

**Trimble County School District**

**Basic Financial Statements,  
Required Supplementary Information, And  
Independent Auditor's Report**

For The Year Ended June 30, 2012

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State Committee for School District Audits  
Superintendent and Members of the Board  
Trimble County School District  
Bedford, Kentucky

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Trimble County School District, Bedford, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract - General Audit Requirements, Appendix II to the Independent Auditor's Contract - State Audit Requirements, Appendix III to the Independent Auditor's Contract - Audit Extension Request, and Appendix IV to 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 Trimble County School 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.

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 6 and 31 through 32 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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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 Trimble County School District's basic financial statements as a whole. The introductory section and combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the Trimble County School District. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Respectfully submitted,



Ross and Company, PLLC

November 15, 2012

**Trimble County School District**  
**Bedford, Kentucky**  
**Management's Discussion and Analysis (MD&A)**  
**Year Ended June 2012**

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

**FINANCIAL HIGHLIGHTS**

- The Board of Education neared completion on Phase I of the Athletic Facilities. The project consists of a baseball field, softball field, four tennis courts, lighting, fencing, additional parking and a building containing concessions, locker rooms and rest room facilities. The cost of the project is \$2,028,822.
- The General Fund had \$10,360,557 in revenue, which consisted primarily of State Program revenues (SEEK and on-behalf payments), property taxes, utility taxes, and motor vehicle taxes. Excluding interfund transfers, there was \$10,408,174 in general fund expenditures.
- The School District continues to support the PEBC Thinking Strategies initiative by sending additional teachers and administrators to the 4-day institute. The instructional focus of having all students reading by the end of third grade was supported through a summer Reading and Math Academy costing approximately \$40,000.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-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.

**District-wide financial statements.** The district-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 district-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 are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 7 and 8 of this report.

TRIMBLE COUNTY SCHOOL DISTRICT  
 MANAGEMENT DISCUSSION AND ANALYSIS  
 June 30, 2012  
 (Continued)

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

The basic governmental fund financial statements can be found on pages 9 and 11 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 district-wide and fund financial statements. The notes to the financial statements can be found on pages 18-32 of this report.

**DISTRICT-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 \$15,700,870 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 still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

**Net Assets for the period ending June 30, 2011 and June 30, 2012**

A comparison of June 30, 2011 and June 30, 2012 government wide net assets are as follows:

<b>ASSETS</b>	<b>2011</b>	<b>2012</b>
Total current assets	\$ 8,060,810	\$ 6,790,116
Total non-current assets	19,273,151	19,933,868
Total assets	<u>27,333,961</u>	<u>26,723,984</u>
<b>LIABILITIES</b>		
Total current liabilities	1,097,312	1,243,501
Total non-current liabilities	10,360,000	9,785,000
Total liabilities	<u>11,457,312</u>	<u>11,028,501</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	8,353,151	9,579,255
Restricted	6,357,968	4,336,388
Unrestricted	1,165,530	1,785,227
Total net assets	<u>\$ 15,876,649</u>	<u>\$ 15,700,870</u>

TRIMBLE COUNTY SCHOOL DISTRICT  
 MANAGEMENT DISCUSSION AND ANALYSIS  
 June 30, 2012  
 (Continued)

The Table below presents comparison summaries of revenues and expenses for the fiscal years ended June 30, 2011 and June 30, 2012.

	General Fund		Special Revenue		Food Service	
	2011	2012	2011	2012	2011	2012
<b>Revenues/Sources:</b>						
Local Revenue Sources	\$ 3,705,105	\$ 3,201,402	\$ 2,432	\$ 22,972	\$ 280,132	\$275,223
State Revenue Sources	7,194,159	7,112,464	702,490	322,028	102,849	59,464
Federal Revenue Sources	29,953	46,691	1,805,290	1,863,550	508,150	498,114
Fund Transfer	-	-	37,721	26,294	-	-
Totals	<u>\$10,927,217</u>	<u>\$10,360,557</u>	<u>\$2,547,933</u>	<u>\$2,234,844</u>	<u>\$ 891,131</u>	<u>\$832,801</u>
<b>Expenditures/Expenses:</b>						
Instruction	\$ 5,458,828	\$ 5,946,756	\$2,069,675	\$1,766,801	\$ -	\$ -
Student Support Services	427,051	384,358	95,411	64,242	-	-
Instructional Staff Support	284,867	301,092	133,474	115,704	-	-
District Admin Support	397,082	524,641	72,019	69,960	-	-
School Admin Support	768,636	756,719	-	-	-	-
Business Support	395,907	440,232	-	-	-	-
Plant Operation & Management	1,073,921	1,068,463	2,691	4,126	-	-
Student Transportation	971,740	943,377	53,035	45,613	-	-
Food Service Operation	-	-	9,533	7,169	882,233	926,358
Community Services	5,087	5,371	108,037	161,229	-	-
Facilities Acquisition & Construction	73,564	37,165	-	-	-	-
Fund Transfer	308,994	2,055,116	4,058	-	-	-
Totals	<u>\$ 10,165,677</u>	<u>\$12,463,290</u>	<u>\$2,547,933</u>	<u>\$2,234,844</u>	<u>\$ 882,233</u>	<u>\$926,358</u>
<b>Excess of Revenues Over Expenditures</b>	<u>\$ 761,540</u>	<u>\$ (2,102,733)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,898</u>	<u>\$ (93,557)</u>

On-behalf payment amounts are included in the above figures. On-behalf payments, as defined by KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, retirement benefits, debt service, and administration fees.

**General Fund Budgetary Highlights**

- The District's total general fund revenues for the fiscal year ended June 30, 2011 were \$10,360,557.
- The total cost of all general fund programs and services was \$12,463,290.

**Special Revenue Fund Highlights**

- The District's 2012 Special Revenue fund revenues declined \$313,089 as compared to 2011.
- The District's 2012 Special Revenue fund expenditures declined 12.29% as compared to 2011.

TRIMBLE COUNTY SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2012  
(Continued)

**Future Budgetary Implications**

In Kentucky, the public schools fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency.

Questions regarding this report should be directed to the Finance Officer, Phillip Harmon at (502) 255-3201 or by mail at Trimble County Board of Education, 68 Wentworth Avenue, Bedford, Kentucky 40006.

**TRIMBLE COUNTY PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**DISTRICT WIDE**

As of June 30, 2012

ASSETS	Governmental Activities	Business-type Activities	Total
<b>Current Assets</b>			
Cash and cash equivalents	\$ 926,093	\$ 167,807	\$ 1,093,900
Investments	4,733,007	-	4,733,007
Other receivables	550,699	6,502	557,201
Inventory	-	28,889	28,889
Bond Issuance Cost	377,119	-	377,119
<b>Total current assets</b>	<b>6,586,918</b>	<b>203,198</b>	<b>6,790,116</b>
<b>Non-current Assets</b>			
Land	422,720	-	422,720
Land Improvements	428,910	-	428,910
Buildings and improvements	22,622,829	-	22,622,829
Furniture and equipment	3,364,332	603,026	3,967,358
Construction in progress	1,635,923	-	1,635,923
Less: Accumulated depreciation	(8,842,294)	(296,191)	(9,138,485)
<b>Total non-current assets</b>	<b>19,632,420</b>	<b>306,835</b>	<b>19,939,255</b>
<b>Total assets</b>	<b>\$ 26,219,338</b>	<b>\$ 510,033</b>	<b>\$ 26,729,371</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 151,869	\$ 6,921	\$ 158,790
Deferred revenue	92,272	-	92,272
Interest payable	335,454	-	335,454
Current portion of long-term obligations	575,000	-	575,000
Current portion of sick-leave	81,985	-	81,985
<b>Total current liabilities</b>	<b>1,236,580</b>	<b>6,921</b>	<b>1,243,501</b>
<b>Non-current Liabilities</b>			
Non-current portion of long-term obligation	9,785,000	-	9,785,000
<b>Total non-current liabilities</b>	<b>9,785,000</b>	<b>-</b>	<b>9,785,000</b>
<b>Total liabilities</b>	<b>11,021,580</b>	<b>6,921</b>	<b>11,028,501</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	9,272,420	306,835	9,579,255
Restricted for:			
Capital projects	2,029,063	-	2,029,063
New Assets	-	167,388	167,388
Other	2,111,048	28,889	2,139,937
Unrestricted	1,785,227	-	1,785,227
<b>Total net assets</b>	<b>15,197,758</b>	<b>503,112</b>	<b>15,700,870</b>
<b>Total liabilities and net assets</b>	<b>\$ 26,219,338</b>	<b>\$ 510,033</b>	<b>\$ 26,729,371</b>

See accompanying notes to financial statements.

