

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION

**BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITORS' REPORT**

YEAR ENDED JUNE 30, 2012

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
TABLE OF CONTENTS
June 30, 2012

Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Assets	11
Statement of Activities	12-13
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Assets – Proprietary Funds	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20-21
Statement of Fiduciary Net Assets	22
Notes to Basic Financial Statements	23-40
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	41
Budgetary Comparison Schedule – Special Revenue Funds	42
Notes to Budgetary Comparison Schedules	43-44
Other Supplemental Information	
Combining Balance Sheet – Non-major Governmental Funds	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-major Governmental Funds	46
Schedule of Revenue Bond Transactions	47-48
Statement of Receipts, Disbursements and Fund Balances – High School Activity Funds	49

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
TABLE OF CONTENTS (CONTINUED)
June 30, 2012**

Other Supplemental Information (Continued)

Statement of Receipts, Disbursements and Fund Balances – Middle School Activity Funds	50
Statement of Receipts, Disbursements and Fund Balances – Cartmell Elementary School Activity Funds	51
Statement of Receipts, Disbursements and Fund Balances – Kathryn Winn Primary School Activity Funds	52
Board Members and Administrative Personnel	53
Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	54-55
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	56-57
Schedule of Expenditures of Federal Awards	58-59
Notes to the Schedule of Expenditures of Federal Awards	60
Schedule of Findings and Questioned Costs	61-64
Summary Schedule of Prior Audit Findings	65
Management Letter	66-68
District Response Letter (Three pages)	

Kentucky State Committee For School District Audits
Members of the Carroll County, Kentucky, Board of Education
Carrollton, Kentucky

INDEPENDENT AUDITORS' REPORT

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in 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 the 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 Carroll County, Kentucky, Board of Education, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 12, 2012, on our consideration of the Carroll County, Kentucky, Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 41 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Kentucky State Committee For School District Audits
Members of the Carroll County, Kentucky, Board of Education
Carrollton, Kentucky

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Carroll County, Kentucky, Board of Education's financial statements as a whole. The combining nonmajor fund financial statements and other supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The combining nonmajor fund financial statements, other supplemental schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Raisor, Zapp & Woods, PSC

RAISOR, ZAPP & WOODS, PSC
Certified Public Accountants

October 12, 2012

**CARROLL COUNTY PUBLIC SCHOOL DISTRICT – CARROLLTON, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

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

The Management Discussion & Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, issued June 1999; GASB Statement No. 37, Basic Financial Statement – and Management’s Discussion and Analysis – for State and Local Governments; Omnibus, an amendment to GASB Statements No. 21 and No. 34, issued June 2001 and in GASB no. 38, Certain Financial Statement Note Disclosures, Issued in 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was in \$8,403,814 in 2012 and \$8,966,590 in 2011. This represents a decrease of \$562,776. This increase is the result of construction project disbursements.
- Our management strategies included conservative estimation of revenues. This was based on historical revenues received as compared to budget.
- The District purchased (1) school bus in the amount of \$102,813. It is important to note that this bus was budgeted for and purchased with cash and not through the Kentucky Interlocal School Transportation Association (KISTA).
- Due to a decline in the fed funds rate, general fund interest income was \$2,413. This represents a decrease of \$3,300 from the previous year. We are investigating other investment options that would generate more revenue in fiscal year 2013.
- During fiscal 2012, utility tax revenue was \$3,303,830. This represents a slight decrease in revenue of \$38,288. We anticipate similar utility tax receipts for fiscal year 2013 as compared to 2012.
- Excluding on-behalf payments and transfers, the General Fund had \$15,410,469 in revenue and other financing sources, which primarily consisted of the carry forward, SEEK, property, utilities, and motor vehicle taxes. Excluding on-behalf payments, General Fund expenditures totaled \$13,862,326.
- During fiscal year 2012, the District recorded in its financial statements certain payments made by the State of Kentucky on behalf of the employees of the District, such as retirement plan match and insurance payments. These on-behalf payments totaled approximately \$2,820,927.
- During fiscal year 2012, the District signed a three lease with Apple Financial Services in the amount of \$318,903 to acquire 300 MacBooks for use by Carroll County High students.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

**CARROLL COUNTY PUBLIC SCHOOL DISTRICT – GARROLLTON, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

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

The government-wide financial statements can be found on pages 11-13 of this report.

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

The basic governmental fund financial statements can be found on pages 14-21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-40 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$23,917,766 as of June 30, 2012.

The largest portion of the District’s net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

2012 Government Wide Net Assets compared to 2011 follows:

	Governmental Activities		Business-type Activities		Total District	
	2012	2011	2012	2011	2012	2011
Current Assets	\$ 10,543,027	\$ 10,700,268	\$ 81,430	\$ 120,698	\$ 10,624,457	\$ 10,820,966
Noncurrent Assets-Capital Assets, less Accumulated Depreciation	25,622,145	24,668,916	280,348	35,513	25,902,493	24,704,429
Total Assets	\$ 36,165,172	\$ 35,369,184	\$ 361,778	\$ 156,211	\$ 36,526,950	\$ 35,525,395
Current Liabilities	\$ 1,685,858	\$ 2,461,583	\$ 200	\$ 255	\$ 1,686,058	\$ 2,461,838
Noncurrent Liabilities	10,923,126	11,651,225	-	-	10,923,126	11,651,225
Total Liabilities	\$ 12,608,984	\$ 14,112,808	\$ 200	\$ 255	\$ 12,609,184	\$ 14,113,063
Net Assets						
Investment in Capital Assets (net of debt)	\$ 14,061,898	\$ 12,587,350	\$ 280,348	\$ 35,513	\$ 14,342,246	\$ 12,622,863
Restricted	1,338,497	1,910,891	-	-	1,338,497	1,910,891
Unrestricted Fund Balance	8,155,793	6,758,135	81,230	120,443	8,237,023	6,878,578
Total Net Assets	\$ 23,556,188	\$ 21,256,376	\$ 361,578	\$ 155,956	\$ 23,917,766	\$ 21,412,332

**CARROLL COUNTY PUBLIC SCHOOL DISTRICT – CARROLLTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

CHANGES IN NET ASSETS FOR THE PERIOD ENDING JUNE 30, 2012 AND 2011

	Changes in Net Assets for the periods ending June 30, 2010 and 2009					
	Governmental Activities		Business-type Activities		Total District	
	2012	2011	2012	2011	2012	2011
REVENUES & TRANSFERS						
Program Revenues:						
Charges for Services	\$ 121,183	\$ 104,241	\$ 331,067	\$ 343,365	\$ 452,250	\$ 447,606
Federal & State Grants & Contributions	8,076,501	7,624,604	970,009	899,013	9,046,510	8,523,617
General Revenues:						
Property Taxes	4,076,447	4,033,227	-	-	4,076,447	4,033,227
Other Taxes	3,544,924	3,655,153	-	-	3,544,924	3,655,153
Revenue in Lieu of Tax	800,700	769,300	-	-	800,700	769,300
State Aid Formula Grants	7,344,753	7,310,323	-	-	7,344,753	7,310,323
Other General Revenues	3,059	13,647	19	112	3,078	13,759
Gain/Loss on Sale of Assets	335	(1,865)	135	-	470	(1,865)
Transfers	(272,826)	-	272,826	-	-	-
Total Revenues & Transfers	<u>\$ 23,695,076</u>	<u>\$ 23,508,630</u>	<u>\$ 1,574,056</u>	<u>\$ 1,242,490</u>	<u>\$ 25,269,132</u>	<u>\$ 24,751,120</u>
EXPENSES						
Program Expenses:						
Instruction	\$ 12,669,609	\$ 12,416,481	\$ -	\$ -	\$ 12,669,609	\$ 12,416,481
Support Services:						
Student	793,336	801,585	-	-	793,336	801,585
Instructional Staff	1,513,094	1,482,067	-	-	1,513,094	1,482,067
District Administration	648,368	619,594	-	-	648,368	619,594
School Administration	1,274,535	1,269,405	-	-	1,274,535	1,269,405
Business Support Service	657,759	463,215	-	-	657,759	463,215
Plant Operation & Maintenance	1,808,976	1,836,729	-	-	1,808,976	1,836,729
Student Transportation	1,227,669	1,148,290	-	-	1,227,669	1,148,290
Other Instructional	4,101	945	-	-	4,101	945
Food Service Operation	18,689	15,278	1,368,434	1,264,278	1,387,123	1,279,556
Community Service	240,403	207,911	-	-	240,403	207,911
Interest on Long-Term Debt	538,725	558,155	-	-	538,725	558,155
Total Expenses	<u>\$ 21,395,264</u>	<u>\$ 20,819,655</u>	<u>\$ 1,368,434</u>	<u>\$ 1,264,278</u>	<u>\$ 22,763,698</u>	<u>\$ 22,083,933</u>
Increase (Decrease) in Net Assets	\$ 2,299,812	\$ 2,688,975	\$ 205,622	\$ (21,788)	\$ 2,505,434	\$ 2,667,187
Net Assets-July 1	21,256,376	18,567,401	155,956	177,744	21,412,332	18,745,145
Net Assets-June 30	<u>\$ 23,556,188</u>	<u>\$ 21,256,376</u>	<u>\$ 361,578</u>	<u>\$ 155,956</u>	<u>\$ 23,917,766</u>	<u>\$ 21,412,332</u>

Comments on Budget Comparisons

- Revenues and expenditures associated with on-behalf payments made by the state of Kentucky for Teacher Retirement, Fringe Benefits, Network Services and Vocational Education are not budgeted.
- Revenues: General Fund revenues and other financing sources were \$15,410,469 for the fiscal year ended June 30, 2012, excluding on-behalf revenue and transfers.
- Expenses: General Fund expenses, including fund transfers, were \$13,896,752 for the fiscal year ended June 30, 2012, excluding on-behalf payments.
- Expenses exceeded Revenues by \$1,534,401 in Fiscal year 2012.

**CARROLL COUNTY PUBLIC SCHOOL DISTRICT – CARROLLTON, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

The following table presents a summary of revenue and expenditures, including other financing sources and uses for the General Fund for the fiscal years ended June 30, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
REVENUES AND OTHER FINANCING SOURCES:		
Local Revenue Sources	\$ 8,010,949	\$ 8,047,804
State Revenue Sources	6,948,702	6,294,733
Investments	2,413	5,713
Other Sources	126,198	411,372
Capital Lease Proceeds	318,903	-
Sale of Equipment	3,304	3,584
State On-Behalf Payments	2,820,927	2,718,991
Total Revenues	<u>\$ 18,231,396</u>	<u>\$ 17,482,197</u>
EXPENDITURES AND OTHER FINANCING USES:		
Instruction	\$ 8,341,055	\$ 8,214,967
Student Support Services	678,062	662,836
Instructional Support	1,198,154	1,149,168
District Administration	652,672	609,491
School Administration	1,272,508	1,267,412
Business Support	610,876	437,761
Plant Operation	1,721,051	1,782,819
Student Transportation	1,006,913	947,735
Other Instructional	4,101	945
Food Service Operation	205	1,994
Community Support	-	-
Debt Service	280,392	80,288
Facilities Acquisition & Construction	917,264	469,230
Fund Transfers (net)	13,742	141,378
Total Expenditures	<u>\$ 16,696,995</u>	<u>\$ 15,766,024</u>
Revenues and other Financing Sources in Excess of Expenditures and other financing uses	<u>\$ 1,534,401</u>	<u>\$ 1,716,173</u>

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$1,412,074 in contingency (7.5%). The general fund unassigned beginning balance for fiscal year 2012 is \$3,984,913.

Carroll County Public Schools received a federal grant titled Title I Assistance, which was originally awarded for the period July 1, 2011 through September 30, 2013. This grant was awarded in the amount of \$451,724. The impact involved both elementary schools and their associated staff.

Carroll County Public Schools received a federal grant titled Title I, Part A Section 1003(a), which was originally awarded for the period July 1, 2011 through September 30, 2013. This grant was awarded in the amount of \$70,898. The impact involved both Cartmell Elementary and Carroll County Middle School and their associated staff.

Carroll County Public Schools received a federal grant titled Early Head Start, which was originally awarded for the period September 30, 2011 through September 29, 2012 in the amount of \$919,398. The grant supports the Early Head Start program.

**CARROLL COUNTY PUBLIC SCHOOL DISTRICT – CARROLLTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

BUDGETARY IMPLICATIONS (Continued)

Carroll County Public Schools received a federal grant titled Title VI, Part B – Rural and Low Income Schools (RLIS). This grant was originally awarded for the period of July 1, 2011 through September 30, 2013 in the amount of \$41,766. The district primarily involved Kathryn Winn Elementary and their associated staff.

Carroll County Public Schools received a federal grant titled Head Start Assistance, which was originally awarded for the period August 1, 2011 through July 31, 2012. This grant was awarded in the amount of \$686,293. Its impact involved the Head Start Program and the associated staff. This grant also helped fund part of the Head Start Director's position.

Carroll County Public Schools received a federal grant titled Title II Teacher Quality Assistance, which was originally awarded for the period July 1, 2011 through September 30, 2013. This grant was awarded in the amount of \$101,569. Its impact involved two staff positions at Kathryn Winn Elementary.

Carroll County Public Schools received a federal grant titled IDEA Basic Assistance, which was originally awarded for the period July 1, 2011 through September 30, 2013. This grant was awarded in the amount of \$388,237. Its impact involved special educational services for both elementary schools and the middle and high schools and their associated staff. This grant also helped fund the Director of Special Education and the School Psychologist.

Carroll County Public Schools received a federal grant titled Title III Assistance, which was originally awarded for the period July 1, 2011 through June 30, 2012. This grant was awarded in the amount of \$10,924. Its impact involved all schools with an emphasis on students with limited English proficiency. The program also employed one assistant.

Carroll County Public Schools received a federal grant titled Title I, Part C, Vocational Ed Basic Grant Assistance, which was originally awarded for the period July 1, 2011 through June 30, 2012. This grant was awarded in the amount of \$8,838. Its impact involved the high school and their associated staff.

Carroll County Public Schools received a federal grant titled Champions for a Drug Free Carroll County, which was originally awarded for the period of September 30, 2011 through September 29, 2012. This grant was awarded in the amount of \$125,000. This grant funds (1) Coordinator and (1) Assistant Coordinator position. The grant objectives are to establish and strengthen collaboration among communities and reduce substance abuse among youth and, over time, among adults.

Carroll County Public Schools received a federal grant titled Title I, School Improvement Funds, which was originally awarded for the period of July 1, 2011 through September 30, 2013. This grant was awarded in the amount of \$50,000 and has been used to fund Laying the Foundation training and associated expenses.

Carroll County Public Schools received a federal grant titled Race to the Top, which was originally awarded for the period of April 1, 2012 through September 30, 2015. The grant was awarded in the amount of \$18,198 and the grant objectives include advancing reforms in four designated areas.

Carroll County Public Schools received a federal grant titled 21st Century Community Learning Centers, which was originally awarded for the period of July 1, 2011 through September 30, 2012. The grant was awarded in the amount of \$75,000. It provides after school tutoring to 4th grade through 8th grade.

