	4,560	-	-	-	-
Yearbook	26,303	24,338	17,685	32,956	-	-	32,956
TOTALS	76,106	329,573	326,503	79,176	-	-	79,176
TRANSFERS	-	-	-	-	-	-	-
TOTALS	\$ 76,106	\$ 329,573	\$ 326,503	\$ 79,176	\$ -	\$ -	\$ 79,176

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2012

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster -			
Cash Assistance			
Passed Through State Department of Education:			
National School Lunch	10.555	7750002-11	\$ 134,382
		7750002-12	442,543
School Breakfast Program	10.553	7760005-11	45,588
		7760005-12	150,537
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555	057502-02	89,376
TOTAL CHILD NUTRITION CLUSTER			862,426
<u>OTHER U.S. DEPARTMENT OF AGRICULTURE PROGRAMS</u>			
Passed Through State Department of Education:			
Child and Adult Care Food Program	10.558	7800016-10	10,980
TOTAL U.S. DEPT. OF AGRICULTURE			873,406
<u>U.S. DEPARTMENT OF ENERGY</u>			
Passed Through State Department of Education			
ARRA - State Energy Program	81.041	5691	434
		5692	3,051
			3,485
Passed Through Kentucky Clean Fuels Coalition			
ARRA - Conservation Research and Development	81.086	6200C	119,344
TOTAL U.S. DEPT. OF ENERGY			122,829
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Title I, Part A Cluster -			
Passed Through State Department of Education			
Title I Grants to Local Educational Agencies	84.010	3101	83,474
		3101M	71
		3102	512,016
		3102M	2,294
			597,855
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	3919	17,758
		3919M	229
			17,987
TOTAL TITLE I, PART A CLUSTER			615,842
Special Education Cluster -			
Passed Through State Department of Education:			
Special Education - Grants to States	84.027	3371	5,050
		3372	512,229
		3370P	727
			518,006
Special Education - Preschool Grants	84.173	3432	21,236

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONCLUDED

YEAR ENDED JUNE 30, 2012

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
ARRA - Special Education - Grants to States (Idea, Part B), Recovery Act	84.391	4249	103,510
TOTAL SPECIAL EDUCATION CLUSTER			<u>642,752</u>
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>			
Passed Through State Department of Education:			
Passed Through Kentucky Council on Postsecondary Education			
Adult Education - State Grant Program	84.002	3652 3712 3732 3732S	10,000 23,550 35,556 1,728
			<u>70,834</u>
Passed Through State Department of Education			
Migrant Education - State Grant Program	84.011	3111 3112	21,661 13,098
			<u>34,759</u>
Vocational Education - Basic Grants to States	84.048	3482 3481A 3480A	21,033 1,144 873
			<u>23,050</u>
Even Start - State Educational Agencies	84.213	3231	79,263
English Language Acquisition Grants	84.365	3452 3451 3450	1,633 24,291 7,752
			<u>33,676</u>
Improving Teacher Quality - State Grants	84.367	4012 4011	1,723 104,712
			<u>106,435</u>
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	3219	2,484
Education Jobs Fund	84.410	4411	570,147
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>2,179,242</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,175,477</u>

LARUE COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Larue County School District under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Larue County School District, it is not intended to and does not present the financial position, changes in net assets or cash flows of Larue County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING

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

NOTE C – FOOD DISTRIBUTION

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

NOTE D – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**LARUE COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued (unqualified):

Internal control over financial reporting:

- Material weakness(es) identified? _____yes ___X___no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____yes ___X___none reported

Noncompliance material to financial statements noted?

_____yes ___X___no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___X___yes _____no
- Significant deficiency(ies) 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 (qualified):

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

___X___yes _____no

Identification of major programs:

CFDA Number	Federal Program or Cluster
	Child Nutrition Cluster
10.555	National School Lunch
10.553	School Breakfast Program
	Special Education Cluster (IDEA) -
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
84.391	ARRA - Special Education - Grants to States (Idea, Part B), Recovery Act
	Other Programs
81.086	ARRA - Conservation Research and Development
84.410	Education Jobs Fund

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2012

There were no prior federal award audit findings.