**TRIMBLE COUNTY PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**DISTRICT-WIDE**

For the year ended June 30, 2012

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>						
Instruction	\$ 8,020,457	\$ 1,740,398	\$ -	\$ (6,280,059)	\$ -	\$ (6,280,059)
Support services:						
Student	693,963	64,242	-	(609,900)	-	(609,900)
Instruction staff	423,073	115,704	-	(307,369)	-	(307,369)
District administrative	469,857	69,960	-	(399,897)	-	(399,897)
School administrative	768,823	-	-	(768,823)	-	(768,823)
Business	436,086	-	-	(436,086)	-	(436,086)
Plant operation and maintenance	1,099,480	4,126	-	(1,095,354)	-	(1,095,354)
Student transportation	937,216	45,613	-	(891,603)	-	(891,603)
Facilities acquisition and construction	301,295	-	323,238	21,943	-	21,943
Food service operation	7,169	7,169	-	(5,536)	-	(5,536)
Community service activities	166,765	161,229	-	167,969	-	167,969
Other	26,641	-	194,610	(212,614)	-	(212,614)
Interest on long-term debt	335,455	-	122,841	-	-	-
<b>Total governmental activities</b>	<u>13,686,280</u>	<u>2,208,441</u>	<u>640,689</u>	<u>(10,817,329)</u>	<u>-</u>	<u>(10,817,329)</u>
<b>Business-type Activities</b>						
Food service	978,078	611,095	-	-	(90,380)	(90,380)
Day Care	22,096	2,604	-	-	(97)	(97)
<b>Total business-type activities</b>	<u>1,000,174</u>	<u>613,699</u>	<u>-</u>	<u>-</u>	<u>(90,477)</u>	<u>(90,477)</u>
<b>Total school district</b>	<u>\$ 14,686,454</u>	<u>\$ 2,822,140</u>	<u>\$ 640,689</u>	<u>\$ (10,817,329)</u>	<u>\$ (90,477)</u>	<u>\$ (10,907,806)</u>

**General Revenues**

Property taxes	\$ 2,639,985	\$ -	\$ 2,639,985
Delinquent property tax	50,739	-	50,739
Motor vehicle taxes	292,957	-	292,957
Franchise	112,605	-	112,605
Utility taxes	392,277	-	392,277
Investment earnings	71,300	1,640	72,940
State aid formula grants	7,159,155	-	7,159,155
Gain (loss) on sale of fixed assets	(6,387)	(4,817)	(11,204)
Miscellaneous	22,573	-	22,573
<b>Total general revenues</b>	<u>10,735,204</u>	<u>(3,177)</u>	<u>10,732,027</u>
Change in net assets	(82,125)	(93,654)	(175,779)
Net assets - beginning	15,279,883	596,766	15,876,649
Net assets - ending	<u>\$ 15,197,758</u>	<u>\$ 503,112</u>	<u>\$ 15,700,870</u>

See accompanying notes to financial statements.

**TRIMBLE COUNTY PUBLIC SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**

As of June 30, 2012

	General Fund	Special Revenue	Construction Fund	Other Governmental	Total Governmental
<b>ASSETS</b>					
Cash and cash equivalents	\$ (148,300)	\$ (319,648)	\$ 964,150	\$ 429,891	\$ 926,093
Investments	4,733,007	-	-	-	4,733,007
Other receivables	138,474	412,225	-	-	550,699
<b>Total assets</b>	<b>\$ 4,723,181</b>	<b>\$ 92,577</b>	<b>\$ 964,150</b>	<b>\$ 429,891</b>	<b>\$ 6,209,799</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 25,514	\$ 305	\$ 126,050	\$ -	\$ 151,869
Deferred revenue	-	92,272	-	-	92,272
<b>Total liabilities</b>	<b>25,514</b>	<b>92,577</b>	<b>126,050</b>	<b>-</b>	<b>244,141</b>
<b>Fund Balances</b>					
Restricted:					
Sick Leave Payable	81,985	-	-	-	81,985
Future Construction	-	-	838,100	-	838,100
SFCC Escrow- Current	-	-	-	429,891	429,891
Committed:					
Future Construction	746,509	-	-	-	746,509
Assigned:					
Site Base CFWD	14,563	-	-	-	14,563
Unassigned:	3,854,610	-	-	-	3,854,610
<b>Total fund balances</b>	<b>4,697,667</b>	<b>-</b>	<b>838,100</b>	<b>429,891</b>	<b>5,965,658</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,723,181</b>	<b>\$ 92,577</b>	<b>\$ 964,150</b>	<b>\$ 429,891</b>	<b>\$ 6,209,799</b>

See accompanying notes to financial statements.

**TRIMBLE COUNTY PUBLIC SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS -**  
**BALANCE SHEET TO THE STATEMENT OF NET ASSETS**

June 30, 2012

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

Total Fund Balance - Governmental Funds	\$	5,965,658
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental:

Cost of capital	\$ 26,838,791		
Construction in progress	1,635,923		
Accumulated depreciation	(8,842,294)		
Bond Issuance Cost	<u>377,119</u>		20,009,539

Long-term liabilities including bonds payable are not due and payable in the current period and therefore are not reported as liabilities in the funds:

Bonds payable	(10,360,000)		
Interest payable	(335,454)		
Sick leave	<u>(81,985)</u>		<u>(10,777,439)</u>

Total Net Assets-Governmental Funds	\$	<u>15,197,758</u>
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See accompanying notes to financial statements.

**TRIMBLE COUNTY PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

For the year ended June 30, 2012

Revenues	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
From local sources					
Property taxes	\$ 2,330,283	\$ -	\$ -	\$ 360,441	\$ 2,690,724
Motor vehicle taxes	253,795	-	-	39,162	292,957
Utilities taxes	392,277	-	-	-	392,277
Franchise	112,605	-	-	-	112,605
Tuition and fees	19,821	-	-	-	19,821
Earnings on investments	70,049	109	-	1,142	71,300
Other local revenues	22,572	22,863	-	-	45,435
State sources					
SEEK	5,271,070	-	-	323,238	5,594,308
On Behalf Payments	1,841,394	-	-	317,451	2,158,845
Restricted	-	322,028	-	-	322,028
Federal - Restricted, indirect	46,691	1,201,882	-	-	1,248,573
Federal - Restricted, direct	-	661,668	-	-	661,668
<b>Total revenues</b>	<b>10,360,557</b>	<b>2,208,550</b>	<b>-</b>	<b>1,041,434</b>	<b>13,610,541</b>
<b>Expenditures</b>					
Instruction	5,946,756	1,766,801	-	-	7,713,557
Support services					
Student	384,358	64,242	-	-	448,600
Instruction staff	301,092	115,704	-	-	416,796
District administration	524,641	69,960	-	-	594,601
School administration	756,719	-	-	-	756,719
Business	440,232	-	-	-	440,232
Plant operation and maintenance	1,068,463	4,126	-	-	1,072,589
Student transportation	943,377	45,613	-	-	988,990
Food service operation	-	7,169	-	-	7,169
Facilities acquisition and construction	37,165	-	1,371,793	-	1,408,958
Community service activities	5,371	161,229	-	-	166,600
Debt service	-	-	-	915,616	915,616
<b>Total expenditures</b>	<b>10,408,174</b>	<b>2,234,844</b>	<b>1,371,793</b>	<b>915,616</b>	<b>14,930,427</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>(47,617)</b>	<b>(26,294)</b>	<b>(1,371,793)</b>	<b>125,818</b>	<b>(1,319,886)</b>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	-	26,294	2,028,822	598,165	2,653,281
Operating transfers out	(2,055,116)	-	-	(598,165)	(2,653,281)
<b>Total other financing sources (uses)</b>	<b>(2,055,116)</b>	<b>26,294</b>	<b>2,028,822</b>	<b>-</b>	<b>-</b>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<b>(2,102,733)</b>	<b>-</b>	<b>657,029</b>	<b>125,818</b>	<b>(1,319,886)</b>
<b>Net change in fund balances</b>	<b>(2,102,733)</b>	<b>-</b>	<b>657,029</b>	<b>125,818</b>	<b>(1,319,886)</b>
<b>Fund balance, July 1, 2011</b>	<b>6,800,400</b>	<b>-</b>	<b>181,071</b>	<b>304,073</b>	<b>7,285,544</b>
<b>Fund balance, June 30, 2012</b>	<b>\$ 4,697,667</b>	<b>\$ -</b>	<b>\$ 838,100</b>	<b>\$ 429,891</b>	<b>\$ 5,965,658</b>

See accompanying notes to financial statements.