Carroll County Public Schools received a federal grant titled Edujobs, which was originally awarded for the period of July 1, 2011 through June 30, 2012. The grant was awarded in the amount of \$380,982. It was used to fund 4 classroom teachers in addition to the district certified substitute teachers.

LOCAL INFORMATION

The City of Carrollton is a fourth class city with 3,846 residents per the 2000 census. Carrollton was established in 1838 and is bordered on the west by the Kentucky River and the north by the Ohio River which meet at picturesque Point Park. Carrollton is the county seat of Carroll County. The city has a Mayor/Council form of government.

CONTACTING THE CARROLL COUNTY SCHOOL DISTRICT MANAGEMENT

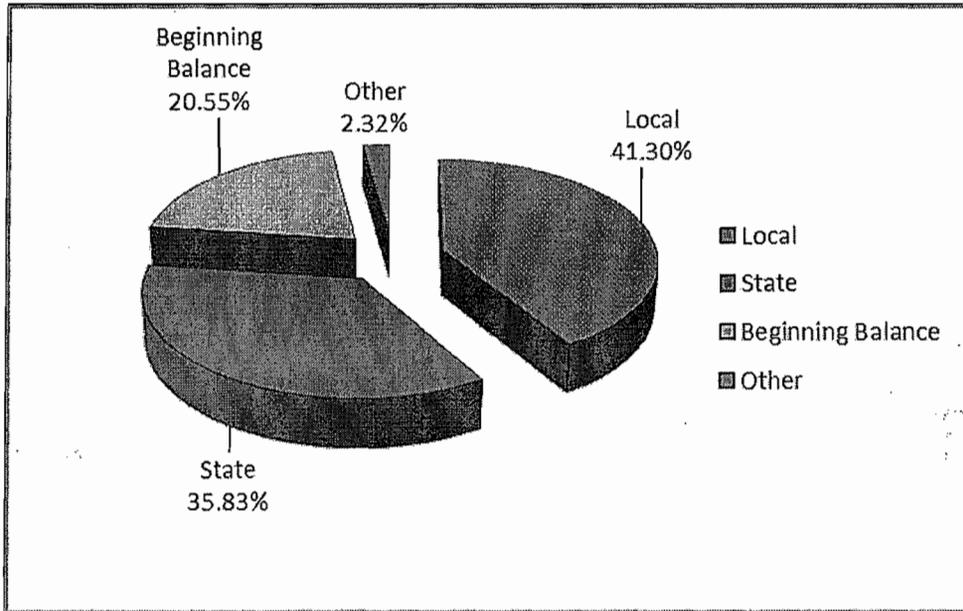
Questions regarding this report should be directed to the Mrs. Lisa James, Superintendent or the Mr. Jon Conrad, Chief Financial Officer, by phone (502) 732-7070 or by mail at 813 Hawkins Street, Carrollton, Kentucky 41008.

**CARROLL COUNTY PUBLIC SCHOOL DISTRICT – CARROLLTON, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

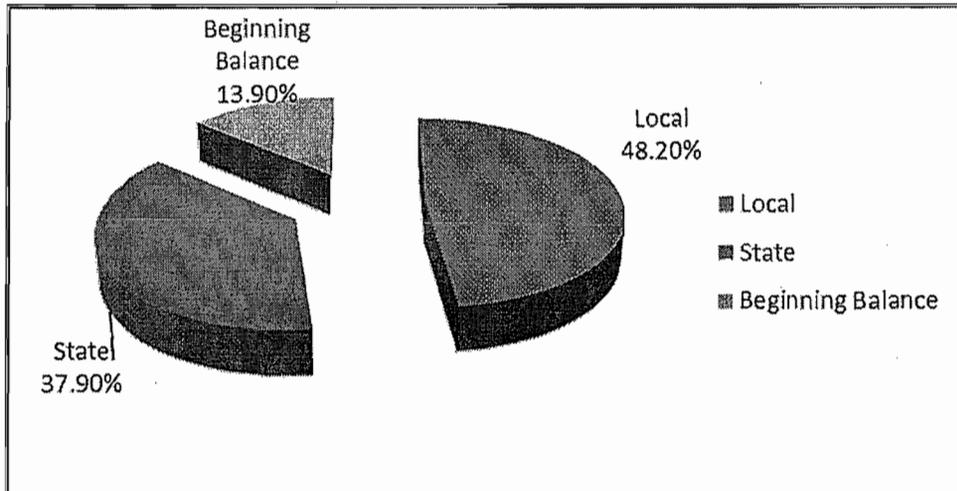
General Fund Revenue (Chart 1)

General Fund revenue sources are graphically displayed below. Note that the beginning balance is 20.55% of revenue in 2012 compared to 13.90% of revenue in 2011. This is due to revenue exceeding expenditures at the end of fiscal year 2011.

2012 General Fund Revenue



2011 General Fund Revenue

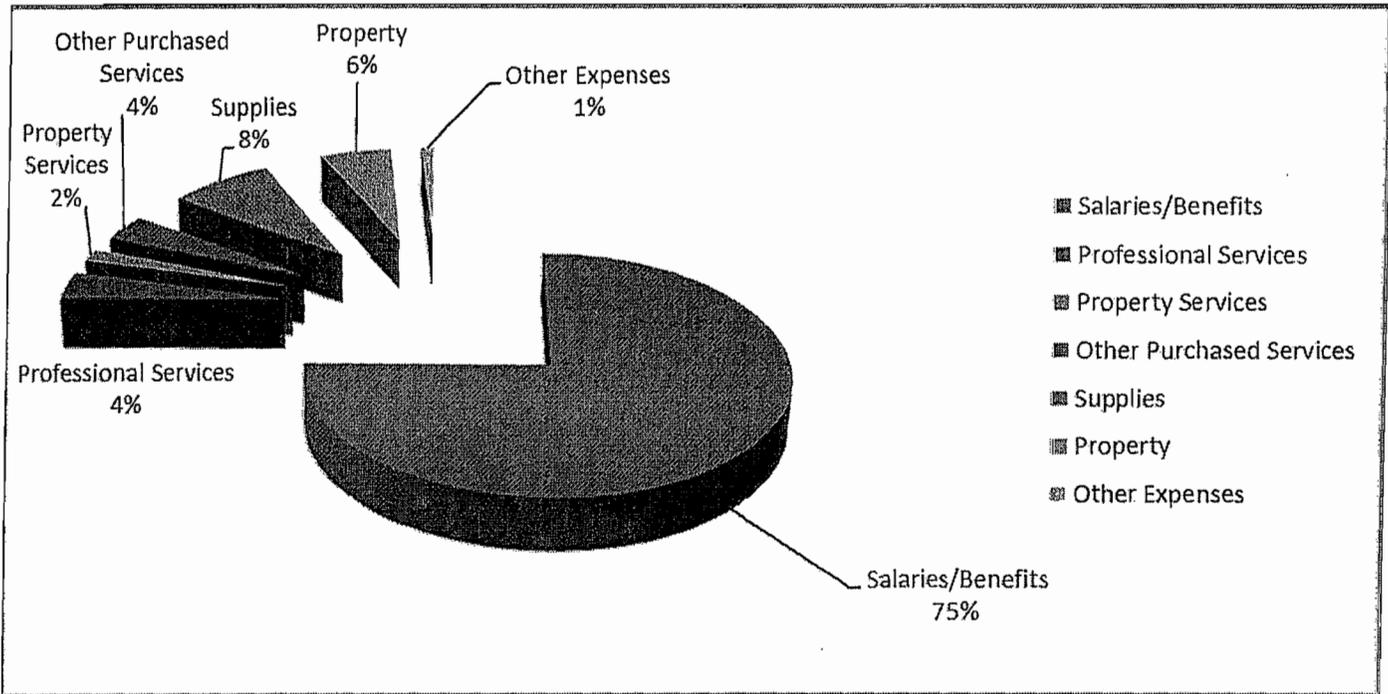


**CARROLL COUNTY PUBLIC SCHOOL DISTRICT – CARROLLTON, KENTUCKY
 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 YEAR ENDED JUNE 30, 2012**

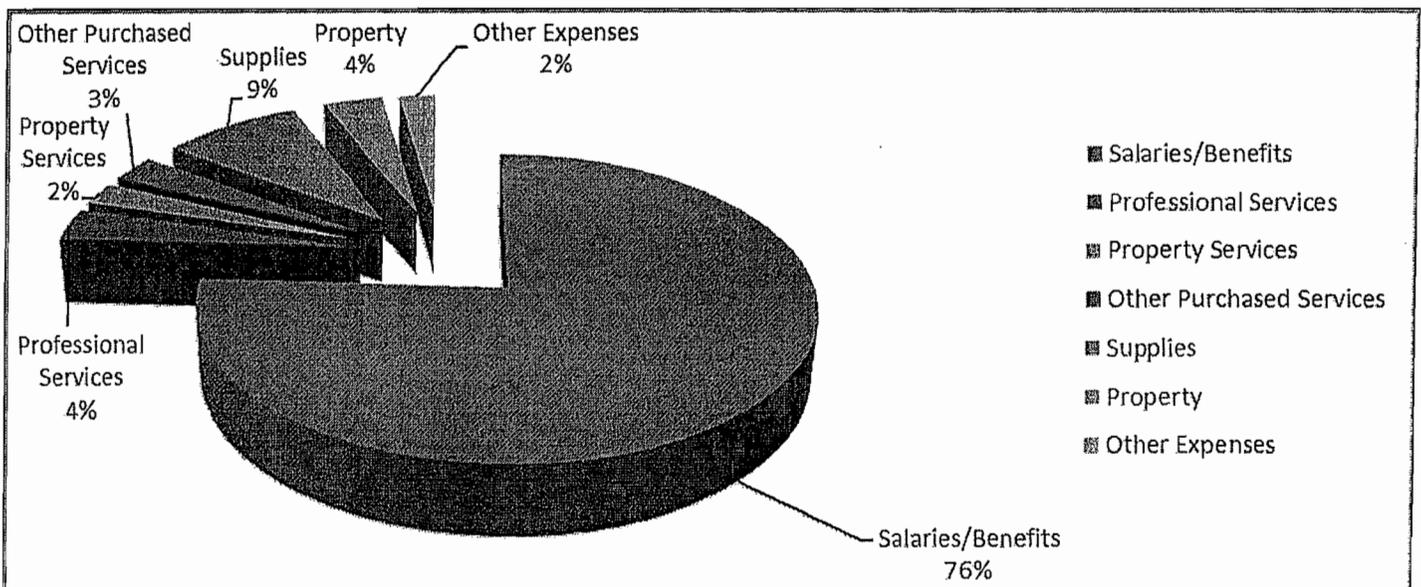
Expense Allocation by Type (Chart 2)

A graphical representation of expenses by type is illustrated for 2012 and 2011.

2012 General Fund Expenses by Type



2011 General Fund Expenses by Type

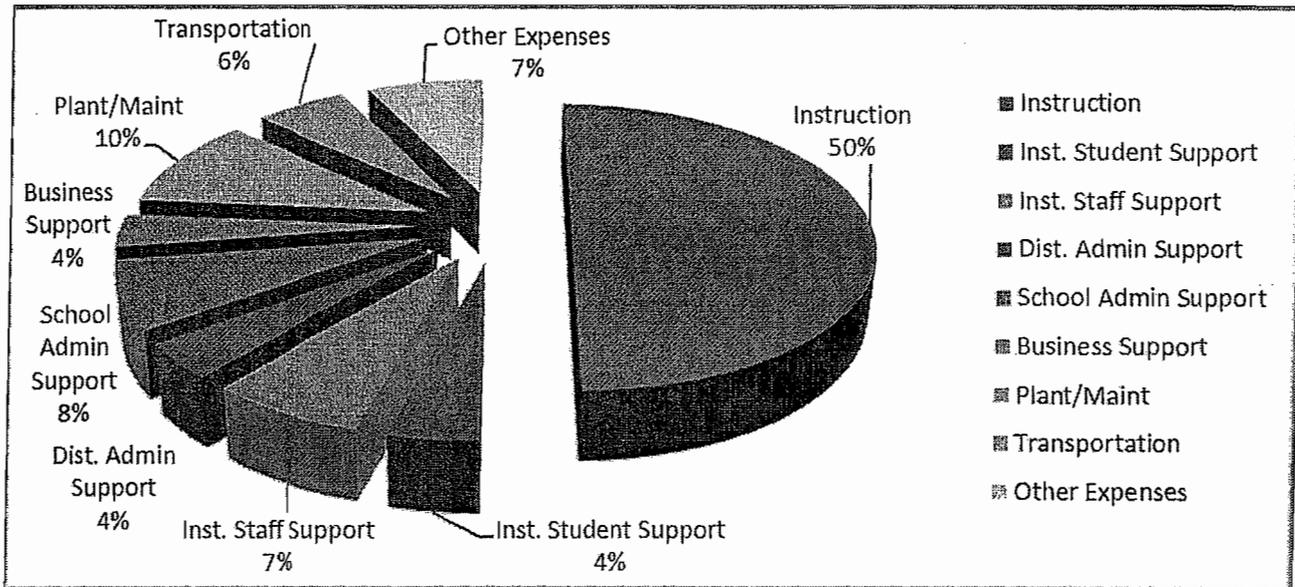


**CARROLL COUNTY PUBLIC SCHOOL DISTRICT – CARROLLTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

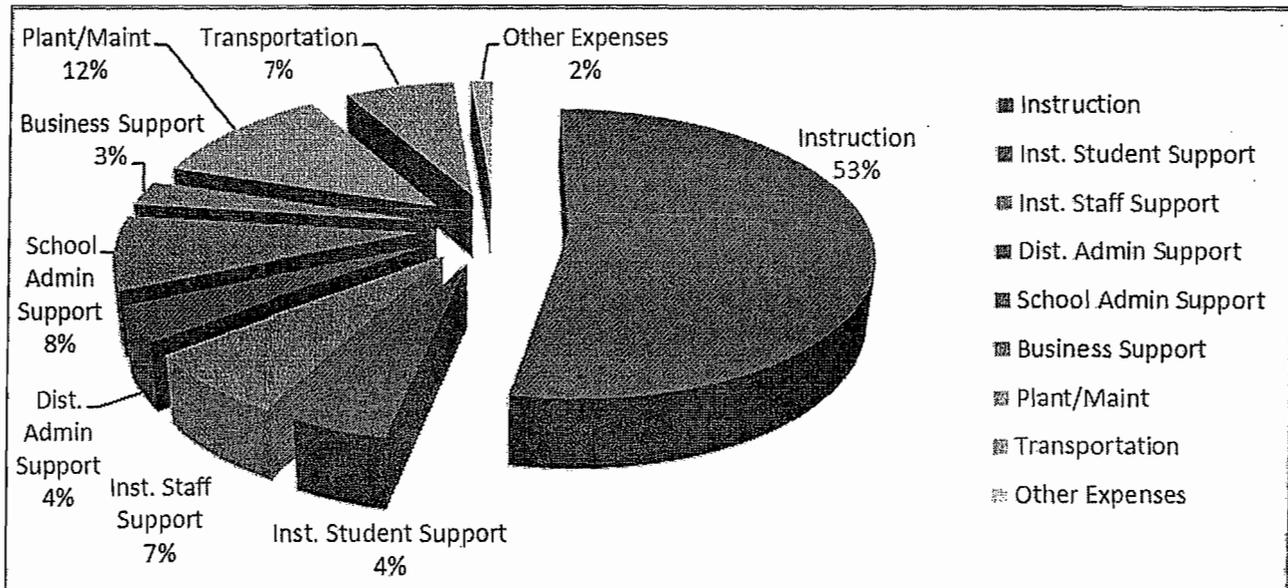
Expense Allocation by Function (Chart 3)

A graphical representation of expenses by function is illustrated for 2012 and 2010. The expense functions only had slight variances between 2012 and 2011.