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

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Larue County School District
Hodgenville, Kentucky

We have audited the financial statements of Larue County School District as of and for the year ended June 30, 2012, and have issued our report thereon dated August 8, 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 and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I, II, III and IV of the *Independent Auditor's Contract*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Larue County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of 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 Larue County School District in a separate letter dated August 8, 2012.

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



Certified Public Accountants
August 8, 2012

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

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Larue County School District
Hodgenville, Kentucky

Compliance

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

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

As described in item 2012-01 in the accompanying schedule of findings and questioned costs, Larue County School District did not comply with requirements regarding allowable costs that are applicable to its Special Education Cluster (84.027, 84.173 and 84.391). Compliance with such requirements is necessary, in our opinion, for Larue County School District to comply with the requirements applicable to that program.

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

Internal Control Over Compliance

Management of Larue County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Larue County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB 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 Larue County School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-01 to be material weaknesses.

Larue County School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Larue County School District's response and, accordingly, we express no opinion on the response.

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



Certified Public Accountants
August 8, 2012

MANAGEMENT LETTER AND COMMENTS

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Members of the Board of Education of
Larue County School District
Hodgenville, Kentucky

In planning and performing our audit of the basic financial statements of Larue County 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 several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated August 8, 2012, contains our report on the District's internal control. This letter does not affect our report dated August 8, 2012, on the financial statements of the Larue County School District.

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

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

Certified Public Accountants
August 8, 2012

LARUE COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2012

UNCORRECTED 3RD YEAR COMMENTS

LARUE COUNTY HIGH SCHOOL

Fundraiser/Inventory Control

We noted F-SA-5, Inventory Control Worksheets, for the Greenhouse with subtotal A and subtotal B fields that did not reconcile resulting in shortages with an explanation that some items are sold as singles for a higher price than accounted for as a flat. In addition the ending inventory from the prior week's worksheet did not match the beginning inventory for the next week.

Management Response

The District will meet with school personnel to discuss this matter.

UNCORRECTED PRIOR YEAR COMMENTS

Booster Clubs

We noted the girl's basketball budget was for FY 2010-2011 and an Annual Financial Report was not on file for track. The school treasurer stated that all available booster information was in the file provided.

Management Response

The District will meet with school personnel to discuss this matter.

CURRENT YEAR COMMENTS

LARUE COUNTY HIGH SCHOOL

Multiple Receipt Forms

We noted Multiple Receipt forms, F-SA-6, were not signed or initialed by the students for the following deposits: \$2,565.00 dated 09/22/11, \$1,841.00 dated 12/16/11 and \$677.00 dated 03/19/12.

Management Response

The District will meet with school personnel to discuss this matter.

ABRAHAM LINCOLN ELEMENTARY SCHOOL

Segregation Of Duties

We noted that the school treasurer photocopies checks, records the checks on the deposit slip and takes the deposit to the bank.

Management Response

The District will meet with school personnel to discuss this matter.

Fundraisers

We noted the Believe fundraiser F-SA- 2B, Fund Raiser Worksheet, was not signed by the sponsor or the principal.

Management Response

The District will meet with school personnel to discuss this matter.

LARUE COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2012

ABRAHAM LINCOLN ELEMENTARY SCHOOL – CONTINUED

CURRENT YEAR COMMENTS – CONCLUDED

Cash Receipts

We noted that the fund receiving the money is not printed on the receipt in the accounting system.

Management Response

The District will meet with school personnel to discuss this matter.

Negative Fund Balance

We noted the faculty drinks fund had a negative balance of \$-51.15 as of 6/30/2012.

Management Response

The District will meet with school personnel to discuss this matter.