**TRIMBLE COUNTY PUBLIC SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**

For the year ended June 30, 2012

Total net change in fund balances - governmental funds \$ (1,319,886)

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

Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period. 690,627

In the statement of activities, only the gain on the sale of asset is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differ from the change in fund balances by the basis of the asset sold. (6,387)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets however issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. This is the amount by which bond proceeds exceed principal payments. 560,000

Interest on long-term debt in the statement of activities differs from the amount reported in governmental funds because interest is recorded as an expenditure in the fund when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net result of accrued interest on bonds. (6,479)

Change in Net Assets - Governmental Funds \$ (82,125)

See accompanying notes to financial statements.

**TRIMBLE COUNTY PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**

As of June 30, 2012

<b>ASSETS</b>	<u>Food Service Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 155,011	\$ 12,796	167,807
Other receivables	6,306	196	6,502
Inventory	28,889	-	28,889
<b>Total current assets</b>	<u>190,206</u>	<u>12,992</u>	<u>203,198</u>
<b>Noncurrent Assets</b>			
Furniture and equipment	602,332	694	603,026
Less: Accumulated depreciation	<u>(295,497)</u>	<u>(694)</u>	<u>(296,191)</u>
<b>Total noncurrent assets</b>	<u>306,835</u>	<u>-</u>	<u>306,835</u>
<b>Total assets</b>	<u>\$ 497,041</u>	<u>\$ 12,992</u>	<u>\$ 510,033</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 6,861	\$ 60	\$ 6,921
<b>Total current liabilities</b>	<u>6,861</u>	<u>60</u>	<u>6,921</u>
<b>Total liabilities</b>	<u>6,861</u>	<u>60</u>	<u>6,921</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	306,835	-	306,835
Restricted for:			
New Assets	154,456	12,932	167,388
Nonspendable - Inventory	28,889	-	28,889
<b>Total net assets</b>	<u>490,180</u>	<u>12,932</u>	<u>503,112</u>
<b>Total liabilities and net assets</b>	<u>\$ 497,041</u>	<u>\$ 12,992</u>	<u>\$ 510,033</u>

See accompanying notes to financial statements.

**TRIMBLE COUNTY PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**

For the year ended June 30, 2012

	Food Service Fund	Other Enterprise Fund	Total
<b>Operating Revenues</b>			
Service sales	\$ 276,603	\$ -	\$ 276,603
Tuition and Fees	-	19,395	19,395
<b>Total operating revenues</b>	<u>276,603</u>	<u>19,395</u>	<u>295,998</u>
<b>Operating Expenses</b>			
Salaries and wages	423,704	21,353	445,057
Professional and contract services	52,555	-	52,555
Supplies and materials	458,012	143	458,155
Depreciation	42,444	81	42,525
Other operating expenses	1,363	519	1,882
<b>Total operating expenses</b>	<u>978,078</u>	<u>22,096</u>	<u>1,000,174</u>
<b>Operating income (loss)</b>	<u>(701,475)</u>	<u>(2,701)</u>	<u>(704,176)</u>
<b>Non-operating revenues (expenses)</b>			
Federal grants	551,631	-	551,631
State grants	59,464	2,604	62,068
Interest income	1,640	-	1,640
Gain/ Loss on Sale of Assets	(4,817)	-	(4,817)
<b>Total non-operating revenues (expenses)</b>	<u>607,918</u>	<u>2,604</u>	<u>610,522</u>
<b>Net income (loss)</b>	<u>(93,557)</u>	<u>(97)</u>	<u>(93,654)</u>
<b>Total net assets, July 1, 2011</b>	<u>583,737</u>	<u>13,029</u>	<u>596,766</u>
<b>Total net assets, June 30, 2012</b>	<u>\$ 490,180</u>	<u>\$ 12,932</u>	<u>\$ 503,112</u>

See accompanying notes to financial statements.

**TRIMBLE COUNTY PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

For the year ended June 30, 2012

	Food Service Fund	Other Enterprise Funds	Total
<b>Cash Flows from Operating Activities</b>			
Cash received from sales	\$ 278,176	\$ (80)	\$ 278,096
Cash received from other activities	-	19,395	19,395
Cash payments to employees for services	(423,704)	(21,353)	(445,057)
Cash payments to suppliers for goods and services	(513,804)	(177)	(513,981)
Cash payments for other operating activities	(1,363)	(519)	(1,882)
<b>Net cash from operating activities</b>	<u>(660,695)</u>	<u>(2,734)</u>	<u>(663,429)</u>
<b>Cash Flows from Capital Financing Activities</b>			
Acquisition of capital assets	(29,206)	-	(29,206)
<b>Net cash from capital financing activities</b>	<u>(29,206)</u>	<u>-</u>	<u>(29,206)</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Non-operating grants received	611,095	2,604	613,699
<b>Net cash from noncapital financing activities</b>	<u>611,095</u>	<u>2,604</u>	<u>613,699</u>
<b>Cash Flows from Investing Activities</b>			
Interest on investments	1,640	-	1,640
<b>Net cash flows from investing activities</b>	<u>1,640</u>	<u>-</u>	<u>1,640</u>
<b>Net increase in cash and cash equivalents</b>	(77,166)	(130)	(77,296)
<b>Cash and cash equivalents - beginning</b>	232,177	12,926	245,103
<b>Cash and cash equivalents - ending</b>	<u>\$ 155,011</u>	<u>\$ 12,796</u>	<u>\$ 167,807</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating income (loss)	\$ (701,475)	\$ (2,701)	\$ (704,176)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Depreciation	42,444	81	42,525
Changes in assets and liabilities:			
Receivables	1,573	(80)	1,493
Inventory	(3,113)	-	(3,113)
Accounts payable	(124)	(34)	(158)
<b>Net Cash Provided by Operating Activities</b>	<u>\$ (660,695)</u>	<u>\$ (2,734)</u>	<u>\$ (663,429)</u>

See accompanying notes to financial statements.

**TRIMBLE COUNTY PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**

June 30, 2012

<b>ASSETS</b>	<u>School Activity Funds</u>	<u>Trust/Agency Fund</u>	<u>Total Fiduciary Funds</u>
<b>Current Assets</b>			
Cash	\$ -	\$ 19,222	\$ 19,222
Due from other funds	214,714	7	214,721
	<u>214,714</u>	<u>7</u>	<u>214,721</u>
<b>Total assets</b>	<u>\$ 214,714</u>	<u>\$ 19,229</u>	<u>\$ 233,943</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Due to school groups and others	\$ 214,714	\$ 600	\$ 215,314
	<u>214,714</u>	<u>600</u>	<u>215,314</u>
<b>Fund Balance</b>			
Assigned - Other	-	18,629	18,629
	<u>-</u>	<u>18,629</u>	<u>18,629</u>
<b>Total net assets and liabilities</b>	<u>\$ 214,714</u>	<u>\$ 19,229</u>	<u>\$ 233,943</u>

See accompanying notes to financial statements.

**TRIMBLE COUNTY PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - FIDUCIARY FUNDS**

For the year ended June 30, 2012

	<u>School Activity Funds</u>	<u>Trust/Agency Fund</u>	<u>Total Fiduciary Funds</u>
<b>Additions</b>			
Revenues from student activities	\$ 581,339	\$ 7,902	\$ 589,241
<b>Deduction</b>			
Non-instructional expenses	544,472	6,363	\$ 550,835
<b>Change in revenues over expenses</b>	36,867	1,539	38,406
<b>Due to school groups - beginning</b>	177,847	17,090	194,937
<b>Due to school groups - ending</b>	<u>\$ 214,714</u>	<u>\$ 18,629</u>	<u>\$ 233,343</u>

See accompanying notes to financial statements.

**TRIMBLE COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

For the year ended June 30, 2012

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Trimble County School District (District), a five-member group, is the basic level of government, which has financial accountability and control over all activities related to the public school education within the jurisdiction of the Trimble County School District. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and have primary financial accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined by GASB pronouncements. In accordance with GASB Standard 14, financial transactions of the following component unit are incorporated in the accompanying financial statements.

Trimble County School District Finance Corporation – The Trimble County School District resolved to authorize the establishment of the Trimble 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 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Trimble County School District also comprise the Corporation's Board of Directors.