2012 General Fund Expenses by Function



2011 General Fund Expenses by Function



CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
STATEMENT OF NET ASSETS
June 30, 2012

	<u>Governmental Funds</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS			
Cash & Cash Equivalents	\$ 8,642,818	\$ 41,518	\$ 8,684,336
Taxes Receivable	359,386	-	359,386
Due from Other Governments			
Federal (Direct)	288,465	11,329	299,794
Federal (Indirect)	252,651	-	252,651
Accounts Receivable	743,276	-	743,276
Inventories	-	28,583	28,583
Prepaid Expense	256,431	-	256,431
	<u>10,543,027</u>	<u>81,430</u>	<u>10,624,457</u>
TOTAL CURRENT ASSETS	\$ 10,543,027	\$ 81,430	\$ 10,624,457
NONCURRENT ASSETS			
Capital Assets	\$ 41,544,007	\$ 755,377	\$ 42,299,384
Less: Accumulated Depreciation	(16,143,515)	(475,029)	(16,618,544)
Bond Issuance Costs (Net)	221,653	-	221,653
	<u>25,622,145</u>	<u>280,348</u>	<u>25,902,493</u>
TOTAL NONCURRENT ASSETS	\$ 25,622,145	\$ 280,348	\$ 25,902,493
TOTAL ASSETS	\$ 36,165,172	\$ 361,778	\$ 36,526,950
LIABILITIES:			
CURRENT LIABILITIES			
Bank Overdraft	\$ 280,522	\$ -	\$ 280,522
Accounts Payable	157,725	200	157,925
Retainage Payable	16,282	-	16,282
Deferred Revenue	217,573	-	217,573
Accrued Compensated Absences	56,681	-	56,681
Accrued Interest	93,228	-	93,228
Current Portion of Long-term Debt	863,847	-	863,847
	<u>1,685,858</u>	<u>200</u>	<u>1,686,058</u>
TOTAL CURRENT LIABILITIES	\$ 1,685,858	\$ 200	\$ 1,686,058
NONCURRENT LIABILITIES			
Accrued Compensated Absences	\$ 226,726	\$ -	\$ 226,726
Obligations Under Capital Leases	10,786,512	-	10,786,512
Deferred Loss - Early Debt Retirement	(90,112)	-	(90,112)
	<u>10,923,126</u>	<u>-</u>	<u>10,923,126</u>
TOTAL NONCURRENT LIABILITIES	\$ 10,923,126	\$ -	\$ 10,923,126
TOTAL LIABILITIES	\$ 12,608,984	\$ 200	\$ 12,609,184
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	\$ 14,061,898	\$ 280,348	\$ 14,342,246
Restricted for:			
Capital Expenditures/Debt Service	1,338,497	-	1,338,497
Unrestricted	8,155,793	81,230	8,237,023
	<u>23,556,188</u>	<u>361,578</u>	<u>23,917,766</u>
TOTAL NET ASSETS	\$ 23,556,188	\$ 361,578	\$ 23,917,766

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>
GOVERNMENTAL ACTIVITIES:				
Instruction	\$ 12,669,609	\$ 127,183	\$ 5,389,232	\$ 245,945
Support Services:				
Student	793,336	-	218,403	-
Instructional Staff	1,513,094	-	459,245	-
District Administration	648,368	-	66,409	-
School Administration	1,274,535	-	236,694	-
Business Support Service	657,759	-	204,125	-
Plant Operation & Management	1,808,976	-	227,586	-
Student Transportation	1,227,669	-	226,717	-
Other Instructional	4,101	-	-	-
Food Service Operation	18,689	-	18,484	-
Community Service	240,403	-	239,993	-
Interest & Fiscal Charges on Long-term Debt	538,725	-	-	537,668
TOTAL GOVERNMENTAL ACTIVITIES	\$ 21,395,264	\$ 127,183	\$ 7,286,888	\$ 783,613
BUSINESS-TYPE ACTIVITIES:				
School Food Service	\$ 1,368,434	\$ 331,067	\$ 970,009	\$ -
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 1,368,434	\$ 331,067	\$ 970,009	\$ -
TOTAL	\$ 22,763,698	\$ 458,250	\$ 8,256,897	\$ 783,613

General Revenues:
Taxes:
 Property Taxes
 Motor Vehicle Taxes
 Utility Taxes
Revenue in Lieu of Tax
Investment Earnings
Intergovernmental Revenues
 State Aid Formula Grants
Gain (Loss) on Sale of Assets
Total General Revenues
Transfers
Total General Revenues
and transfers
Change in Net Assets
Net Assets - July 1
Net Assets - June 30

**Net (Expense) Revenue and
Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
\$ (6,907,249)	\$ -	\$ (6,907,249)
(574,933)	-	(574,933)
(1,053,849)	-	(1,053,849)
(581,959)	-	(581,959)
(1,037,841)	-	(1,037,841)
(453,634)	-	(453,634)
(1,581,390)	-	(1,581,390)
(1,000,952)	-	(1,000,952)
(4,101)	-	(4,101)
(205)	-	(205)
(410)	-	(410)
<u>(1,057)</u>	<u>-</u>	<u>(1,057)</u>
<u>\$ (13,197,580)</u>	<u>\$ -</u>	<u>\$ (13,197,580)</u>
<u>\$ -</u>	<u>\$ (67,358)</u>	<u>\$ (67,358)</u>
<u>\$ -</u>	<u>\$ (67,358)</u>	<u>\$ (67,358)</u>
<u>\$ (13,197,580)</u>	<u>\$ (67,358)</u>	<u>\$ (13,264,938)</u>
\$ 4,076,447	\$ -	\$ 4,076,447
241,093	-	241,093
3,303,831	-	3,303,831
800,700	-	800,700
3,059	19	3,078
7,344,753	-	7,344,753
335	135	470
<u>\$ 15,770,218</u>	<u>\$ 154</u>	<u>\$ 15,770,372</u>
<u>(272,826)</u>	<u>272,826</u>	<u>-</u>
<u>\$ 15,497,392</u>	<u>\$ 272,980</u>	<u>\$ 15,770,372</u>
<u>\$ 2,299,812</u>	<u>\$ 205,622</u>	<u>\$ 2,505,434</u>
<u>21,256,376</u>	<u>155,956</u>	<u>21,412,332</u>
<u>\$ 23,556,188</u>	<u>\$ 361,578</u>	<u>\$ 23,917,766</u>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General Fund	Special Revenue (Grant) Funds	Other Non-major Governmental Funds	Total
ASSETS:				
Cash and Cash Equivalents	\$ 6,513,301	\$ -	\$ 2,129,517	\$ 8,642,818
Accounts Receivable				
Taxes - Current	349,878	-	-	349,878
Taxes - Delinquent	9,508	-	-	9,508
Other	743,276	-	-	743,276
Intergovernmental - Federal	-	541,116	-	541,116
Prepaid Expense	256,431	-	-	256,431
TOTAL ASSETS	\$ 7,872,394	\$ 541,116	\$ 2,129,517	\$ 10,543,027
LIABILITIES, AND FUND BALANCES:				
LIABILITIES				
Bank Overdraft	\$ -	\$ 280,522	\$ -	\$ 280,522
Accounts Payable	114,704	43,021	-	157,725
Retainage Payable	-	-	16,282	16,282
Accrued Compensated Absences	29,405	-	-	29,405
Deferred Revenues	-	217,573	-	217,573
TOTAL LIABILITIES	\$ 144,109	\$ 541,116	\$ 16,282	\$ 701,507
FUND BALANCES				
Nonspendable	\$ 256,431	\$ -	\$ -	\$ 256,431
Restricted for				
KSFCC Escrow	-	-	1,187,787	1,187,787
Capital Projects/Debt Service	-	-	150,710	150,710
Committed for:				
Outstanding Purchase Orders	193,822	-	-	193,822
Capital Projects	1,992,585	-	774,738	2,767,323
Sick Leave	84,500	-	-	84,500
Assigned				
Outstanding Purchase Orders	81,563	-	-	81,563
Unassigned	5,119,384	-	-	5,119,384
TOTAL FUND BALANCES	\$ 7,728,285	\$ -	\$ 2,113,235	\$ 9,841,520
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,872,394	\$ 541,116	\$ 2,129,517	\$ 10,543,027

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2012**

Total Governmental Fund Balances **\$ 9,841,520**

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the net assets is \$41,544,007 and the accumulated depreciation is \$16,143,515. 25,400,492

Bond issuance costs of general obligation debt are not financial resources and therefore are not reported in the funds. Bond issuance costs are \$319,849 net of accumulated amortization of \$98,196. 221,653

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. Long-term liabilities at year-end consist of:

Capital leases payable	\$ 11,650,359	
Accrued interest on capital leases	93,228	
Compensated absences	254,002	
		(11,997,589)

Net costs associated with the early retirement of debt are deferred and amortized over the remaining life of the defeased debt. Total costs are \$159,155 net of accumulated amortization of \$69,043. 90,112

Net Assets of Governmental Activities **\$ 23,556,188**

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012**

	General Fund	Special Revenue (Grant) Funds	Other Non-major Governmental Funds	Totals
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 3,665,325	\$ -	\$ 411,122	\$ 4,076,447
Motor Vehicle	241,093	-	-	241,093
Utilities	3,303,831	-	-	3,303,831
Revenue in Lieu of Tax	800,700	-	-	800,700
Earnings on Investments	2,413	-	646	3,059
Other Local Revenues	126,198	985	-	127,183
Intergovernmental - State	6,948,702	474,254	833,187	8,256,143
Intergovernmental - Direct Federal - Build America Bonds	-	-	100,532	100,532
Intergovernmental - Direct Federal - Other	-	2,502,319	-	2,502,319
Intergovernmental - Indirect Federal	-	1,703,473	-	1,703,473
Intergovernmental - State On Behalf Payments	2,820,927	-	-	2,820,927
TOTAL REVENUES	\$ 17,909,189	\$ 4,681,031	\$ 1,345,487	\$ 23,935,707
EXPENDITURES:				
Current:				
Instruction	\$ 8,341,055	\$ 3,234,564	\$ -	\$ 11,575,619
Support Services				
Student	678,062	88,081	-	766,143
Instructional Staff	1,198,154	271,213	-	1,469,367
District Administration	652,672	-	-	652,672
School Administration	1,272,508	-	-	1,272,508
Business Support Services	610,876	45,350	-	656,226
Plant Operations & Maintenance	1,721,051	57,214	-	1,778,265
Student Transportation	1,006,913	95,662	-	1,102,575
Other Instructional	4,101	-	-	4,101
Food Service Operation	205	18,484	-	18,689
Community Service	-	239,993	-	239,993
Facilities Acquisition & Construction	917,264	485,237	1,525,035	2,927,536
Debt Service				
Principal Retirement	271,606	-	695,000	966,606
Interest and Fiscal Charges	8,786	-	497,414	506,200
TOTAL EXPENDITURES	\$ 16,683,253	\$ 4,535,798	\$ 2,717,449	\$ 23,936,500
Excess (Deficit) of Revenues over Expenditures	\$ 1,225,936	\$ 145,233	\$ (1,371,962)	\$ (793)
OTHER FINANCING SOURCES (USES):				
Capital Lease Proceeds	\$ 318,903	\$ -	\$ -	\$ 318,903
Transfers In	20,684	34,426	179,659	234,769
Transfers Out	(34,426)	(179,659)	(20,684)	(234,769)
Sale of Assets	3,304	-	-	3,304
TOTAL OTHER FINANCING SOURCES (USES):	\$ 308,465	\$ (145,233)	\$ 158,975	\$ 322,207
Excess (Deficit) of Revenues & Other Financing Sources over Expenditures & Other Financing Uses	\$ 1,534,401	\$ -	\$ (1,212,987)	\$ 321,414
Fund Balance, July 1, 2011	6,193,884	-	3,326,222	9,520,106
Fund Balance June 30, 2012	<u>\$ 7,728,285</u>	<u>\$ -</u>	<u>\$ 2,113,235</u>	<u>\$ 9,841,520</u>

CARROLL COUNTY, KENTUCKY BOARD OF EDUCATION
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds	\$ 321,414
<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capitalized Expenditures	2,927,536
Depreciation Expense	(1,332,772)
Repayment of bonded debt and lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	966,606
Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	12,391
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the difference in the amount of the gain/loss vs. the proceeds received on asset disposals and includes the transfer of school food service equipment acquired in the Cartmell renovation to the Proprietary Fund (\$272,826).	(275,795)
In the Statement of Activities, bond issuance costs are deferred and amortized over the life of the bond issue. In the governmental funds statement, expenditures are measured by the amount of financial resources used (the amounts actually paid). Bond issuance costs were amortized during the year. Amortization of bond issuance costs during the year was \$21,344.	(21,344)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds 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.	4,654
In the Statement of Activities costs associated with the early retirement of debt (1997 and 1999 Revenue Bonds) are deferred and amortized over the remaining life of the defeased debt.	(15,835)
Technology Equipment acquired this year was financed with a capital lease. The amount financed by the lease is reported in the governmental funds as a source of financing. Capital leases are not reported as revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Assets.	(318,903)
Assets acquired through the school activity funds and other assets contributed to the Board of Education are not included in the governmental funds statement. In the Statement of Activities, the fair market value is included in program revenues.	<u>31,860</u>
Change in net assets of governmental activities	<u>\$ 2,299,812</u>

**CARROLL COUNTY, KENTUCKY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012**

	Enterprise Fund - School Food Service
ASSETS	
Current Assets	
Cash & Cash Equivalents	\$ 41,518
Accounts Receivable	11,329
Inventories	28,583
Total Current Assets	\$ 81,430
NONCURRENT ASSETS	
Furniture and Equipment	\$ 755,377
Less: Accumulated Depreciation	(475,029)
Total Noncurrent Assets	\$ 280,348
Total Assets	\$ 361,778
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 200
Total Current Liabilities	\$ 200
NET ASSETS	
Invested in Capital Assets	\$ 280,348
Unrestricted	81,230
Total Net Assets	\$ 361,578

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Enterprise Fund - School Food Service
OPERATING REVENUES:	
Lunchroom Sales	\$ 330,908
Other Revenues	159
	<u>331,067</u>
TOTAL OPERATING REVENUES	\$ 331,067
OPERATING EXPENSES:	
Salaries and Wages	\$ 418,229
Employee Benefits	244,383
Materials and Supplies	649,225
Depreciation	27,991
Other Operating Expenses	28,606
	<u>1,368,434</u>
TOTAL OPERATING EXPENSES	\$ 1,368,434
NET OPERATING INCOME (LOSS)	\$ (1,037,367)
NON-OPERATING REVENUES (EXPENSES)	
Federal Grants	\$ 775,124
State Matching	10,903
Interest Income	19
Commodities Received	63,312
State On-Behalf Payments Received	120,670
Gain (Loss) on Sale of Assets	135
	<u>970,163</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ 970,163
NET INCOME (LOSS) BEFORE TRANSFERS	\$ (67,204)
Transfers In	272,826
	<u>205,622</u>
NET INCOME	\$ 205,622
Net Assets, Beginning of Year	155,956
	<u>361,578</u>
Net Assets, Ending of Year	\$ 361,578

CARROLL COUNTY, KENTUCKY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
June 30, 2012

	<u>Enterprise Fund</u> <u>School Food</u> <u>Service</u>
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES	
Received from User Charges	\$ 307,305
Received from Interfund Services Provided	24,369
Payments to Employees for Services	(418,229)
Payments to Suppliers for Goods and Services	(592,975)
Payments for Other Operating Expenses	(152,320)
Net Cash Used by Operating Activities	<u>\$ (831,850)</u>
 CASH FLOWS FROM (USED BY) NONCAPITAL FINANCING ACTIVITIES	
Nonoperating Grants Received	\$ 780,382
Net Cash From Noncapital Operating Activities	<u>\$ 780,382</u>
 CASH FLOWS FROM (USED BY) CAPITAL FINANCING ACTIVITIES	
Sale of Equipment	\$ 135
Net Cash From Capital Financing Activities	<u>\$ 135</u>
 CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES	
Interest on Investments	\$ 19
Net Cash From Investing Activities	<u>\$ 19</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 \$ (51,314)
Cash and Cash Equivalents, Beginning	<u>92,832</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 41,518</u></u>

**CARROLL COUNTY, KENTUCKY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
June 30, 2012**

	<u>Enterprise Fund School Food Service</u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:	
Operating Income (Loss)	\$ (1,037,367)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:	
Depreciation	27,991
Commodities Used	63,312
Changes in Assets and Liabilities:	
Accounts Receivable (Increase) Decrease	607
Inventories (Increase) Decrease	(7,008)
Accounts Payable Increase (Decrease)	(55)
State On Behalf Payments Received	120,670
Net Cash Used by Operating Activities	<u>\$ (831,850)</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$63,312 of food commodities from the U.S. Department of Agriculture, and the state provided employee benefits in the amount of \$120,670.