Basis of Presentation

District-wide Financial Statements

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

The District-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular 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 segments 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. Non-major

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Financial Statements (Continued)

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

Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures or expenses as appropriate. The various funds are summarized by type in the financial statements. The District uses the following funds:

Governmental Fund Types

General Fund - The General Fund is the primary operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of grants from local, state and federal revenue sources that are legally restricted to expenditures for specified purposes. Project accounting is employed to maintain integrity for the various sources of funds. Federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities and equipment.

Capital Outlay Fund - 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.

Building Fund - The Facility Support Program of Kentucky Fund (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, as applicable. Funds may be used for projects identified in the District's facility plan.

Construction Fund - The Construction Fund is used to account for all resources including proceeds from bond sales and other revenues to be used for authorized construction expenditures.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for and the payment of general long-term principal and interest related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Proprietary Fund Type

Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (revenues) and decreases (expenditures) in retained earnings. Fixed assets of the proprietary fund are recorded at cost less accumulated depreciation. Depreciation on fixed assets is recorded using the straight-line method over the assets estimated useful lives. Under this basis of accounting and measurement focus, the District applies (a) all GASB pronouncements and (b) FASB Statements and Interpretations, APB opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. The District's Proprietary funds are comprised of the following:

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA).

The School Age Child Care Fund accounts for after school services rendered for school age children.

Fiduciary Fund Type

Fiduciary fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting.

The School Activity Funds are fiduciary funds used to account for student activity organizations in accordance with the Uniform Program of Accounting for School Activity Funds. Financial statements of groups and organizations associated with the school system but not originated within the District (e.g., Band Boosters, Parent-Teacher Associations, etc.) are not included within school activity funds.

Basis of Accounting

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

Exchange and Non-exchange transactions – There are two types of transactions: exchange and non-exchange. The method of determining revenue recognition (i.e., accrual v. modified accrual) depends upon the type of exchange as well as source of revenue. Exchange transactions occur when each party receives essentially equal value. Non-exchange transactions occur when one party receives value without directly giving equal value in return.

Modified Accrual - Revenue from non-exchange transactions (e.g., grants, entitlements and donations) must be available to be recognized. These sources of revenue are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenues from exchange transactions are recorded when susceptible to accrual, i.e., both

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting (Continued)**

measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the District, "available" means within sixty days of June 30. Property tax revenue is recognized in the fiscal year for which the taxes are levied. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. Under the modified basis of accounting, 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.

Accrual - Under the accrual basis of accounting, revenues are recorded when an exchange takes place. Expenses are recognized at the time they are incurred.

**Encumbrance Accounting**

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Kentucky Law, appropriations lapse at fiscal year end. Encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

**Cash and Cash Equivalents**

For the purposes of the statement of cash flows, the proprietary fund type considers highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

**Inventories**

The Proprietary Fund records inventory at cost, determined on a first-in, first-out basis, using the accrual basis of accounting.

**Budget**

The District is required by state law to adopt a budget annually for the General Fund and Special Revenue Fund. Each budget is presented on the modified actual basis of accounting which is consistent with the fund financial statement presentation with the exception of employee benefits paid by the state on behalf of the district. Such benefits are reported as expenditure in the General Fund financial statements based on labor distribution, but are not included in the annual budget.

**Fund Balances**

The School Board has implemented GASB Statement 54 employing new terminology and classifications for fund balance items.

Non-spendable Fund Balance includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable. At June 30, 2012 the District had non-spendable funds of \$28,889.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Balances (Continued)

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors, 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's

General Fund had \$746,509 restricted for construction and \$81,985 for sick leave, and \$838,100 as restricted capital projects in the Construction Fund, \$309,099 restricted in the Capital Outlay Fund, and \$120,792 restricted in the Building Fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had committed \$14,563 for Site-Based Carryforward in the General Fund at June 30, 2012.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrances of funds. Assigned fund balances also include (a) all remaining amounts (except for negative amounts balances) that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for specific purpose. The District did not have any assigned fund balances.

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 an unrestricted amount to have been spent when an expenditure is incurred for a purpose 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.

Use of Estimates

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

**NOTE 2. SAFEGUARDING CASH AND CASH EQUIVALENTS**

The District's cash and cash equivalents consist of amounts deposited in interest bearing accounts. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

**NOTE 2. SAFEGUARDING CASH AND CASH EQUIVALENTS (continued)**

At June 30, 2012, the carrying amount of the District's combined deposits (cash and cash equivalents) excluding school activity funds was \$7,416,238. The bank balances were covered by the combination of FDIC insurance and collateral held by the District's agent in the District's name at June 30, 2012.

**Custodial Credit Risk – Deposits**

Custodial Credit Risk is the risk that in the event of a depository institution failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). All deposits meet current guidelines.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 Deposits that are insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the District's cash deposits are classified as Category 2.

Statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements. The investment pool and repurchase agreements are considered nonparticipating contracts. The District has a repurchase agreement whereby daily bank deposits sweep to an interest bearing overnight account. Such agreements can be categorized according to three levels of risk. These three levels of risk are:

Category 1 Investments that are insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 Investments that are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 Uninsured and unregistered investments held by the counter party, its trust or its agent, but not in the District's name.

The District's investment in repurchase agreements is classified by risk level as Category 2.

**NOTE 3. PROPERTY TAXES**

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period 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 in the General Fund and then transferred to the appropriate fund.

**NOTE 3. PROPERTY TAXES (continued)**

The property tax rates assessed for the year ended June 30, 2012, to finance the General Fund operations were \$.610 per \$100 valuation of real property, \$.612 per \$100 valuation for business personal property and \$.554 per \$100 valuation for motor vehicles.

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

**NOTE 4. RETIREMENT PLANS**

**Kentucky Teachers' Retirement System**

The Kentucky Local School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefits pension plan. That report can be obtained by writing the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3868; or from the KTRS web site at <http://www.ktrs.ky.gov/>.

Funding policy – Contribution rates are established by KRS. Members who established an account in a state retirement system before July 2008 are required to contribute 10.355% of their salaries to KTRS. Members after July 2008 contribute an additional 0.5%. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions.

**Medical Insurance Plan**

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

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

TRIMBLE COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)

**NOTE 4. RETIREMENT PLANS (continued)**

Funding policy -- In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Those who became members before July 1, 2008 contribute 1.25% of salary to the plan. Member contributions are 1.75% of salary for those who became members after July 1, 2008. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 0.5% of members' salary for the 2011-2012 fiscal year.

The Trimble County School District's total payroll for the year was \$7,925,958. For the year ended June 30, 2012, the Commonwealth contributed \$773,186 to KTRS for the benefit of participating employees. The District's contributions to KTRS for the year ending June 30, 2012 were \$97,944.

County Employees Retirement System

Plan Description - The County Employees Retirement System (CERS) administered by the Kentucky Retirement System (KRS) is a cost-sharing multiple-employer defined benefit public employee retirement system. The plan provides benefit pension plan coverage for substantially all regular non-certified, full-time employees of each county and Public Schools, and any additional eligible local agencies electing to participate in the System. The participant has a fully vested interest after the completion of sixty months of service, twelve of which are current service. At a minimum, terminated employees are refunded their contributions with credited interest at 3% compounded annually through June 30, 1980, 6% thereafter through June 30, 1986, and 4% thereafter.

CERS through KRS provides for retirement, disability, death, and survivor and health benefits of its members. The KRS annual financial report and other required disclosure information is available by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by calling (800) 928-4646.

Funding Status and Progress - The Kentucky Retirement System administers CERS based upon employer matching contributions from each county, Public Schools and eligible local agencies electing to participate in the System. The Board of Trustees of Kentucky Retirement Systems determines contribution rates each biennium. The CERS non-hazardous contribution rates for the year ended June 30, 2012 for members are 5% of their salaries. Participation after September 1, 2008 is at the rate of 6%. The District is required to contribute 18.96 %.

The District's total gross payroll for the year was \$7,925,958. The contribution requirement for CERS for the year ended June 30, 2012, was \$519,593, which consisted of \$408,860 from the District and \$110,733 from employees.

Additional information and historical trend information can be obtained from the Teachers' Retirement System of Kentucky and the County Employee Retirement System of Kentucky.

**NOTE 5. LIABILITY FOR COMPENSATED ABSENCES**

Employees are awarded 10 days of sick leave annually, based upon employment contract terms and District policy. Sick leave is accrued without limitation. Upon retirement from the school system, a certified or classified employee receives from the District an amount equal to 30% of the value of accumulated sick leave at the current daily rate of pay. At June 30, 2012, the estimate of the current portion for those employees with 27 or more years covered service is \$81,985, which is recorded as a current liability in the district-wide financial statements.

TRIMBLE COUNTY SCHOOL DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2012  
 (Continued)

**NOTE 6. CAPITAL ASSETS**

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

All capital assets are capitalized at cost or estimated historical cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000 with the exception of computers, digital cameras and real property which have 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.

<b>Governmental Assets</b>	<b>June 30, 2011</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2012</b>
Land	\$ 422,720	\$ -	\$ -	\$ 422,720
Land Improvements	429,982	-	(1,072)	428,910
Buildings & Improvements	22,602,830	19,999	-	22,622,829
Technology Equipment	1,058,829	91,853	(131,715)	1,018,967
Other	480,818	-	(9,712)	471,106
Vehicles	1,969,517	-	(95,258)	1,874,259
Construction in Progress	264,130	1,371,793	-	1,635,923
<b>Totals at historical cost</b>	<b>27,228,826</b>	<b>1,483,645</b>	<b>(237,757)</b>	<b>28,474,714</b>
<b>Less: Accumulated Depreciation</b>				
Land Improvements	314,972	15,985	(1,072)	329,885
Buildings & Improvements	5,758,885	489,592	-	6,248,477
Technology Equipment	777,241	134,631	(126,762)	785,110
Other	216,430	22,495	(8,278)	230,647
Vehicles	1,213,118	130,315	(95,258)	1,248,175
<b>Total accumulated depreciation</b>	<b>8,280,646</b>	<b>793,018</b>	<b>(231,370)</b>	<b>8,842,294</b>
<b>Net Fixed Assets - Government</b>	<b>\$ 18,948,180</b>	<b>690,627</b>	<b>\$ (6,387)</b>	<b>\$ 19,632,420</b>
<b>Business Assets</b>				
Technology Equipment	\$ 16,565	\$ -	\$ (1,787)	\$ 14,778
General Equipment	573,313	29,206	(14,271)	588,248
<b>Totals at historical cost</b>	<b>589,878</b>	<b>29,206</b>	<b>(16,058)</b>	<b>603,026</b>
<b>Less: Accumulated Depreciation</b>				
Technology Equipment	13,797	2,362	(1,787)	14,372
General Equipment	251,110	40,163	(9,454)	281,819
<b>Total accumulated depreciation</b>	<b>264,907</b>	<b>42,525</b>	<b>(11,241)</b>	<b>296,191</b>
<b>Net Fixed Assets - Business Type</b>	<b>\$ 324,971</b>	<b>(13,319)</b>	<b>\$ (4,817)</b>	<b>\$ 306,835</b>

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:

TRIMBLE COUNTY SCHOOL DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2012  
 (Continued)

**NOTE 6. CAPITAL ASSETS (continued)**

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

**NOTE 7. BOND DEBT**

The District is required to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Trimble County Public Board of Education Finance Corporation to construct school facilities. Current requirements for principal and interest expenditures are accounted for in the Building Fund in accordance with state law. The District is liable for all issues; however, the Kentucky School Facilities Construction Commission participates by contributing those portions of debt that are appropriated in the State's biennial budget.

Trimble County School District is contingently liable for the debt listed below under Kentucky School Facilities Construction Commission (KSFCC). The KSFCC principal has not been included as bonded indebtedness in the basic financial statements. A Schedule of Total Bonded Debt Maturities follows on page 28.

The issue date, principal amounts for each issue and interest rates are summarized below:

<u>Bond Series</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>2011</u>			<u>2012</u>
				<u>Outstanding Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Outstanding Balance</u>
2002	5,700,000	2022	4.62%	\$235,000	\$ -	\$ 235,000	\$ 0
2002R	1,226,927	2014	3.50%	330,000	-	105,000	225,000
2007	6,355,000	2028	3.85%	5,935,000	-	155,000	5,780,000
2011	4,445,000	2022	1.00-3.00%	4,420,000	-	65,000	4,355,000
<b>TOTAL</b>				<b>\$ 10,920,000</b>	<b>\$ -</b>	<b>\$ 560,000</b>	<b>\$ 10,360,000</b>

Assuming the issues are not called prior to scheduled maturity, the minimum obligations at June 30, 2012 for debt service are as shown in the supplemental Schedule of Total Bonded Debt Maturities, which includes "participation agreements" with the Kentucky School Facilities Construction Commission. The Kentucky General Assembly created the KSFCC for the purpose of assisting local schools in meeting school construction needs. The participation agreement amounts to be assumed by KSFCC are not recorded in the District's basic financial statements.

TRIMBLE COUNTY SCHOOL DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2012  
 (Continued)

**NOTE 7. BOND DEBT (continued)**

**TRIMBLE COUNTY SCHOOLS  
 SCHEDULE OF TOTAL BOND DEBT MATURITIES  
 AS OF JUNE 30, 2012**

YEAR	TRIMBLE COUNTY SCHOOL DISTRICT		KY SCHOOL FACILITIES CONSTRUCTION		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2013	\$ 373,048	\$ 219,955	\$ 201,952	\$ 115,499	\$ 910,454
2014	382,211	212,777	207,789	109,663	912,440
2015	388,698	203,039	201,302	102,916	895,955
2016	397,178	194,606	207,822	96,397	896,003
2017	405,247	185,108	214,753	89,466	894,574
2018	417,960	174,882	222,040	82,178	897,060
2019	430,222	163,308	229,778	74,440	897,748
2020	442,048	150,578	237,952	66,267	896,845
2021	453,578	137,572	246,422	57,797	895,369
2022	474,675	123,540	255,325	48,894	902,434
2023	428,793	101,534	176,207	39,665	746,199
2024	446,876	84,677	183,124	32,748	747,425
2025	464,687	67,130	190,313	25,559	747,689
2026	487,216	48,806	197,784	18,088	751,894
2027	504,452	29,716	205,548	10,324	750,040
2028	519,619	10,003	165,381	3,184	698,187
<b>TOTAL</b>	<b>\$ 7,016,508</b>	<b>\$2,107,231</b>	<b>\$ 3,343,492</b>	<b>\$ 980,427</b>	<b>\$13,440,316</b>

**NOTE 8. OPERATING FUND TRANSFERS**

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	KETS Offer of Assistance	\$ 26,294
Operating	General	Construction	Construction & Improvements	2,028,822
Operating	Capital Outlay	Debt Service?	Debt Service	28,008
Operating	Building	Debt Service	Debt Service	570,157
			<b>Total Transfers</b>	<b>\$2,653,281</b>

**NOTE 9. DEFICIT OPERATING BALANCES**

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

General	(\$2,102,733)
Food Service Fund	(\$93,557)
Child Care	(\$97)

**NOTE 10. RISK MANAGEMENT**

Liability Insurance Coverage

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 include workers' compensation insurance.

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases liability insurance from the J. W. Hall & Sons Insurance.

Workers' Compensation

The District pays an annual premium to the J. W. Hall & Sons Insurance for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

Unemployment Insurance

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

COBRA

Under COBRA, (Consolidated Omnibus Budget Reconciliation Act) employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for potential loss.

**NOTE 11. COMMITMENTS AND CONTINGENCIES**

Grant Programs

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

Litigation

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

**NOTE 12. BUDGETARY DISCLOSURE REQUIREMENTS**

Budgetary comparisons for the General Fund and Special Revenue Fund are disclosed as required supplementary information. "On-behalf" contributions made by the Commonwealth of Kentucky were recorded in the District's records as revenues and expenditures. The purpose of the policy change was to conform to requirements of the GASB 34 reporting model. The District's budget appropriations did not reflect this change in policy because the Kentucky Department of Education directed districts to not budget for on behalf payments.

**NOTE 13. ON-BEHALF PAYMENTS**

The District receives on-behalf payments from the State of Kentucky for items including retirement and insurance. The amount received for the fiscal year ended June 30, 2012 was \$2,212,069. These payments were recorded as follows:

General Fund	\$ 1,841,394
Food Service	50,620
Child Care	2,604
Debt Service	<u>317,451</u>
Total	<u>\$ 2,212,069</u>

**NOTE 14. SUBSEQUENT EVENT**

In July 2012 the District issued revenue bonds in the amount of \$1,250,000 to be used for projects under construction.