NONCASH CAPITAL FINANCING ACTIVITIES

During the year, the district acquired \$272,826 of food service equipment to be used in its Proprietary Fund during its renovation of Cartmell Elementary. This increase in the fixed assets of the Proprietary Fund is shown as a transfer from the Governmental Funds to the Business-type Activities in the Statement of Activities.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2012

ASSETS

Cash and Cash Equivalents	\$ 143,496
Accounts Receivable	<u>3,197</u>
Total Assets	<u><u>\$ 146,693</u></u>

LIABILITIES

Accounts Payable	\$ 5,017
Due to Student Groups	<u>141,676</u>
Total Liabilities	<u><u>\$ 146,693</u></u>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The Carroll County, Kentucky, Board of Education complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting principles are discussed in subsequent subsections of this Note.

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

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

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

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

Carroll County School District Finance Corporation - On June 27, 1991, the Carroll County, Kentucky, Board of Education resolved to authorize the establishment of the Carroll County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Carroll County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

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

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

Fund financial statements report detailed information about the District. Fund financial statements are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund types.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial assistance programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by proprietary funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 - 3. The School Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

II. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

III. Proprietary Funds (Enterprise Fund)

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). Amounts have been recorded for in-kind contributions of commodities from the USDA. The School Food Service Fund is a major fund.

IV. Fiduciary Fund Type (includes agency and trust funds)

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

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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

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

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Therefore grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. The fair value of donated commodities used during the year is reported in the proprietary fund’s statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are included in the School Food Service Fund’s inventories.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds-By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund-By Operating and Nonoperating

The District adheres to the use restrictions established by Kentucky Revised Statutes when expenses are incurred for which both restricted and unrestricted net assets are available. The District has no policy defining which resources (restricted or unrestricted) to use first.

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures/Expenses (Continued)

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

Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are due by December 31. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. Taxes are allocated as collected or transferred to the appropriate fund prior to year end.

The property tax rates assessed for the year ended June 30, 2012, were \$.561 cents per \$100 for real property, \$.561 cents per \$100 valuation for business personal property and \$.557 per \$100 valuation for motor vehicles. These rates include the \$.057 cents per \$100 per \$100 valuation required to produce the equivalent tax necessary for participation in the Kentucky School Facilities Construction Commission (KSFCC) and FSPK programs allocated to the FSPK Building Fund. The remaining property tax revenues are used to finance operations of the District's General Fund.

Utility Tax Revenues

The District levies a utility gross receipts tax in the amount of 3% of the gross receipts derived from the furnishing, within the county, of telephonic and telegraphic communication services, cablevision services, electric power, water, and natural, artificial and mixed gas. The Kentucky Department of Revenue collects this tax and remits to the state's school districts.

On-Behalf Payments

Payments made by the State of Kentucky for Kentucky Teacher Retirement, Fringe Benefits, Network Services (Kentucky Educational Network Services, Munis Financial Software and Services and McAfee Virus Protection), and Vocational Education are included in the government-wide and governmental fund financial statements. Payments for the year ended June 30, 2012 amount to \$985,459, \$1,842,617, \$62,029 and \$51,492, respectively. \$120,670 of the on-behalf payments were allocated to the School Food Service Fund. All other on-behalf payments were recorded in the general fund.

Cash and Cash Equivalents

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

Inventories

The cost of consumable materials and supplies on hand are immaterial to the financial statements, and the District has therefore chosen to report these items as expenditures/expenses at the time of purchase with the exception of the proprietary fund.

The school food service fund (proprietary fund) records its inventory at cost or donated value (commodities).

Prepaid Assets

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

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2003.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The ranges of estimated useful lives by type of asset are as follows:

Description	Governmental Activities Estimated Lives
Buildings and Improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 17.5%-30% of the value of their accumulated sick leave, depending on the number of days accumulated.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments (the liability attributable to the District's employees meeting retirement eligibility requirements).

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

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accumulated Unpaid Sick Leave Benefits (Continued)

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

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of bonded debt and lease obligations, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt-Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets-Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets-All other net assets that do not meet the definition of "restricted or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

- a. Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).
- b. Restricted – amounts that can be used only for specific purposes because of (a) constitutional provisions or enabling legislation or (b) externally imposed constraints.
- c. Committed – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- d. Assigned – amounts intended to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed. This is the residual fund balance classification for all governmental funds except the general fund.

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

The Board of Education is the District’s highest level of decision making authority. Formal approval of a motion made at a public meeting of the Board of Education is necessary to establish (and modify or rescind) a fund balance commitment or assignment.

- e. Unassigned – this is the residual classification for the general fund.

Proprietary fund equity is classified the same as in the government-wide statements.

NOTE B - ESTIMATES

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

NOTE C - CASH AND CASH EQUIVALENTS AND INVESTMENTS

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Kentucky or political subdivision debt obligations, or surety bonds. As required by the Financial Institutions Reform, Recovery and Enforcement Act of 1989, all financial institutions pledging collateral to the Board of Education must have a written collateral agreement approved by the board of directors or loan committee.

Statutes authorize the Board to invest in interest bearing deposits in national or state banks chartered in Kentucky, certificates of deposit, repurchase agreements, other available bank investments, and municipal investment pools provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, the Board may invest in direct debt securities of the United States and mutual funds as described in KRS 66.480.

Carroll County Kentucky, Board of Education’s policies regarding deposits of cash are in accordance with the state statutes. The table presented below is designed to disclose the level of custody credit risk assumed by the Board based upon how its deposits were insured or secured with collateral at June 30, 2012. The categories of credit risk are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the District (public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution’s trust department or agent in the District’s name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District’s name; or collateralized with no written or approved collateral agreement.

Type of Deposits	Total Bank Balance	Custody Credit Risk Category			Total Carrying Value
		1	2	3	
Time/Savings Deposits	\$ 9,189,354	\$ 404,600	\$ 8,784,754	\$ -	\$ 8,545,617
Total Deposits	\$ 9,189,354	\$ 404,600	\$ 8,784,754	\$ -	\$ 8,545,617

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

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2012**

NOTE C - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

	Bank Balance	Book Balance
U.S. Bank Checking and Money Market Accounts	\$ 9,034,754	\$ 8,403,764
U.S. Bank – Agency Funds (School Activity Accounts)	154,600	141,853
Cash on Hand	-	50
	\$ 9,189,354	\$ 8,545,667

At June 30, 2012, \$6,513,301 was attributable to the General Fund.

NOTE D – RISK MANAGEMENT

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

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. If the Board were to fail to comply with this requirement, the risk of a substantial loss could exist.

NOTE E– CAPITAL ASSETS

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

	Balance at July 1, 2011	Additions	Disposals	Balance at June 30, 2012
<u>Governmental Activities:</u>				
Land	\$ 407,000	\$ 153,439	\$ -	\$ 560,439
Land Improvements	74,553	-	-	74,553
Buildings & Improvements	19,902,202	11,262,831	-	31,165,033
Machinery & Equipment	8,596,241	1,267,002	(119,261)	9,743,982
Construction in Process	10,372,958	1,123,170	(11,496,128)	-
Totals at Historical Cost	\$ 39,352,954	\$ 13,806,442	\$ (11,615,389)	\$ 41,544,007
Less: Accumulated Depreciation				
Buildings & Improvements	\$ 8,865,592	\$ 651,381	\$ -	\$ 9,516,973
Machinery & Equipment	6,061,443	681,391	(116,292)	6,626,542
Total Accumulated Depreciation	\$ 14,927,035	\$ 1,332,772	\$ (116,292)	\$ 16,143,515
Governmental Activities - Capital Assets, Net	\$ 24,425,919	\$ 12,473,670	\$ (11,499,097)	\$ 25,400,492
Depreciation Expense was charged to governmental activities as follows:				
Instructional Support		\$ 1,093,990		
Student Support		27,193		
Staff Support		43,727		
District Administration		8,087		
School Administration		2,027		
Business Support Services		1,533		
Plant Operations & Maintenance		30,711		
Student Transportation		125,094		
Community Services		410		
Total Depreciation Expense		\$ 1,332,772		

\$24,324,865 of assets are recorded under capital lease obligations. Accumulated depreciation of \$7,713,012 and \$413,167 associated with these assets is included under buildings and improvements, and machinery and equipment, respectively.

	Balance at July 1, 2011	Additions	Disposals	Balance at June 30, 2012
<u>Business-type Activities:</u>				
Machinery & Equipment	\$ 548,751	\$ 272,826	\$ (66,200)	\$ 755,377
Less: Accumulated Depreciation	(513,238)	(27,991)	66,200	(475,029)
Business-type Capital Assets, net	\$ 35,513	\$ 244,835	\$ -	\$ 280,348

Depreciation Expense was charged to the Proprietary Fund-School Food Service Enterprise Fund in the amount of \$27,991.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 June 30, 2012

NOTE F – INTEREST EXPENSE

Interest expense associated with bonded debt and capital lease obligations of the governmental funds was \$506,200.

NOTE G – LONG-TERM DEBT

Governmental Activities:

As of June 30, 2012, the governmental long-term debt of the financial reporting entity consisted of the following:

Capital Lease Obligations:

Capital lease obligations for school building improvements, technology and transportation equipment:

Current Portion	\$ 863,847
Noncurrent Portion	10,786,512
Total Capital Lease Obligations	<u>\$ 11,650,359</u>

Accrued Compensated Absences:

Current Portion	\$ 56,681
Noncurrent Portion	226,726
Total	<u>\$ 283,407</u>

Business-type Activities:

NONE

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the fiscal year ended June 30, 2012:

Type of Debt

Governmental Activities	<u>Balances July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances June 30, 2012</u>
Obligations Under Capital Leases	\$ 12,298,062	\$ 318,903	\$ 966,606	\$ 11,650,359
Accrued Compensated Absences	266,393	64,822	47,808	283,407
Total	<u>\$ 12,564,455</u>	<u>\$ 383,725</u>	<u>\$ 1,014,414</u>	<u>\$ 11,933,766</u>

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2012**

NOTE G – LONG-TERM DEBT (Continued)

Bonded Debt and Lease Obligations

The amount shown in the accompanying financial statements as lease obligations represents the Board's future obligations to make lease payments relating to the bonds issued by the Carroll County, Kentucky, School District Finance Corporation and the Kentucky Interlocal School Transportation Association (KISTA), and an equipment lease with Apple, Inc. aggregating \$11,360,000, \$184,058 and \$106,301, respectively.

The Carroll County Board of Education has entered into agreements with the Kentucky School Facilities Construction Commission (KSFCC) whereby, the KSFCC agreed to participate with the Board in the repayment of Carroll County, Kentucky, School Building Revenue Bonds. The KSFCC has agreed to contribute up to \$437,136 annually for this assistance. This commitment by the KSFCC is limited to the biennial period of the Commonwealth of Kentucky. By the execution of the participation agreement, the Commission has expressed its present intention to continue to pay the agreed participation in each successive biennial period until the retirement of all the bonds, but such execution does not obligate the Commission to do so. The Carroll County Board of Education transferred amounts sufficient to redeem its share of the 2011-12 obligation.

On November 8, 2007, the Carroll County (Kentucky) School District Finance Corporation issued \$990,000, 2007 School Building Revenue Bonds with interest rates of 3.4%-3.75% to advance refund \$920,000 of its 1999 Revenue Bonds outstanding. The 1999 Bonds were issued at 4.25%-5.45%. The 1999 bonds were called on October 1, 2009. As a result of the advance refunding, the District reduced its total debt service requirements by \$67,000, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$52,214. Final maturity on the 2007 issue is October 1, 2019. In the Statement of Net Assets, the net costs associated with the early debt retirement of the 1999 issue are deferred and amortized over the remaining life of the defeased debt. The amount deferred is reported as a decrease (contra liability) to the book value of the new debt issued to finance the refunding. Total deferred costs were \$41,857. Amortization for the year was \$3,488 and is included as a component of interest expense.

On March 11, 2008, the Carroll County (Kentucky) School District Finance Corporation issued \$3,135,000, 2008 School Building Revenue Bonds with interest rates of 2.5%-3.2% to advance refund \$2,950,000 of its 1997 Revenue Bonds outstanding. The 1997 Bonds were issued at 3.8%-5.0%. The 1997 bonds were called on August 1, 2008. As a result of the advance refunding, the District reduced its total debt service requirements by \$187,851, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$160,793. Final maturity on the 2008 issue is August 1, 2017. In the Statement of Net Assets, the net costs associated with the early debt retirement of the 1997 issue are deferred and amortized over the remaining life of the defeased debt. The amount deferred is reported as a decrease (contra liability) to the book value of the new debt issued to finance the refunding. Total deferred costs were \$117,298. Amortization for the year was \$12,347 and is included as a component of interest expense.

On February 9, 2010, the Carroll County (Kentucky) School District Finance Corporation issued \$6,045,000 School Building Revenue Bonds, Series of 2010 with interest rates of 1.4% - 5.6%. These funds have been used to finance the renovation and expansion of the Cartmell Elementary School. These bonds are taxable Build America Bonds. As such, the District will receive annual federal credit payments toward the debt service of approximately 40.6% of each interest payment due. The credit will amount to \$1,411,081 over the life of the issue.

The Carroll County Board of Education entered into a governmental lease agreement with Apple, Inc. on June 23, 2011 to lease approximately 300 MacBook computers for student use. Under the lease the Board is obligated to make payments of \$106,301 annually for three years with the final payment due June 23, 2013. No interest has been charged on the lease. Due to the timing of the lease agreement and the actual receipt of the equipment, the lease was disclosed but not included in the financial statements for the year ended June 30, 2011. The Board made two lease payments during the year ended June 30, 2012.

The General Fund, Facility Support Program (FSPK), and the SEEK Capital Outlay Fund are obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. The original amount of the issue, the issue dates, and interest rates are summarized as follows:

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2012**

NOTE G – LONG-TERM DEBT (Continued)

Bonded Debt and Lease Obligations (Continued)

<u>Issue</u>	<u>Original Amount</u>	<u>Outstanding</u>	<u>Interest Rates</u>
Issue of 1993	\$ 220,000	\$ 35,000	3.00 - 5.375%
Issue of 2004	395,000	275,000	3.00 - 4.90%
Issue of 2005	2,060,000	1,485,000	2.80 - 4.20%
Issue of 2006	725,000	590,000	4.25%
Issue of 2007 (Refunding Issue)	990,000	805,000	3.40 - 3.75%
Issue of 2008 (Refunding Issue)	3,135,000	2,380,000	2.50 - 3.20%
Issue of 2010	6,045,000	5,790,000	1.40 - 5.60%
Total	<u>\$ 13,570,000</u>	<u>\$ 11,360,000</u>	

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

Year	Carroll County Board of Education		Kentucky School Facilities Construction Commission		Federal Credit Payment	Total
	Principal	Interest	Principal	Interest	Interest	
2012-2013	\$ 435,025	\$ 218,963	\$ 269,975	\$ 158,431	\$ 99,602	\$ 1,181,996
2013-2014	451,243	208,167	273,757	149,125	98,421	1,180,713
2014-2015	451,705	195,885	273,295	139,429	96,828	1,157,142
2015-2016	471,486	183,190	283,514	129,365	95,259	1,162,814
2016-2017	482,666	169,070	292,334	118,634	93,274	1,155,978
2017-2018	492,863	154,445	292,137	107,449	91,242	1,138,136
2018-2019	485,761	142,464	274,239	96,169	89,037	1,087,670
2019-2020	496,773	127,324	268,227	85,190	83,761	1,061,275
2020-2021	320,697	115,270	234,303	74,817	78,046	823,133
2021-2022	330,554	106,284	244,446	64,674	71,959	817,917
2022-2023	340,075	96,900	254,925	54,194	65,642	811,736
2023-2024	353,736	86,722	266,264	42,855	58,817	808,394
2024-2025	361,647	76,122	248,353	30,924	51,729	768,775
2025-2026	378,560	65,303	106,440	20,041	44,467	614,811
2026-2027	385,944	53,421	99,056	15,165	36,473	590,059
2027-2028	399,240	40,991	60,760	11,126	28,063	540,180
2028-2029	411,953	27,887	68,047	7,785	19,208	534,880
2029-2030	429,037	14,226	70,963	3,974	9,800	528,000
	<u>\$ 7,478,965</u>	<u>\$ 2,082,634</u>	<u>\$ 3,881,035</u>	<u>\$ 1,309,347</u>	<u>\$ 1,211,628</u>	<u>\$ 15,963,609</u>

The Board has passed resolutions to participate in the Kentucky Interlocal School Transportation Association (KISTA) to assist it in financing its needs for the acquisition of school buses. KISTA was created to provide for the acquisition of such equipment through utilization of a pooled financing affected by the issuance of KISTA's Equipment Lease Revenue Bonds. KISTA has therefore acted as an issuing agency for the participating Boards of Education (including Carroll), which after providing for the expenses of the authorization, sale, and issuance of the bonds, the Board "leased" the equipment on a year to year basis at annual rentals sufficient to amortize the pro rata portion of the proceeds of the bonds.

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2012**

NOTE G – LONG-TERM DEBT (Continued)

Bonded Debt and Lease Obligations (Continued)

At original issue, the Board's pro rata portion of the KISTA Equipment Lease Revenue Bonds were as follows:

	<u>Principal Participation %</u>	<u>At Original Issue</u>	<u>Outstanding</u>	<u>Interest Rate</u>
2004 Series	1.05%	\$ 123,620	\$ 22,738	1.00 – 3.50%
2005 Series	1.00%	189,449	56,128	3.00 – 3.625%
2006 Second Series	1.23%	202,542	105,192	3.50 – 3.875%
		<u>\$ 515,611</u>	<u>\$ 184,058</u>	

Assuming the payments are made as scheduled, the Board's obligation to repay its pro rata portion of the Bonds outstanding at June 30, 2012, for debt service, (principal and interest) are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Retirement for Year</u>
2012-13	\$ 52,546	\$ 6,689	\$ 59,235
2013-14	50,832	4,835	55,667
2014-15	40,735	3,028	43,763
2015-16	19,605	1,523	21,128
2016-17	20,340	788	21,128
	<u>\$ 184,058</u>	<u>\$ 16,863</u>	<u>\$ 200,921</u>

During the year ended June 30, 2012, the District paid \$67,790 in principal and interest payments on the KISTA bond issues. These payments are included as debt service in the General Fund. The District's obligation under the 2001 series was repaid during the year ended June 30, 2012.

The Board has passed resolutions to enter into lease agreement(s) with Apple, Inc. The Board has leased equipment under a non-interest bearing governmental lease. Although the lease was dated in June, 2011, the initial payment was not made and the equipment was not received prior to June 30, 2011. The Board made two payments in fiscal year 2012. These payments are included as debt service in the General Fund. The Board's payment obligation under the Apple, Inc. equipment lease are as follows:

<u>Payment Date</u>	<u>Payment Amount</u>
2012-13	\$ 106,301
	<u>\$ 106,301</u>

Assuming no issues are called prior to scheduled maturity, the minimum obligation of the District at June 30, 2012, (including amounts anticipated to be paid by the Kentucky School Facilities Construction Commission and Federal Build America Bond Program) for debt service (principal and interest) are as follows:

	<u>Principal</u>	<u>Interest</u>
2012-2013	\$ 863,847	\$ 483,685
2013-2014	775,832	460,548
2014-2015	765,735	435,170
2015-2016	774,605	409,337
2016-2017	795,340	381,766
2018-2022	3,440,000	1,488,131
2023-2027	2,795,000	798,775
2028-2030	1,440,000	163,060
Total	<u>\$ 11,650,359</u>	<u>\$ 4,620,472</u>

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 June 30, 2012**

NOTE G – LONG-TERM DEBT (Continued)

Bonded Debt and Lease Obligations (Continued)

Of the total interest scheduled to be paid through maturity (\$4,620,472), \$1,309,347 and \$1,211,628 is attributable to the Kentucky School Facilities Construction Commission and Federal Build America Bonds interest credit, respectively. Accrued interest attributable to the Kentucky School Facilities Construction Commission's share of bonds outstanding and Federal Build America Bonds interest credit has not been recorded as a liability in the statement of Net Assets, as payment by the District is not probable.

NOTE H - ACCUMULATED UNPAID SICK LEAVE BENEFITS

Full-time certified and classified employees are both entitled to two days of personal leave with pay each school year. On June 30, personal leave days not taken during the current school year are transferred and credited to the employee's accumulated sick leave account. All full-time certified and classified employees are entitled to ten days of sick leave with pay each school year. In addition, employees who work under extended employment schedules are entitled to the following:

Employee working less than 200 days	Ten (10) sick days
Employee working 200-219 days	Eleven (11) sick days
Employee working 220 or more days	Twelve (12) sick days

Sick leave days not taken during the school year in which they were granted shall accumulate without limitation to the credit of the certified or classified employee to whom they were granted. Certified and classified employees coming to the District from another Kentucky school district or from the Kentucky Department of Education shall transfer accumulated sick leave to the District. The estimated total liability for accumulated sick leave at June 30, 2012, was \$3,359,013 for certified and classified employees. No accrual has been recorded in the financial statement due to the contingent nature of this liability.

Upon retirement from the school system, certified and classified employees will receive accumulated sick leave as follows:

1-75 days accumulated unused sick leave	X	*Daily rate	X	17.5%
76-150 days accumulated unused sick leave	X	*Daily rate	X	22.5%
151+ days accumulated unused sick leave	X	*Daily rate	X	30.0%

*Daily rate is based on the employee's last annual salary.

At June 30, 2012, these amounts totaled \$227,704 and \$55,703, respectively, for those certified and classified employees eligible for retirement (having 27 or more years of service or having attained age 55 with five or more years of service). None of these compensated absences are deemed to be paid on a current basis, (within 60 days of year-end), therefore, no liability has been recorded in the Governmental Funds Balance Sheet. In the government-wide statement of net assets, the accrued compensated absences liability has been recorded as follows:

Current	\$	56,681
Non-current		226,726
Total	\$	283,407

NOTE I - RETIREMENT PLANS

Certified employees are covered under the Kentucky Teachers Retirement System (KTRS).

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

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2012

NOTE I - RETIREMENT PLANS (Continued)

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

Funding Policy – Contribution rates are established by Kentucky Retirement Statutes. Pre July 2008 members are required to contribute 10.355% of their salaries to the System. Post July 2008 members are required to contribute an additional 0.5% to the medical insurance fund.

Participating employers are required to contribute the percentage contributed by members plus an additional 3.25% of members' gross salaries. The Commonwealth of Kentucky contributes the required percentages for the local school district employers except for those members who are employed in federally funded positions, in which case the federal program pays the required percentages.

The member and employer contributions consist of pension contributions and post-retirement contributions to the medical insurance fund. The post-retirement contribution from employee (.75% for members prior to July 1, 2008 or 1.75% for members who joined after July 1, 2008) and the employer contribution rate of .75% of members' gross salaries help finance KTRS' retiree medical insurance plan. Also, after July 1, 2010 employers (other than state) contribute .25% of members' salaries and the state contributes the net cost of health insurance premiums for new retirees after June 30, 2010 in the non-Medicare eligible group.

If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan Description – In addition to the retirement annuity plan described above, Kentucky Revised Statute 161.675 requires KTRS to provide access to post-employment healthcare benefits for eligible members and dependents. The KTRS medical plan is funded by employer and member contributions. 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.

The KTRS medical plan is funded by employee contributions to an account established pursuant to 26 U.S.C. sec. 401(h). Additional funding is derived from the Kentucky Teachers' Retirement System insurance trust fund that went into effect on July 1, 2010. The insurance trust fund provides a trust separate from the account established pursuant to 26 U.S.C. sec. 401(h). The insurance trust fund includes employer and retired member contributions required under KRS 161.550 and KRS 161.675(4)(b).

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS medical plan offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. KTRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the KTRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. The Commonwealth of Kentucky bears risk for excess claims expenses that exceed the premium equivalents charged for the Kentucky Employees Health Plan. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan. KTRS bears the risk for actual drug claims cost in the Medicare Eligible Health Plan through June 30, 2012.

Funding Policy – The post-employment healthcare benefit provided by KTRS is financed on a pre-funded basis beginning July 1, 2010 with the implementation of the Shared Responsibility Plan. In order to fund healthcare benefits, active member contributions are matched by the state at .75% of members' gross salaries. Those members who joined the System before July 1, 2008 contributed 0.75% of gross payroll to the KTRS medical plan and beginning July 1, 2010 the contribution increases incrementally to 3.75% by July 1, 2015 under the Shared Responsibility Plan. Member contributions to the KTRS medical plan are 1.75% of gross payroll for those who joined the System after July 1, 2008 and beginning July 1, 2010 the contribution increases incrementally to 3.75% by July 1, 2015 under the Shared Responsibility Plan. Also, the premiums collected from retirees and investment income contributes to funding the plan.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 June 30, 2012

NOTE I - RETIREMENT PLANS (Continued)

The District's total payroll for the year was \$12,231,114. The payroll for employees covered under KTRS was \$8,631,844. For the year ended June 30, 2012, the Commonwealth contributed \$985,459 to KTRS for the benefit of our participating employees. The School District's contributions to KTRS for the year ending June 30, 2012 were \$204,967, which represents those employees covered by federal programs.

The total required contributions for all participating entities to the plan were as follows:

	Annual Required Contributions	Percentage Contributed
June 30, 2011	678,741,428	153%
June 30, 2010	633,938,088	76%
June 30, 2009	600,282,735	67%

Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS). The most recent financial report on CERS is included in the Kentucky Retirement System's annual report, June 30, 2011. Copies of this report will be distributed to each participating employer in the Kentucky Employees Retirement System, County Employees Retirement System, and State Police Retirement System. Copies will be available to Legislative personnel and state libraries.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous duty positions of each county, city and school board, and any additional eligible local agencies electing to participate in CERS. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA), are provided at the discretion of the State legislature.

Contributions – For the fiscal year ended June 30, 2011, plan members were required to contribute 5% (6% for new members to CERS after September 1, 2008) of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board of Trustees of the Kentucky Retirement Systems (Board) on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the fiscal year ended June 30, 2011, participating employers contributed 18.96% of each employee's creditable compensation. The actuarially determined rate set by the Board for the fiscal year ended June 30, 2011, was 18.96% of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The Board of Education's contributions were based on \$3,418,193 of eligible gross wages for fiscal year ended June 30, 2011. The total pension expense for the year ended June 30, 2012, was \$648,089 and \$175,328 for the employer and employees, respectively. All contributions were made as required during the year ending June 30, 2012. The District's 2011 contributions to CERS represented .19% of the total contributions required of all participating entities.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 June 30, 2012

NOTE I - RETIREMENT PLANS (Continued)

For non-hazardous duty, the required contributions of all participating entities to the plan were as follows:

**County Employees Retirement System (CERS) Non-Hazardous
 Schedule of Contributions From Employers and Other Contributing
 Entities for Pension and Insurance Plans**

	Annual Required Contribution	Actual Contribution	Retiree Drug Subsidy Contributions	Percentage Contribution
June 30, 2011	432,414,052	435,404,150	-	100.7%
June 30, 2010	453,055,709	373,682,939	9,156,991	84.5%
June 30, 2009	425,830,683	303,046,162	7,623,628	72.9%

The Kentucky Retirement Systems Insurance Fund (Fund) was established to provide hospital and medical insurance for members receiving benefits from CERS. The Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance for current beneficiaries.

NOTE J – TRANSFER OF FUNDS

The following transfers made during the year were reported in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds:

From Fund	To Fund	Purpose	Amount
General Fund	Special Revenue	Matching	\$ 34,426
Construction	General	Repayment of Excess General Fund Contribution for Construction Project	20,684
Special Revenue Fund (Headstart)	Construction	Contribution to Construction Project	179,659

The following transfer of fixed assets from the Governmental Funds to the Business-type Activities were reported in the Statement of Activities:

General Fund	Proprietary Fund	\$ 272,826
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NOTE K – ECONOMIC DEPENDENCY

Carroll County Board of Education received \$800,700 in Lieu of Tax Revenue from North American Stainless. The District receives the majority of its total utilities tax revenue from Kentucky Utilities and Carrollton Utilities.