**TRIMBLE COUNTY PUBLIC SCHOOL DISTRICT**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**

For the year ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)	Variance % Favorable (Unfavorable)
<b>REVENUES</b>					
From local sources					
Taxes					
Property taxes	\$ 2,896,698	\$ 2,920,327	\$ 2,330,283	\$ (590,044)	-20.20%
Motor vehicle taxes	257,625	257,114	253,795	(3,319)	-1.29%
Utility taxes	390,000	400,000	392,277	(7,723)	-1.93%
Unmined minerals taxes	-	-	112,605	112,605	100.00%
Tuition and Fees	23,000	22,000	19,821	(2,179)	-9.90%
Earnings on investments	52,000	95,050	70,049	(25,001)	-26.30%
Other local revenues	8,500	8,500	22,572	14,072	165.55%
State Sources					
SEEK	5,145,077	5,237,296	5,271,070	33,774	0.64%
Other	17,000	32,150	1,841,394	1,809,244	5627.51%
Federal-Indirect	15,000	15,000	46,691	31,691	211.27%
Other	100	100	-	(100)	-100.00%
Beginning Balance	3,875,822	5,971,906	6,800,400	828,494	13.87%
Less On-Behalf Payments	-	-	(1,841,394)	(1,841,394)	
<b>TOTAL REVENUES</b>	<b>12,680,822</b>	<b>14,959,443</b>	<b>15,319,563</b>	<b>360,120</b>	<b>2.41%</b>
<b>EXPENDITURES</b>					
Instructional	4,893,065	4,778,551	5,946,756	(1,168,205)	-24.45%
Student services					
Student	358,862	350,578	384,358	(33,780)	-9.64%
Instructional staff	250,066	231,738	301,092	(69,354)	-29.93%
District administrative	389,111	383,412	524,641	(141,229)	-36.83%
School administrative	632,246	613,942	756,719	(142,777)	-23.26%
Business	365,645	353,769	440,232	(86,463)	-24.44%
Plant operation and maintenance	1,046,760	1,042,754	1,068,463	(25,709)	-2.47%
Student transportation	976,842	945,339	943,377	1,962	0.21%
Facilities acquisition and construction	75,000	75,000	37,165	37,835	50.45%
Community Services	5,066	5,073	5,371	(298)	-5.87%
Inter-fund transfers	15,776	1,771,192	2,055,116	(283,924)	-16.03%
Contingency	3,672,383	4,408,095	-	4,408,095	100.00%
Less On-Behalf Payments	-	-	(1,841,394)	1,841,394	
<b>TOTAL EXPENDITURES</b>	<b>12,680,822</b>	<b>14,959,443</b>	<b>10,621,896</b>	<b>4,337,547</b>	<b>29.00%</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,697,667</b>	<b>\$ 4,697,667</b>	<b>31.40%</b>

NOTE: BUDGET INFORMATION IS DERIVED FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT, WHICH MAY VARY FROM THE BASIC FINANCIAL STATEMENTS. THE VARIATIONS ARE PRIMARILY DUE TO PRESENTATION OF OTHER FINANCING SOURCES (USES) OF FUNDS AND TRANSFERS.

**TRIMBLE COUNTY PUBLIC SCHOOL DISTRICT**  
**SPECIAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**

For the year ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)	Variance % Favorable (Unfavorable)
<b>REVENUES</b>					
From local sources					
Earnings on investments	\$ 85	\$ 85	\$ 109	\$ 24	28.24%
Other local revenues	2,000	23,555	22,863	(692)	-2.94%
Intergovernmental - state	368,564	365,504	322,028	(43,476)	-11.89%
Intergovernmental - Federal	1,607,135	2,072,446	1,863,550	(208,896)	-10.08%
Inter-fund transfers	18,803	26,294	26,294	-	0.00%
<b>TOTAL REVENUES</b>	<u>1,996,587</u>	<u>2,487,884</u>	<u>2,234,844</u>	<u>(253,040)</u>	<u>-10.17%</u>
<b>EXPENDITURES</b>					
Instructional	1,441,238	1,943,850	1,766,801	177,049	9.11%
Student services:					
Student	57,318	69,000	64,242	4,758	6.90%
Instructional staff	162,097	133,060	115,704	17,356	13.04%
District administration	73,668	70,683	69,960	723	1.02%
Plant operation and maintenance	46,514	46,514	4,126	42,388	91.13%
Student transportation	53,409	54,977	45,613	9,364	17.03%
Food service operations	8,500	9,095	7,169	1,926	21.18%
Community services	153,843	160,705	161,229	(524)	-0.33%
<b>TOTAL EXPENDITURES</b>	<u>1,996,587</u>	<u>2,487,884</u>	<u>2,234,844</u>	<u>253,040</u>	<u>10.17%</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>0.00%</u>

NOTE: BUDGET INFORMATION IS DERIVED FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT, WHICH MAY VARY FROM THE BASIC FINANCIAL STATEMENTS. THE VARIATIONS ARE PRIMARILY DUE TO PRESENTATION OF OTHER FINANCING SOURCES (USES) OF FUNDS AND TRANSFERS.

**TRIMBLE COUNTY PUBLIC SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS**

As of June 30, 2012

	<u>Building Fund (FSPK)</u>	<u>SEEK Capital Outlay Fund</u>	<u>Total Non-Major Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 120,792	\$ 309,099	\$ 429,891
<b>Total assets</b>	<u>\$ 120,792</u>	<u>\$ 309,099</u>	<u>\$ 429,891</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Fund Balances</b>			
Restricted:			
Restricted for SFCC Escrow	\$ 120,792	\$ 309,099	\$ 429,891
<b>Total fund balances</b>	<u>\$ 120,792</u>	<u>\$ 309,099</u>	<u>\$ 429,891</u>

**TRIMBLE COUNTY PUBLIC SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**

For the year ended June 30, 2012

<b>Revenues</b>	<u>Building Fund (FSPK)</u>	<u>SEEK Capital Outlay Fund</u>	<u>Debt Service Fund</u>	<u>Total Non-major Govt. Funds</u>
From local sources				
Property taxes	\$ 360,441	\$ -	\$ -	\$ 360,441
Motor Vehicle tax	39,162	-	-	39,162
Earning on Investments	435	707	-	1,142
State sources				
SEEK	191,773	131,465	-	323,238
On Behalf	-	-	317,451	317,451
<b>Total revenues</b>	<u>591,811</u>	<u>132,172</u>	<u>317,451</u>	<u>1,041,434</u>
<b>Expenditures</b>				
Debt service	-	-	915,616	915,616
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>915,616</u>	<u>915,616</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>591,811</u>	<u>132,172</u>	<u>(598,165)</u>	<u>125,818</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in			598,165	598,165
Operating transfers out	(570,157)	(28,008)	-	(598,165)
<b>Total other financing sources (uses)</b>	<u>(570,157)</u>	<u>(28,008)</u>	<u>598,165</u>	<u>-</u>
<b>Net change in fund balances</b>	21,654	104,164	-	125,818
<b>Fund balance, July 1, 2011</b>	<u>99,138</u>	<u>204,935</u>	<u>-</u>	<u>304,073</u>
<b>Fund balance, June 30, 2012</b>	<u>\$ 120,792</u>	<u>\$ 309,099</u>	<u>\$ -</u>	<u>\$ 429,891</u>

**TRIMBLE COUNTY PUBLIC SCHOOL DISTRICT**  
**TRIMBLE COUNTY HIGH SCHOOL ACTIVITY FUND**  
**ALL FUNDS COMBINED**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE**

For the year ended June 30, 2012

Fund Accounts	Fund Balance June 30, 2011	Receipts	Disburse- ments	Fund Balance June 30, 2012
General	\$ 13,183	\$ 11,218	\$ 15,032	\$ 9,369
American Cancer Society	63	-	63	-
Transportation Costs	17,675	16,902	7,210	27,367
AP Exams	443	3,507	3,950	-
Washington D. C. Trip	-	-	-	-
Charities	345	1,343	1,165	523
Calculator Fee	280	135	415	-
Pathways to Careers	25	-	25	-
Families in Need	74	-	-	74
CBI (S. Heitman)	-	871	181	690
Guidance Department	317	483	405	395
Freshman Class	364	1,686	1,589	461
Sophomore Class	1,952	4,469	4,411	2,010
Junior Class	3,857	7,157	7,685	3,329
Choir	57	-	57	-
Library	80	841	277	644
Science	75	-	-	75
Senior Class	1,439	22,342	22,578	1,203
Senior Overflow	1,687	1,439	-	3,126
Physical Education	-	689	689	-
FCA	258	12	12	258
Field Trips	1,184	-	408	776
Academic Team	-	3,348	2,869	479
Art Club	267	130	80	317
Beta Club	1	1,876	1,876	1
Greenhouse	-	1,839	50	1,789
FFA	1,328	14,119	14,785	662
Band	-	7,641	7,641	-
Jazz Band	95	-	-	95
FBLA	53	2,548	2,551	50
Math Club	183	-	183	-
History Club	486	1,432	1,003	915
Pep Club	1,256	2,598	3,370	484
Science Club	1,231	-	-	1,231
Spanish Club	853	-	853	-
Student Council	504	150	304	350
Yearbook	5,274	7,033	11,777	530
Teen Leadership	96	36	36	96
Media Class	411	231	269	373