NOTE L – FUND EQUITY

Restricted Net Assets

The following table shows the restricted net assets as shown on the Statement of Net Assets:

Governmental Activities (other purposes)

Activity	Restricted By	Amount
Construction of approved facility plan projects/ debt service	State Law	\$ 1,338,497
		<u>\$ 1,338,497</u>

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2012**

NOTE L – FUND EQUITY (Continued)

The following classifications of fund balance on the Governmental Funds Balance Sheet (Fund Financial Statement) have been made:

Nonspendable for prepaid expense:	
General Fund	\$ <u>256,431</u>
Restricted for:	
Kentucky School Facilities	
Construction Commission (KSFCC) Escrow	
Other Governmental Funds	
FSPK	\$ 541,425
Seek Capital Outlay Fund	646,362
	\$ <u>1,187,787</u>
Capital Projects/Debt Service	
Other Governmental Funds	
Seek Capital Outlay Fund	\$ 150,710
Total Restricted	\$ <u>1,338,497</u>

Committed for outstanding purchase orders approved by action of the Board of Education: (Furniture for the high school's lunchroom renovation of \$153,897 and a chiller for \$39,925)

General Fund	\$ <u>193,822</u>
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Committed for future Capital Projects as contracted or constrained to that purpose by action of the Board of Education:

General Fund	\$ 1,992,585
Construction Fund	<u>774,738</u>
	\$ <u>2,767,323</u>

Committed for Accumulated Sick Leave as constrained to that purpose by action of the Board of Education:

General Fund	\$ <u>84,500</u>
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Assigned for outstanding purchase orders approved by District Administrators:

General Fund	\$ <u>81,563</u>
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NOTE M – CONTINGENCIES AND COMMITMENTS/SUBSEQUENT EVENTS

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

In July, 2012, a master lease purchase agreement with Apple, Inc. was approved in the amount of \$174,340 for the acquisition of computer equipment to be used by the District's students. The lease runs from July 15, 2012 to July 15, 2014. Payments of \$59,210 are due at the onset of the lease and then annually each July 15. Interest is charged at the rate of 1.9% per annum.

In July, 2012 the District entered into a contract with TESCO (Transportation Equipment Sales Corporation) for the purchase of a mobile classroom vehicle in the amount of \$150,000 to be financed through the Head Start Program.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
From Local Sources:				
Taxes				
Property	\$ 3,435,000	\$ 3,435,000	\$ 3,665,325	\$ 230,325
Motor Vehicle	240,000	240,000	241,093	1,093
Utilities	2,000,000	2,000,000	3,303,831	1,303,831
Revenue in Lieu of Tax	700,000	700,000	800,700	100,700
Earnings on Investments	4,000	4,000	2,413	(1,587)
Other Local Revenues	5,500	5,500	126,198	120,698
Intergovernmental Revenue - State	6,492,000	6,492,000	6,948,702	456,702
TOTAL REVENUES	\$ 12,876,500	\$ 12,876,500	\$ 15,088,262	\$ 2,211,762
EXPENDITURES:				
Instruction	\$ 6,925,599	\$ 6,925,599	\$ 6,994,360	\$ (68,761)
Support Services				
Student	566,187	566,187	547,740	18,447
Instructional Staff	1,629,725	1,629,725	1,196,027	433,698
District Administration	960,452	960,452	694,657	265,795
School Administration	996,298	996,298	1,037,679	(41,381)
Business Support Services	472,225	472,225	455,793	16,432
Plant Operations & Management	1,713,339	1,713,339	1,658,141	55,198
Student Transportation	988,601	988,601	993,232	(4,631)
Other Instructional	10,000	10,000	4,101	5,899
Food Service Operations	3,000	3,000	205	2,795
Debt Service	175,000	175,000	280,391	(105,391)
Contingency	1,412,074	1,412,074	-	1,412,074
TOTAL EXPENDITURES	\$ 15,852,500	\$ 15,852,500	\$ 13,862,326	\$ 1,990,174
Excess (Deficit) of Revenues Over Expenditures	\$ (2,976,000)	\$ (2,976,000)	\$ 1,225,936	\$ 4,201,936
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ 20,684	\$ 20,684
Transfers Out	(30,000)	(30,000)	(34,426)	(4,426)
Sale of Assets	6,000	6,000	3,304	(2,696)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (24,000)	\$ (24,000)	\$ (10,438)	\$ 13,562
Excess (Deficit) of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	\$ (3,000,000)	\$ (3,000,000)	\$ 1,215,498	\$ (4,215,498)
Fund Balance - July 1	3,000,000	3,000,000	6,193,884	3,193,884
Fund Balance - June 30	\$ -	\$ -	\$ 7,409,382	\$ (7,409,382)

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
From Local Sources:				
Other Local Revenues	\$ 90,013	\$ 87,124	\$ 985	\$ (86,139)
Intergovernmental - State	303,099	482,653	474,254	(8,399)
Intergovernmental - Federal Direct	686,293	1,610,691	2,907,567	1,296,876
Intergovernmental - Federal through the State	1,148,234	1,368,303	1,298,225	(70,078)
TOTAL REVENUES	\$ 2,227,639	\$ 3,548,771	\$ 4,681,031	\$ 1,132,260
EXPENDITURES:				
Instruction	\$ 1,730,663	\$ 2,988,864	\$ 3,691,871	\$ (703,007)
Support Services				
Student	89,859	90,306	88,081	2,225
Instructional Staff	131,696	138,281	299,143	(160,862)
District Administration	-	-	-	-
Business Support Services	19,323	35,900	45,350	(9,450)
Plant Operations & Management	12,159	41,736	57,214	(15,478)
Student Transportation	74,980	83,628	95,662	(12,034)
Food Service Operations	7,092	17,725	18,484	(759)
Community Service	191,867	186,757	239,993	(53,236)
TOTAL EXPENDITURES	\$ 2,257,639	\$ 3,583,197	\$ 4,535,798	\$ (952,601)
Excess (Deficit) of Revenues Over Expenditures	\$ (30,000)	\$ (34,426)	\$ 145,233	\$ 179,659
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	\$ 30,000	\$ 34,426	\$ 34,426	\$ -
Operating Transfers Out	-	-	(179,659)	(179,659)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 30,000	\$ 34,426	\$ (145,233)	\$ (179,659)
Excess (Deficit) of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	\$ -	\$ -	\$ -	\$ -
Fund Balance - July 1	-	-	-	-
Fund Balance - June 30	\$ -	\$ -	\$ -	\$ -

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO BUDGETARY COMPARISON SCHEDULES
June 30, 2012

NOTE 1

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for its transactions on the modified accrual basis of accounting.

The Board of Education follows these procedures in establishing the budgetary data for the general fund, special revenue, and certain capital projects funds reflected in the financial statements.

1. The superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The Operating Budget includes proposed expenditures and the means of financing them for the upcoming year. Funds reserved at the end of the previous fiscal year due to the District's participation agreements with the Kentucky School Facilities Construction Commission and for its future obligation for sick leave retirement benefits are not budgeted. Revenues and expenditures associated with on-behalf payments made by the state of Kentucky for Teacher Retirement, Fringe Benefits, Network Services, and Vocational Education are not budgeted. Capital lease obligations transactions involving the acquisition of school buses through the KISTA Bond Program and computer equipment from Apple, Inc. are not budgeted. Detailed line item budgets are included for administration control. The level of control for the detailed budgets is at the principal/department head level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to January 31, the school district certifies to the Kentucky Department of Education that it has formally and publicly examined the draft budget.
4. Prior to March 1, the Board of Education makes a tentative allocation to School Councils including amounts for certified and classified staffs, instructional supplies, materials, travel and equipment.
5. Prior to May 1, the Board of Education must provide notice of updated allocations to school councils.
6. Prior to May 30, the Board adopts a tentative working budget.
7. Prior to September 30, the Board adopts a final working budget and submits it to the Kentucky Board of Education for approval.
8. After the Department of Education has approved the final working budget, amendments to the budget may be made without additional approvals from the Department of Education. The general fund budget was not amended during the year. The Fund 2 [Special Revenue Funds] budget was amended to reflect new grants and other funding changes.

NOTE 2

Budgetary comparison to actual for the special revenue funds represent the total comparison of all federal and state grant programs therein. Several of the projects have grant periods involving more than one fiscal year.

NOTE 3

Actual results shown in the Budget Comparison do not reflect any on behalf payments made by the State of Kentucky for Teachers Retirement, Health Insurance, Flex payments, Life Insurance, the Administrative Fees associated with those benefits, Network Service, or Vocational Education.

NOTE 4

Other financing uses (Transfers Out) exceeded appropriations in the Special Revenue Fund by \$179,659, due to transfers made to the Construction Fund for the Winn Elementary Renovation Project.

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
 NOTES TO BUDGETARY COMPARISON SCHEDULES – CONTINUED
 June 30, 2012

Budget to Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

	General Fund
<u>Sources/inflows of resources:</u>	
Actual amounts (budgetary basis) "Total Revenues" from the budgetary comparison schedule	\$ 15,088,262
Differences – budget to GAAP:	
Payments made by the State of Kentucky on behalf of the District for Teachers Retirement, Health Insurance, Flex Payments, Life Insurance, the Administrative Fees, Network Service and Vocational Education are not budgeted by the District	2,820,927
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund	\$ 17,909,189
<u>Uses/outflows of resources:</u>	
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 13,862,326
Differences – budget to GAAP:	
Payments made by the State of Kentucky on behalf of the District for Fringe Benefits, Network Service and Vocational Education are not budgeted by the District	2,820,927
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund	\$ 16,683,253
<u>Other Financing Resources</u>	
Actual amounts (budgetary basis) "total other financing sources (uses)" from the budgetary comparison schedule	\$ (10,438)
Differences – budget to GAAP:	
Capital lease proceeds are not budgeted by the District	318,903
Total other financing sources (uses) as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund	\$ 308,465
<u>Fund Balance, June 30, 2011</u>	
Actual amounts (budgetary basis) fund balance, June 30, from the budgetary comparison schedule	\$ 6,193,884
Differences – budget to GAAP:	
Amounts committed for nonspendable amounts accrued sick leave and future construction are not considered available and therefore not budgeted for current expenditures by the District/Estimated prior year difference.	(3,193,884)
Fund balance as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund	\$ 3,000,000

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2012**

	<u>Capital Project Funds</u>			Construction Fund	Total Non-major Governmental Funds
	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Funds		
ASSETS:					
Cash and Cash Equivalents	\$ 541,425	\$ 797,072	\$ -	\$ 791,020	\$ 2,129,517
TOTAL ASSETS	<u>\$ 541,425</u>	<u>\$ 797,072</u>	<u>\$ -</u>	<u>\$ 791,020</u>	<u>\$ 2,129,517</u>
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Construction Retainage Payable	\$ -	\$ -	\$ -	\$ 16,282	\$ 16,282
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,282</u>	<u>\$ 16,282</u>
FUND BALANCES:					
Restricted for:					
KSFCC Escrow	\$ 541,425	\$ 646,362	\$ -	\$ -	\$ 1,187,787
Capital Projects/Debt Service	-	150,710	-	-	150,710
Committed for:					
Capital Projects	-	-	-	774,738	774,738
TOTAL FUND BALANCES	<u>\$ 541,425</u>	<u>\$ 797,072</u>	<u>\$ -</u>	<u>\$ 774,738</u>	<u>\$ 2,113,235</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 541,425</u>	<u>\$ 797,072</u>	<u>\$ -</u>	<u>\$ 791,020</u>	<u>\$ 2,129,517</u>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	<u>Capital Project Funds</u>			Construction Fund	Total Non-major Governmental Funds
	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Funds		
REVENUES:					
From Local Sources:					
Taxes:					
Property	\$ 411,122	\$ -	\$ -	\$ -	\$ 411,122
Earnings on Investments	89	194	-	363	646
Intergovernmental - State	223,920	172,131	437,136	-	833,187
Intergovernmental - Direct Federal - Build America Bonds	100,532	-	-	-	100,532
TOTAL REVENUES	\$ 735,663	\$ 172,325	\$ 437,136	\$ 363	\$ 1,345,487
EXPENDITURES:					
Current:					
Facilities Acquisition & Construction	\$ -	\$ -	\$ -	\$ 1,525,035	\$ 1,525,035
Debt Service					
Principal	405,615	19,615	269,770	-	695,000
Interest	329,298	-	167,366	-	496,664
Fiscal Agent Fees	750	-	-	-	750
TOTAL EXPENDITURES	\$ 735,663	\$ 19,615	\$ 437,136	\$ 1,525,035	\$ 2,717,449
Excess (Deficit) of Revenues over Expenditures	\$ -	\$ 152,710	\$ -	\$ (1,524,672)	\$ (1,371,962)
OTHER FINANCING SOURCES (USES):					
Transfers In	\$ -	\$ -	\$ -	\$ 158,975	\$ 158,975
Transfers Out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES):	\$ -	\$ -	\$ -	\$ 158,975	\$ 158,975
Excess (Deficit) of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	\$ -	\$ 152,710	\$ -	\$ (1,365,697)	\$ (1,212,987)
FUND BALANCE JULY 1, 2011	541,425	644,362	-	2,140,435	3,326,222
FUND BALANCE JUNE 30, 2012	\$ 541,425	\$ 797,072	\$ -	\$ 774,738	\$ 2,113,235

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
SCHEDULE OF REVENUE BOND TRANSACTIONS
For the Year Ended June 30, 2012

SOURCE OF PAYMENT FUNDING	<u>ISSUE OF 1993</u>	<u>ISSUE OF 2004</u>	<u>ISSUE OF 2005</u>
Intergovernmental - State	\$ 16,004	\$ 28,363	\$ 151,185
Federal Interest Credit - Build			
America Bonds	-	-	-
Payment Made from SEEK Capital Outlay Fund	-	-	-
Payment Made from FSPK Fund	1,280	-	-
Total Payment Funding	<u>\$ 17,284</u>	<u>\$ 28,363</u>	<u>\$ 151,185</u>
Debt Service			
Principal Retirement	\$ 15,000	\$ 15,000	\$ 90,000
Interest	2,284	13,363	61,185
Total Expenditures	<u>\$ 17,284</u>	<u>\$ 28,363</u>	<u>\$ 151,185</u>

<u>ISSUE OF 2006</u>	<u>REFUNDING ISSUE OF 2007</u>	<u>REFUNDING ISSUE OF 2008</u>	<u>ISSUE OF 2010</u>	<u>TOTALS</u>
\$ 55,713	\$ 61,288	\$ 50,725	\$ 73,858	\$ 437,136
-	-	-	100,532	100,532
-	-	-	19,615	19,615
-	19,152	395,720	218,229	634,381
<u>\$ 55,713</u>	<u>\$ 80,440</u>	<u>\$ 446,445</u>	<u>\$ 412,234</u>	<u>\$1,191,664</u>
\$ 30,000	\$ 50,000	\$ 370,000	\$ 125,000	\$ 695,000
25,713	30,440	76,445	287,234	496,664
<u>\$ 55,713</u>	<u>\$ 80,440</u>	<u>\$ 446,445</u>	<u>\$ 412,234</u>	<u>\$1,191,664</u>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
HIGH SCHOOL ACTIVITY FUNDS
For the Year Ended June 30, 2012

ACCOUNTS:	Cash Balances	Receipts	Disbursements	Interfund Transfers	Cash Balances	Accounts	Accounts	Fund Balances
	July 1, 2011				June 30, 2012	Receivable	Payable	June 30, 2012
Academic Pep Rally	\$ 820	\$ -	\$ 799	\$ -	\$ 21	\$ -	\$ -	\$ 21
Academic Team	358	-	50	-	308	-	-	308
Armed Forces Club	2,711	2,460	4,165	-	1,006	-	-	1,006
Art Fees	60	340	234	-	166	-	-	166
Athletic-General	11,657	39,690	42,785	(1,056)	7,506	-	92	7,414
Baseball	-	11,287	11,473	213	27	-	-	27
Basketball Booster	1,096	2,413	2,512	-	997	-	-	997
Boy's Basketball	4,892	8,960	11,267	6,115	8,700	-	-	8,700
Broadcasting	53	-	-	-	53	-	-	53
CCHS Greenhouse	2,199	617	1,911	-	905	-	-	905
Cheerleaders	3,842	8,516	11,733	-	625	-	-	625
Chess Club	130	507	-	-	637	-	-	637
Cross Country	231	173	983	579	-	-	-	-
Drama Club	1,431	5,027	3,224	-	3,234	-	-	3,234
FCA	80	218	298	-	-	-	-	-
FEA Grant	114	-	-	-	114	-	-	114
FFA	323	15,913	16,084	-	152	-	-	152
Field Trips	1,737	7,557	8,970	-	324	-	-	324
Football	-	250	514	264	-	-	-	-
Foreign Language Club	317	-	-	-	317	-	-	317
Friends of Rachel	-	132	-	-	132	-	-	132
Girl's Golf	1,354	1,867	2,321	-	900	-	-	900
Girl's Soccer	1,533	2,790	719	-	3,604	-	-	3,604
Junior Prom	578	9,592	7,905	-	2,265	-	-	2,265
KY Junior Historical Soc	208	-	-	-	208	-	-	208
Lady Panthers	7,997	5,452	8,810	-	4,639	-	-	4,639
Library	234	142	96	-	280	-	-	280
National Honor Society	177	170	356	9	-	-	-	-
NAS Tournament	-	12,493	6,378	(6,115)	-	-	-	-
Pep Club	788	4,136	4,806	-	118	-	-	118
Powder Puff Shirts	-	2,185	2,206	21	-	-	-	-
Principal's Fund	14	98	14	-	98	-	-	98
Prom Lock In	4,172	2,557	5,699	(17)	1,013	-	-	1,013
Retirement Fund	43	120	55	12	120	-	-	120
SADD	129	-	-	-	129	-	-	129
Scholarship Fund	4,550	1,450	2,700	-	3,300	-	-	3,300
Science Fees	239	917	1,100	22	78	-	-	78
Senior Shirts	-	857	797	-	60	-	-	60
Senior Trip	1,605	25,398	26,001	-	1,002	-	-	1,002
Soccer (Boys)	4,248	22,086	19,861	-	6,473	-	-	6,473
Softball	3,128	5,694	4,935	-	3,887	-	-	3,887
Softball Field Renovation	1,902	-	-	-	1,902	-	-	1,902
STLP	211	645	579	-	277	-	-	277
Strength & Conditioning	275	-	200	-	75	-	-	75
Student Council	-	177	117	-	60	-	-	60
Student Fees	2,277	14,336	14,980	(108)	1,525	-	-	1,525
Student Vending	347	8,862	8,912	74	371	-	-	371
Teacher Vending	142	1,559	1,688	(13)	-	-	-	-
Tennis (Girls)	1,169	3,399	3,679	-	889	-	-	889
Text Books	1,530	944	45	-	2,429	-	-	2,429
Track	-	5,306	4,672	-	634	-	-	634
Volleyball	3,006	8,596	10,253	-	1,349	-	-	1,349
Y-CLUB	398	225	225	-	398	-	-	398
Yearbook	8,862	10,536	10,348	-	9,050	-	-	9,050
Totals	\$ 83,167	\$ 256,649	\$ 267,459	\$ -	\$ 72,357	\$ -	\$ 92	\$ 72,265

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
MIDDLE SCHOOL ACTIVITY FUNDS
For the Year Ended June 30, 2012

	Cash Balances		Disbursements	Interfund Transfers	Cash Balances		Accounts	Accounts	Fund Balances
	July 1, 2011	Receipts			June 30, 2012	June 30, 2012	Receivable	Payable	
ACCOUNTS:									
Academic Team	\$ 661	\$ 1,115	\$ 1,100	\$ (107)	\$ 569	\$ -	\$ -	\$ 569	
Art	520	1,780	1,868	(50)	382	-	-	382	
Athletic Fund	1	-	-	-	1	-	-	1	
Baseball	478	6,535	5,784	(150)	1,079	-	-	1,079	
Basketball-Boys	2,301	10,390	11,826	37	902	-	-	902	
CCMS Band	1,618	18,243	18,855	-	1,006	221	37	1,190	
CCMS Cheerleading	2,828	3,558	5,710	-	676	-	-	676	
Chess Club	578	-	-	-	578	-	-	578	
Chorus	64	1,056	952	-	168	-	-	168	
Drama	615	304	104	-	815	-	-	815	
Elghth Grade	3,594	54,912	53,841	-	4,665	-	1,642	3,023	
Encore Team	1,692	2,633	3,105	(68)	1,152	-	-	1,152	
Environmental Education	404	-	-	-	404	-	-	404	
F.E.A.	261	-	-	-	261	-	-	261	
Field Trip	150	-	-	-	150	-	-	150	
Football	7,404	8,797	8,440	330	8,091	-	-	8,091	
Girls Basketball	1,598	8,857	7,480	-	2,975	-	-	2,975	
KY Jr. Historical	282	-	-	150	432	-	-	432	
Library	1,325	4,907	5,970	50	312	-	-	312	
Lighthouse	113	-	-	-	113	-	-	113	
Newspaper Club	24	-	-	-	24	-	-	24	
NJHS	32	-	-	-	32	-	-	32	
Principal	1,125	338	1,284	(10)	169	695	-	864	
Publication	710	2,975	3,328	-	357	-	-	357	
Rachel's Challenge	539	-	-	(474)	65	-	-	65	
Recycling Fund	110	196	223	-	83	-	-	83	
Relay for Life	-	1,169	1,216	47	-	-	-	-	
Renaissance	794	7,558	8,770	578	160	-	-	160	
Resource Books	40	-	-	-	40	-	-	40	
Science Fair	69	-	-	-	69	-	-	69	
Seventh Grade	127	3,305	2,779	-	653	-	-	653	
Sixth Grade	762	78	87	-	753	-	-	753	
Soccer	212	2,785	1,550	(150)	1,297	-	-	1,297	
Social Fund	1	-	-	-	1	-	-	1	
STLP	163	390	275	(47)	231	-	-	231	
Student Council	379	136	161	-	354	-	-	354	
Track	105	1,812	1,241	-	676	-	-	676	
Vending-Teacher	116	1,482	1,151	-	447	-	-	447	
Volleyball	512	3,205	1,241	14	2,490	-	-	2,490	
Y-Club/KUNA/KYA	150	-	-	(150)	-	-	-	-	
Totals	\$ 32,457	\$ 148,516	\$ 148,341	\$ -	\$ 32,632	\$ 916	\$ 1,679	\$ 31,869	

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
CARTMELL ELEMENTARY SCHOOL ACTIVITY FUNDS
For the Year Ended June 30, 2012

	Cash Balances		Disbursements	Interfund Transfers	Cash Balances		Accounts	Accounts	Fund Balances
	July 1, 2011	Receipts			June 30, 2012	June 30, 2012	Receivable	Payable	
ACCOUNTS:									
Book Fair	\$ 1,218	\$ 7,331	\$ 6,048	\$ -	\$ 2,501	\$ -	\$ -	\$ 2,501	
Bookstore	464	1,945	10	-	2,399	-	-	2,399	
Camp Invention	-	3,234	-	-	3,234	-	1,920	1,314	
Cheerleading	-	3,464	1,939	-	1,525	-	-	1,525	
Dance Team	90	120	64	-	146	-	-	146	
Field Trips	218	3,282	3,408	-	92	-	-	92	
Flower Fund	140	-	121	-	19	-	-	19	
Fun for the Arts	4,028	5,974	5,769	-	4,233	724	100	4,857	
History Club	100	-	-	-	100	-	-	100	
Music	361	287	384	-	264	384	-	648	
Physical Education	233	-	233	-	-	-	-	-	
Playground	2,180	17,520	15,556	-	4,144	-	-	4,144	
Principal Account	1,825	4,139	3,639	-	2,325	-	-	2,325	
Relay for Life	-	783	783	-	-	-	-	-	
Reward Events	143	1,151	1,125	-	169	-	-	169	
Vending Machines	433	1,047	1,204	-	276	-	-	276	
Yearbook	594	2,386	2,557	-	423	-	-	423	
Youth Basketball	2,891	10,440	7,695	-	5,636	-	-	5,636	
Totals	\$ 14,918	\$ 63,103	\$ 50,535	\$ -	\$ 27,486	\$ 1,108	\$ 2,020	\$ 26,574	

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
KATHRYN WINN PRIMARY SCHOOL ACTIVITY FUNDS
For the Year Ended June 30, 2012

	Cash Balances		Disbursements	Interfund Transfers	Cash Balances		Accounts	Accounts	Fund Balances
	July 1, 2011	Receipts			June 30, 2012	June 30, 2012	Receivable	Payable	
ACCOUNTS:									
Becraft - Recipe Books	\$ 178	\$ -	\$ 178	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Book Fair	3,255	13,662	15,156	873	2,634	-	1,226	1,408	
Camp Invention	6,125	874	6,999	-	-	-	-	-	
Charity	-	1,134	1,134	-	-	-	-	-	
Fall Festival	11,299	27,093	38,563	3,552	3,381	-	-	3,381	
Field Trips	867	6,681	6,593	-	955	-	-	955	
Flower Fund	79	240	119	-	200	-	-	200	
Found Money	1	-	-	(1)	-	-	-	-	
Library	735	-	-	(735)	-	-	-	-	
Library Books	138	-	-	(138)	-	-	-	-	
Literacy	1,281	-	1,281	-	-	-	-	-	
Market Day	124	5,345	3,015	(2,296)	158	-	-	158	
Music	-	120	110	-	10	-	-	10	
Nature's Vision	1,227	5,033	5,837	-	423	65	-	488	
Principal's Fund	2,178	724	2,217	1	686	1,108	-	1,794	
Relay for Life	1,342	-	1,342	-	-	-	-	-	
STLP	261	-	129	-	132	-	-	132	
2nd Grade Fund Raiser	99	-	32	-	67	-	-	67	
Vending	514	1,256	1,337	-	433	-	-	433	
Wisdom & Wonder	1,576	-	320	(1,256)	-	-	-	-	
Yearbook	1,503	3,711	3,272	-	1,942	-	-	1,942	
Totals	\$ 32,782	\$ 65,873	\$ 87,634	\$ -	\$ 11,021	\$ 1,173	\$ 1,226	\$ 10,968	

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL
For the Year Ended June 30, 2012**

Board Members

Mona Kindoll, Chairperson

Carolyn Jones, Vice Chairperson

Mary Ann Pearson

Tommy Unker

Jennifer Beach (Resigned April 27, 2012)

ADMINISTRATIVE PERSONNEL

Ms. Lisa James, Superintendent of Schools

William Hogan, Assistant Superintendent/(CAO)

Jon Conrad, Chief Finance Officer

Tracie Crawford, Secretary to the Board

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

Kentucky State Committee For School District Audits
Members of the Carroll County, Kentucky, Board of Education
Carrollton, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carroll County, Kentucky, Board of Education, as of and for the year ended June 30, 2012, which collectively comprise Carroll County, Kentucky, Board of Education's basic financial statements and have issued our report thereon dated October 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in 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 Carroll County Kentucky Board of Education, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Carroll County, Kentucky, Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Carroll County, Kentucky, Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Carroll County, Kentucky, Board of Education's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting (Items 12-1 and 12-2). 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carroll County, Kentucky, Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as Item 12-3. This instance of noncompliance or other matters is a violation of specific state statutes or regulations identified in Kentucky State Committee for School District Audits – Appendix II to the Independent Auditor's Contract – State Audit Requirements.

We noted certain matters that we reported to management of Carroll County, Kentucky, Board of Education, in a separate letter dated October 12, 2012.

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

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

Raisor, Zapp & Woods, PSC

RAISOR, ZAPP & WOODS, PSC
Certified Public Accountants

October 12, 2012

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

Kentucky State Committee For School District Audits
Members of the Carroll County, Kentucky, Board of Education
Carrollton, Kentucky

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I 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 Carroll County, Kentucky, Board of Education'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 Carroll County, Kentucky, Board of Education's compliance with those requirements.

In our opinion, Carroll County, Kentucky, Board of Education, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Carroll County, Kentucky, Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Carroll County, Kentucky, Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 Carroll County, Kentucky, Board of Education's internal control over compliance.

Internal Control Over Compliance (Continued)

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

Carroll County, Kentucky, Board of Education's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Carroll County, Kentucky, Board of Education's responses and, accordingly, we express no opinion on the responses.