**TRIMBLE COUNTY PUBLIC SCHOOL DISTRICT**  
**TRIMBLE COUNTY HIGH SCHOOL ACTIVITY FUND**  
**ALL FUNDS COMBINED**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE**

For the year ended June 30, 2012

Fund Accounts	Fund Balance June 30, 2011	Receipts	Disburse- ments	Fund Balance June 30, 2012
Drama	\$ 1,845	\$ 4,129	\$ 2,746	\$ 3,228
Technology Student Association	259	84	-	343
Bookstore	155	-	93	62
Snack Machine	36	-	36	-
Lounge Drink Machine	806	4,157	4,915	48
Athletic Drink Machine	966	1,856	1,456	1,366
Courtyard	205	-	146	59
Credit Recovery/E-School	2,632	1,482	50	4,064
Textbooks	18,642	25,533	21,604	22,571
Flower and Gift Fund	162	950	956	156
Chemistry Physics Forensics	-	54	54	-
Agricultural Fees	714	446	877	283
Art Fees	135	1,898	1,744	289
Business Fees	9	745	654	100
Computer Lab Fees	177	2,000	2,132	45
Biology/Anatomy	-	144	142	2
Physical Science Fees	493	465	498	460
Chemistry Lab	13	-	-	13
Technology Fees	102	500	572	30
Forensic	51	90	60	81
Art/Humanities	976	-	976	-
Dance	60	-	60	-
Student Incentives	455	7,554	7,834	175
Athletics	242	52,439	48,704	3,977
Cheerleaders	759	11,429	11,218	970
Boys Golf	133	2,631	2,764	-
Football	793	31,618	29,438	2,973
Football Raffle	744	-	-	744
Boys Basketball	1,214	21,155	22,022	347
8th Region Basketball Coaches	1,190	1,300	582	1,908
Girls Basketball	-	20,741	20,426	315
Cross Country	-	9,688	9,688	-
Track	-	6,006	4,504	1,502
Girls Golf	-	225	225	-
Softball	-	11,231	10,835	396
Baseball	2,448	11,771	11,892	2,327
Tennis	741	985	1,565	161
Volleyball	-	14,406	14,406	-
Girls Tennis	827	1,457	2,284	-
Girls Golf	674	1,467	1,869	272

**TRIMBLE COUNTY PUBLIC SCHOOL DISTRICT**  
**TRIMBLE COUNTY HIGH SCHOOL ACTIVITY FUND**  
**ALL FUNDS COMBINED**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE**

For the year ended June 30, 2012

Fund Accounts	Fund Balance June 30, 2011	Receipts	Disburse- ments	Fund Balance June 30, 2012
District Basketball	\$ -	\$ 9,345	\$ 9,345	\$ -
District Basketball - JV	-	1,215	1,215	-
Class A Tourney - Boys	-	7,740	7,740	-
Relay for Life	-	2,252	2,189	63
Raider Wear	1,100	1,280	1,880	500
Dance Team	-	3,765	1,970	1,795
Project Prom	250	50	-	300
Taylor/Hughes Memorial	50	450	500	-
Kelly Jewell Scholarship	464	975	1,200	239
In Memory Of F Burkhardt	-	500	450	50
Totals	<u>\$ 95,918</u>	<u>\$ 394,283</u>	<u>\$ 380,315</u>	<u>\$ 109,886</u>

**TRIMBLE COUNTY PUBLIC SCHOOL DISTRICT**  
**ELEMENTARY AND MIDDLE SCHOOLS ACTIVITY FUNDS**  
**ALL FUNDS COMBINED**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE**

For the year ended June 30, 2012

Schools	Fund Balance June 30, 2011	Receipts	Disburse- ments	Fund Balance June 30, 2012
Elementary				
Bedford Elementary	\$ 34,076	\$ 55,660	\$ (41,011)	\$ 48,725
Milton Elementary	14,315	41,917	(42,356)	13,876
Middle				
Trimble County	33,538	89,479	(80,790)	42,227
Trust & Agency Funds	17,090	7,902	(6,363)	18,629
Totals	<u>\$ 99,019</u>	<u>\$ 194,958</u>	<u>\$ (170,520)</u>	<u>\$ 123,457</u>

**TRIMBLE COUNTY PUBLIC SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the year ended June 30, 2012

<u>Program Title</u>	<u>Passthrough Number</u>	<u>Federal CFDA No.</u>	<u>Award Expenditures</u>	<u>Total By CFDA #</u>
<b>U. S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Kentucky Department of Education:</i>				
<u>Child Nutrition Cluster</u>				
School Breakfast Program	7760005-11	10.553	\$ 143,855	
National School Lunch Program	7750002-11	10.555	350,327	
Summer Food Service Program for Children		10.559	4,407	\$ 498,589
<i>Passed Through Kentucky Department of Agriculture:</i>				
Commodity Supplemental Food Program (NOTE B)		10.565	55,517	55,517
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>				<u>554,106</u>
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Direct Programs</i>				
<u>Head Start - FY 11</u>	6551	93.600	\$ 661,668	
Service Learning	6751	94.004	3,917	\$ 665,585
<b>U. S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Kentucky Department of Education:</i>				
<u>Title I Cluster</u>				
Title I: Part A - Improving Basic Programs	3102	84.010	333,510	
Title I: Part A - School Improvement	3201	84.010A	24,458	
Title I: Part A - Migrant	3112	84.011A	53,891	
ARRA - Title I: Part A - School Improvement	5600A	84.388A	33,324	
ARRA - Title I: Part A - School Improvement	5600B	84.388A	42,906	488,089
<u>Special Education Cluster</u>				
IDEA B - BASIC	3372	84.027	248,950	
ARRA - IDEA B	4250	84.391	2,226	
ARRA - IDEA B	4251	84.391	842	
IDEA B - Preschool	3432	84.173	11,502	263,520
Community-Based Work Transition	3712	84.340	900	
Carl Perkins, Title I: Part C - Vocational	3481	84.048	651	
Carl Perkins, Title I: Part C - Vocational	3482	84.048	13,820	15,371
Title II: High Quality Teachers & Principals	4012	84.367	71,326	71,326
Education Jobs Fund Program	4411	84.410	235,362	235,362
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>				<u>1,073,668</u>
<b>CORP FOR NATIONAL &amp; COMMUNITY SERVICE</b>				
Drug Free Communities	5001A	93.276	22,986	
Drug Free Communities	5002A	93.276	42,735	65,721
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<u>\$ 2,359,080</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

**TRIMBLE COUNTY SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the year ended June 30, 2012

**NOTE A. BASIS OF PRESENTATION**

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

**NOTE B. FOOD DISTRIBUTION PROGRAM**

Non-monetary assistance is reported in the Schedule at the fair value of the commodities received. Commodities passed through during the year totaled \$53,517, with the U.S. Department of Agriculture providing \$51,517 and \$2,000 from the U.S. Department of Defense.



**TRIMBLE COUNTY PUBLIC SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended June 30, 2012

Section 2. Financial Statement Findings

Current Year Findings:

Finding 2012-01: AFR Preparation

*Statement of Condition:* Prior to preparation of the AFR, the District had not recorded significant accounts payable, nor had depreciation been posted for the year and various balance sheet accounts and other accounts had not been properly reconciled during the year and at year end.

*Criteria for Condition:* A fundamental concept in a good system of internal controls is prompt and accurate recording of accounting transactions and reconciliation of significant account balances.

*Cause of the Condition:* Lack of understanding and attention to balance sheet accounts and general ledger reconciliation of wages to payroll records.

*Effect of the Condition:* Controls are less effective due to various financial transactions not accurately reflected nor promptly recorded in the District's records.

*Recommendation for Correction:* The District should develop procedures to monitor the transactions recorded in all balance sheet accounts.

**Response or Additional Information:** Management will review the procedures currently in place and determine what, if any, additional procedures need to be implemented.

Finding 2012-02: Segregation of Duties

*Statement of Condition:* The District lacks proper segregation of duties over its financial reporting at the school level.

*Criteria for Condition:* A fundamental concept in a good system of internal controls is the separation of duties. The basic concept is that no employee should have access to all phases of a transaction.

*Cause of the Condition:* Limited personnel at the school level.

*Effect of the Condition:* Controls are less effective due to school bookkeepers involvement in all phases of various financial transactions.

*Recommendation For Correction:* The District should develop procedures to monitor the financial activities of those schools where personnel are limited.

**Response or Additional Information:** Management will review the procedures currently in place and determine what, if any, additional procedures need to be implemented.

**TRIMBLE COUNTY PUBLIC SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended June 30, 2012

**Finding 2012-03: Financial Statement Preparation**

*Statement of Condition:* The District does not have a system of internal controls that would enable management to conclude that the financial statements and the related disclosures are complete and presented in accordance with U. S. Generally Accepted Accounting Principles (GAAP).

*Criteria for Condition:* Management is responsible for the fair presentation of the financial results of operations, cash flows and disclosures in the financial statements in conformity with GAAP.

*Cause of the Condition:* Management has made the decision to accept this risk due to cost considerations.

*Effect of the Condition:* Management has requested us to assist in identifying adjustments to the accounting records and to prepare a draft of the financial statements, including related footnote disclosures.

*Recommendation for Correction:* Management needs to re-evaluate the decision to accept the risk resulting from no system of internal controls for financial reporting as referenced in the condition above.

**Response or Additional Information:** Management has made the cost benefit decision to rely on our accounting expertise rather than incur additional internal resource costs.

**TRIMBLE COUNTY PUBLIC SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the year ended June 30, 2012

Prior Year Findings:

- Finding 2011-01: The District lacks proper segregation of duties over its financial reporting at the school level.
- Finding 2011-02: The District does not have a system of internal controls that would enable management to conclude that the financial statements and the related disclosures are complete and presented in accordance with U. S. Generally Accepted Accounting Principles (GAAP).
- Finding 2011-03: The District lacks proper controls to ensure that purchases meeting the capitalization threshold are recorded as fixed assets.

Section 3. Federal Awards Findings and Questionable Costs

Current Year Findings: No matters were reported

Prior Year Findings: No matters were reported

**TRIMBLE COUNTY SCHOOL DISTRICT**  
**SUMMARY OF PRIOR YEAR AUDIT FINDINGS**  
Year ended June 30, 2012

Prior Year Findings:

- Finding 2011-01: The District lacks proper segregation of duties over its financial reporting at the school level. REPEAT FINDING
- Finding 2011-02: The District does not have a system of internal controls that would enable management to conclude that the financial statements and the related disclosures are complete and presented in accordance with U. S. Generally Accepted Accounting Principles (GAAP). REPEAT FINDING
- Finding 2011-03: The District lacks proper controls to ensure that purchases meeting the capitalization threshold are recorded as fixed assets. REPEAT FINDING

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State Committee for School District Audits  
Superintendent and Members of the Public Schools  
Trimble County School District  
Bedford, Kentucky

<p><b>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</b></p>
--

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Trimble County School District, Bedford, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 15, 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 audit requirements prescribed by the Kentucky State Committee for School District Audits in accordance with Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract - General Audit Requirements, Appendix II to the Independent Auditor's Contract - State Audit Requirements, Appendix III to the Independent Auditor's Contract - Audit Extension Request, and Appendix IV to the Independent Auditor's Contract - Instructions for Submission of the Audit Report.

## Internal Control Over Financial Reporting

Management of Trimble County School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Trimble 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 Trimble County School District's internal control over financial reporting.

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 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 described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in the internal control over financial reporting that we consider to be material weakness and also significant deficiencies that are not considered to be material weakness.

*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

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  
(Continued)

internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned cost to be material weaknesses, 2012-01 and 2012-03.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies, 2012-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trimble County School District's financial statements for the year ended June 30, 2012, 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 material instances of noncompliance of specific state statutes or regulation indentified in Appendix II of the Independent Auditor's Contract - State Audit Requirements.

We noted certain other matters that we reported to management of Trimble County School District in a separate letter dated November 15, 2012.

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

This report is intended solely for the information and use of the District, management, others within the organization, 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.

Respectfully Submitted,



Ross and Company, PLLC  
November 15, 2012

**ROSS & COMPANY, PLLC**  
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**800 Envoy Circle**  
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State Committee for School District Audits  
Superintendent and Members of the Board  
Trimble County School District  
Bedford, Kentucky

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

**Compliance**

We have audited Trimble County School District's compliance with the types of compliance requirements described OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Trimble County School District's major federal programs for the year ended June 30, 2012. Trimble 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 Trimble County School District's management. Our responsibility is to express an opinion on Trimble 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, and Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract - Audit Extension Request, and Appendix IV to the Independent Auditor's Contract - Instructions for Submission of the Audit Report. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Trimble 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 Trimble County School District's compliance with those requirements.

In our opinion, Trimble 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.

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

**Internal Control over Compliance**

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

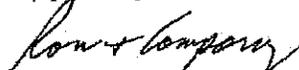
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,

  
Ross & Company, PLLC  
November 15, 2012

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State Committee for School District Audits  
Superintendent and Members of the Public Schools  
Trimble County School District  
Bedford, Kentucky

**RECOMMENDATIONS AND COMMENTS TO MANAGEMENT**

In planning and performing our audit, we considered Trimble 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 Trimble County School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, 2012-03.

**Current Year Findings:**

**Finding 2012-01: AFR Preparation**

*Statement of Condition:* Prior to preparation of the AFR, the District had not recorded significant accounts payable, nor had depreciation been posted for the year and various balance sheet accounts and other accounts had not been properly reconciled during the year and at year end.

*Criteria for Condition:* A fundamental concept in a good system of internal controls is prompt and accurate recording of accounting transactions and reconciliation of significant account balances.

*Cause of the Condition:* Lack of understanding and attention to balance sheet accounts and general ledger reconciliation of wages to payroll records.

*Effect of the Condition:* Controls are less effective due to various financial transactions not accurately reflected nor promptly recorded in the District's records.

*Recommendation for Correction:* The District should develop procedures to monitor the transactions recorded in all balance sheet accounts.

**Response or Additional Information:** *Management will review the procedures currently in place and determine what, if any, additional procedures need to be implemented.*

Finding 2012-02: Segregation of Duties

*Statement of Condition:* The District lacks proper segregation of duties over its financial reporting at the school level.

*Criteria for Condition:* A fundamental concept in a good system of internal controls is the separation of duties. The basic concept is that no employee should have access to all phases of a transaction.

*Cause of the Condition:* Limited personnel at the school level.

*Effect of the Condition:* Controls are less effective due to school bookkeepers involvement in all phases of various financial transactions.

*Recommendation*

*For Correction:* The District should develop procedures to monitor the financial activities of those schools where personnel are limited.

**Response or Additional Information:** Management will review the procedures currently in place and determine what, if any, additional procedures need to be implemented.

Finding 2012-03: Financial Statement Preparation

*Statement of Condition:* The District does not have a system of internal controls that would enable management to conclude that the financial statements and the related disclosures are complete and presented in accordance with U. S. Generally Accepted Accounting Principles (GAAP).

*Criteria for Condition:* Management is responsible for the fair presentation of the financial results of operations, cash flows and disclosures in the financial statements in conformity with GAAP.

*Cause of the Condition:* Management has made the decision to accept this risk due to cost considerations.

*Effect of the Condition:* Management has requested us to assist in identifying adjustments to the accounting records and to prepare a draft of the financial statements, including related footnote disclosures.

*Recommendation*

*for Correction:* Management needs to re-evaluate the decision to accept the risk resulting from no system of internal controls for financial reporting as referenced in the condition above.

**Response or Additional Information:** Management has made the cost benefit decision to rely on our accounting expertise rather than incur additional internal resource costs.

Prior Year Findings:

Finding 2011-1: The District lacks proper segregation of duties over its financial reporting at the school level.

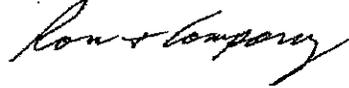
Finding 2011-2: The District does not have a system of internal controls that would enable management to conclude that the financial statements and the related disclosures are complete and presented in accordance with U. S. Generally Accepted Accounting Principles (GAAP).

Finding 2011-3: The District lacks proper controls to ensure that purchases meeting the capitalization threshold are recorded as fixed assets.

If any action occurs after this exit conference date, which affects the significant or material findings, it is the responsibility of management to provide that information to the auditors.

We sincerely appreciate the courtesy extended to our audit staff again this year. Of course, should you have any questions or concerns regarding your audit, please contact us.

Respectfully Submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company".

Ross & Company, PLLC  
November 15, 2012