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

Raisor, Zapp & Woods, PSC

RAISOR, ZAPP & WOODS, PSC
Certified Public Accountants

October 12, 2012

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2012

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	MUNIS Project Number	Federal Expenditures
U. S. Department of Education:				
Pass-through Programs from the Kentucky Department of Education:				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	84.010	3100002 10	3101	\$ 28,302
Title I Grants to Local Educational Agencies	84.010	3100002 10	3101M	2,081
Title I Grants to Local Educational Agencies	84.010	3100002 11	3102	297,017
Title I Grants to Local Educational Agencies	84.010	3100002 11	3102D	60,000
Title I Grants to Local Educational Agencies	84.010	3100002 11	3102T	15,197
Title I Grants to Local Educational Agencies	84.010	3100002 11	3202	9,181
Title I Grants to Local Educational Agencies	84.010	3100002 10	3101T	2,913
Title I Grants to Local Educational Agencies	84.010	3100202 10	3201	97,748
Title I Grants to Local Educational Agencies	84.010	3100202 09	3200	19,045
Sub-Total Title I Grants to Local Educational Agencies				<u>\$ 531,484</u>
Title I Grants to Local Educational Agencies, Recovery Act	84.389	4100002 09	3919	\$ 19,079
Sub-Total Title I Grants to Local Educational Agencies, Recovery Act				<u>\$ 19,079</u>
Total Title I, Part A Cluster				<u>\$ 550,563</u>
School Improvement Grants Cluster:				
Title I School Improvement Grants Sec. 1003(g) Recovery Act	84.388A	4100302 09	5600A	\$ 33,889
Title I School Improvement Grants Sec. 1003(g) Recovery Act	84.388A	4100302 09	5600B	41,465
Total School Improvement Grants Cluster				<u>\$ 75,354</u>
Special Education Cluster (IDEA):				
Special Education-Grants to States	84.027	3810002 10	3371	\$ 17,264
Special Education-Grants to States	84.027	3810002 11	3372	359,750
Sub-Total Special Education-Grants to States				<u>\$ 377,014</u>
Special Education-Preschool Grants	84.173	3800002 11	3432	\$ 19,738
Sub-Total Special Education-Preschool Grants				<u>\$ 19,738</u>
Total Special Education Cluster (IDEA)				<u>\$ 396,752</u>
Education Technology State Grants Cluster:				
Education Technology State Grants	84.318	3210002 10	4251	\$ 1,503
Sub-Total Education Technology State Grants				<u>\$ 1,503</u>
Total Education Technology State Grants Cluster				<u>\$ 1,503</u>
Career and Technical Education-Basic Grants to States	84.048	4621132 10	3481A	\$ 416
Career and Technical Education-Basic Grants to States	84.048	4621232 11	3482	6,789
Sub-Total Career and Technical Education-Basic Grants to States				<u>\$ 7,205</u>
Twenty-First Century Community Learning Centers	84.287	3400002 09	5500Z	\$ 21,000
Twenty-First Century Community Learning Centers	84.287	3400002 09	5500	19,873
Twenty-First Century Community Learning Centers	84.287	3400002 10	5501	57,131
Twenty-First Century Community Learning Centers	84.287	3400002 09	5501S	5,000
Twenty-First Century Community Learning Centers	84.287	3400002 09	5502S	1,859
Twenty-First Century Community Learning Centers	84.287	3400002 09	5500Q	2,662
Sub-Total Twenty-First Century Learning Centers				<u>\$ 107,526</u>
Improving Teacher Quality State Grants	84.367	3230002 11	4012	\$ 101,569
Sub-Total Improving Teacher Quality State Grants				<u>\$ 101,569</u>
Rural Education and Low Income School Grant Program	84.358	3140002 11	3502	\$ 41,766
Rural Education and Low Income School Grant Program	84.358	3140002 10	3501	45,904
Sub-Total Rural Education and Low Income School Grant Program				<u>\$ 87,670</u>
English Language Acquisition Grants	84.365	3300002 10	3451	\$ 6,979
English Language Acquisition Grants	84.365	3300002 11	3452	118
Sub-Total English Language Acquisition Grants				<u>\$ 7,097</u>
Title II-D Enhancing Education Through Technology, Recovery Act	84.386	4210002 09	4850	\$ 2,969
Sub-Total Title II-D Enhancing Education through Technology, Recovery Act				<u>\$ 2,969</u>
Education Jobs Fund	84.410	EJOB00 10	4411	\$ 360,004
Sub-Total Education Jobs Fund				<u>\$ 360,004</u>
Race to the Top, Recovery Act	84.395	396001-11	4521	\$ 262
Sub-Total Race to the Top, Recovery Act				<u>\$ 262</u>
Total Pass-through Programs from the Kentucky Department of Education				<u>\$ 1,698,473</u>
Total U.S. Department of Education				<u>\$ 1,698,473</u>

(Continued Next Page)

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
 For the Year Ended June 30, 2012

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	MUNIS Project Number	Federal Expenditures
U.S. Department of Agriculture:				
Pass-through Programs from the Kentucky Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	7750002 11	N/A	\$ 111,116
National School Lunch Program	10.555	7750002 12	N/A	426,761
National School Lunch Program (Note B)	10.555	0575-02-02	N/A	63,312
Sub-Total National School Lunch Program				<u>\$ 601,189</u>
School Breakfast Program	10.553	7760005 11	N/A	\$ 44,819
School Breakfast Program	10.553	7760005 12	N/A	178,803
Sub-Total School Breakfast Program				<u>\$ 223,622</u>
Summer Food Service Program for Children	10.559	7690024 11	N/A	\$ 289
Summer Food Service Program for Children	10.559	7740023 11	N/A	13,336
Sub-Total Summer Food Service Program for Children				<u>\$ 13,625</u>
Total Child Nutrition Cluster				<u>\$ 838,436</u>
Total Pass-through Programs from the Kentucky Department of Education				<u>\$ 838,436</u>
Total U.S. Department of Agriculture				<u>\$ 838,436</u>
U.S. Department of Health and Human Services:				
Direct Programs:				
Drug-Free Communities Support Program Grants	93.276	N/A	5002A	\$ 71,141
Drug-Free Communities Support Program Grants	93.276	N/A	5001A	68,992
Sub-Total Drug-Free Communities Support Program Grants				<u>\$ 140,133</u>
Head Start Cluster:				
Head Start	93.600	N/A	6551	\$ 75,750
Head Start	93.600	N/A	6552	664,825
Sub-Total Head Start				<u>\$ 740,575</u>
Early Head Start	93.600	N/A	6442	\$ 618,305
Sub-Total Early Head Start				<u>\$ 618,305</u>
ARRA-Early Head Start	93.709	N/A	6441A	\$ 854,397
Sub-Total ARRA-Early Head Start				<u>\$ 854,397</u>
Total Direct Programs Head Start Cluster				<u>\$ 2,213,277</u>
Total Direct Programs from the U.S. Department of Health and Human Services				<u>\$ 2,353,410</u>
Pass-through Programs from Head Start Body Start Center for Physical Development and Outdoor Play:				
Head Start Cluster:				
Early Head Start	93.600	D030	D030	\$ 5,000
Total Pass-through Programs from the Head Start Body Start Center for Physical Development and Outdoor Play				<u>\$ 5,000</u>
Total Head Start Cluster				<u>\$ 2,218,277</u>
Total Direct and Pass-through Programs from the U.S. Department of Health and Human Services				<u>\$ 2,358,410</u>
Institute of Museum and Library Services:				
Direct Program:				
Laura Bush 21st Century Librarian Program	45.313	N/A	0120	\$ 148,908
Total Laura Bush 21st Century Librarian Program				<u>\$ 148,908</u>
Total Direct Programs from the Institute of Museum and Library Services				<u>\$ 148,908</u>
Total Expenditures of Federal Awards				<u>\$ 5,044,227</u>

CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

Note A: Basis of Presentation

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

Note B: Food Distribution

Nonmonetary assistance of the commodities used in the School Food Service Program are reported at the fair market value of commodities received and disbursed.

Note C: Insurance

Other than the non-cash assistance described in Note B, Carroll County, Kentucky, Board of Education had not received any other federal awards in the form of non-cash assistance, insurance contracts or loans and loan guarantees for the year ended June 30, 2012.

Note D: Build America Bonds

The Carroll County, Kentucky, Board of Education received \$100,532 in interest credit payments toward the debt service payments made on its School Building Revenue Bonds, Series of 2010 (Build America Bonds), for the year ended June 30, 2012. These payments are not included in the accompanying schedule of expenditures of federal awards.

Note E: Twenty First Century Community Learning Centers CFDA 84-287

The Carroll County, Kentucky Board of Education received \$1,000 in reimbursement for expense incurred at the Quad State Conference. The revenue was used to offset the expenditure and was therefore not included in the revenue classification of "Intergovernmental Indirect Federal" in the financial statement of the District.

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

A. SUMMARY OF AUDITORS' RESULTS:

1. The auditors' report expresses an unqualified opinion on the financial statements of the Carroll County, Kentucky, Board of Education.
2. Two significant deficiencies related to the audit of the financial statements is reported in the 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. The significant deficiencies are not reported as material weaknesses.
3. One instance of noncompliance material to the financial statements of Carroll County, Kentucky, Board of Education, that would be required to be reported in accordance with Government Auditing Standards and the Kentucky State Committee for School District Audits – Appendix II to the Independent Auditor's Contract – State Audit Requirements, was disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements That Could have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for Carroll County, Kentucky, Board of Education expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs include:

	CFDA No.
Education Jobs Fund	84.410
Drug-Free Communities Support Program Grants	93.276
Head Start Cluster:	
Head Start	93.600
Early Head Start	93.600
ARRA – Early Head Start	93.709

8. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
9. The Carroll County, Kentucky, Board of Education did not qualify as a low risk auditee.

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2012**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES

Government Auditing Standards

12-1 Segregation of Duties and Checking Procedures

Condition: Checking procedures and rotation of duties are limited due to the size of the District's administrative staff and responsibilities associated with individual positions. Administrative review procedures have not been executed fully in oversight of the High School Activity Fund. Instances were observed where reports for fund raising activities were not prepared and/or compared to funds deposited. The checking account was not correctly reconciled. This condition was also cited as a significant deficiency in the schedule of findings and questioned costs for the year ended June 30, 2011 as item 11-1.

Criteria: Internal controls should be implemented to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and allow the preparation of financial data consistent with management assertions.

Cause: Time constraints and responsibilities associated with individual positions limit the availability of individuals to rotate duties and perform checking/review procedures. Individuals associated with fundraising and other activities (athletic events, etc.) have not completed reconciliations regarding funds collected in all cases.

Effect: This limitation may affect the ability to timely record, process, summarize and report financial data. Payments may be made without proper documentation. Misappropriation of funds may occur. Transactions may not be properly recorded.

Recommendation: Management should strive to separate duties and implement checking procedures as staff and cost benefits allow. Required documentation/approvals should be reiterated to employees. Review procedures should be implemented to insure all transactions have been recorded and reconciled to the bank account.

Response: Efforts have been made to provide training for employees. We will continue this endeavor. Additionally we will strive to increase the checking procedures and documentation of reviews performed.

12-2 Failure to Prepare a Complete Set of Financial Statements Including Required Note Disclosures

Condition: District government-wide financial statements, including the required disclosures are prepared as part of the annual audit. This condition was also cited as a significant deficiency in the schedule of findings and questioned costs for the year ended June 30, 2011 as item 11-2.

Criteria: Internal controls should be in place to provide management with reasonable, but not absolute, assurance that financial statements and required notes are prepared in accordance with generally accepted accounting principles.

Cause: The District prepares governmental fund financial statements for its' annual financial report. However, the draft accrual basis (government-wide) financial statements and disclosures are prepared during the audit process. Entries are not entered into the District's MUNIS System.

Effect: Management engaged the auditor to prepare draft financial statements and related notes. Management reviewed, approved and accepted responsibility for the financial statements prior to their issuance.

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2012**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

SIGNIFICANT DEFICIENCIES (Continued)

Government Auditing Standards (Continued)

12-2 Failure to Prepare a Complete Set of Financial Statements Including Required Note Disclosures (Continued)

Recommendation: The outsourcing of this service is not unusual for a District this size and is a result of management's cost benefit decision to use others' accounting expertise rather than incur internal resource costs. We recommend that District management continue to enhance its knowledge of reporting requirements in providing oversight of this service.

Response: We concur with the recommendation and will continue to improve our overall accounting knowledge in performing our oversight responsibilities.

COMPLIANCE ISSUES

Government Auditing Standards and Kentucky State Committee for School District Audits – Appendix II to the Independent Auditors Contract – State Audit Requirements

12-3 Failure to Comply with 702 KAR 3:130: Kentucky Department of Education Accounting Procedures for Kentucky School Activity Funds

Condition: Necessary internal controls and Redbook documentation procedures have not been followed in the District's High School Activity Funds. Instances were observed where funds received from fundraisers, sales activities, athletic events, and other receipt activities were not documented and/or reconciled to the general ledger. Athletic event schedules have not been consistently compared to rosters and/or schedules to verify appropriate deposits and expenditures.

Instances were observed where deposits were made but not entered into the general ledger. Receipts were not issued promptly, indicating that teachers and others are not expecting a timely receipt or requesting same.

This was reported as a significant deficiency in the audit for the year ended June 30, 2011 as item 11-4.

Criteria: Internal controls should be implemented to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition.

Cause: The District failed to comply with the Kentucky Department of Education's Accounting Procedures for Kentucky School Activity Funds ("Redbook").

Effect: Failure to follow appropriate accounting procedures may allow inappropriate or unapproved expenditures to be made and misappropriation of funds to occur.

Recommendation: Appropriate "Redbook" procedures should be reiterated to employees.

Response: The District has worked to educate its staff on the importance of compliance with the "Redbook." The District will continue to train its staff and to implement review procedures to determine that the appropriate procedures are being followed.

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2012**

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

SIGNIFICANT DEFICIENCIES

NONE

COMPLIANCE ISSUES

NONE

**CARROLL COUNTY, KENTUCKY, BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2012**

SIGNIFICANT DEFICIENCIES

NONE

COMPLIANCE ISSUES

NONE

**Kentucky State Committee for School District Audits
Members of the Carroll County, Kentucky, Board of Education
Carrollton, Kentucky**

In planning and performing our audit of the financial statements of the Carroll County, Kentucky, Board of Education as of and for the year ended June 30, 2012, we considered the Board's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

We previously reported on the Board's internal control in our report dated October 12, 2012. A separate report contains our report on deficiencies in the Board's internal control. This letter does not affect our report dated October 12, 2012, on the financial statements of the Carroll County, Kentucky, Board of Education.

We found the Board's accounting system to be capable of providing essential information for effective operating and financial control of the District's operations. At the same time, we observed certain areas where procedural modifications or revisions might provide better internal control. This letter summarizes our comments and suggestions regarding those matters.

In our previous audit we:

- Recommended that the Board require its contracted physical therapists to carry professional liability insurance. In our review of such contracts in the current year it was observed that no change has been made to the contracts.
- Observed income documentation errors in the verification sample pulled for compliance with federal regulations for the National School Lunchroom and School Breakfast programs. We recommended that all "other income" listed on the original applications be documented. In the current audit we again found an error (one of nine reviewed). We recommend a second independent review of the entire verification process be performed as the verification is one of the principal compliance requirements of the program.
- Found errors in the a la carte food pricing when compared to Board approved price lists. We recommended that such pricing be reviewed for accuracy. In the current audit only one of four schools maintained documentation of itemized a la carte sales. It is important that underlying documentation be maintained.
- Noted an instance where the required federal semi-annual verification had not been properly completed. In the current audit we noted the same error. In addition we noted an error in timesheet documentation of work performed in federal programs.
- Noted a difference in the amount paid to National Board Certified teachers from Board policy. The policy was updated in the current year to reflect the change.
- Recommended that the District document "meaningful correspondence" with private schools regarding the availability of federal funding. In the current year certified mail certifications sent to private schools was maintained as in previous years. There was no expanded documentation during the current year.

- Observed fund raiser approvals and reconciliations had not been properly prepared for all those chosen for review during the audit process in the elementary and middle school activity funds. In the current audit, fund raiser reconciliations continue to be a problem area. The Board should reiterate the importance of this procedure to activity fund sponsors, coaches, and management.
- Observed activity fund transfers did not contain appropriate signatures of each corresponding sponsor. There was no improvement noted in this area.
- Recommended that athletic rosters be compared to deposits to insure that all deposits for admissions and concessions were made and that expenditures for travel, officials, and camps are in line with the schedule and team members. No change in procedures was noted for the current year.
- Recommended that the Board implement a policy concerning purchases of coaches' gear through the activity funds. In the current year instances were observed where coaches' jackets were purchased through the activity funds. No policy was noted.

In the current year:

- We observed instances where reconciliations were not performed. These instances included fund raiser activities as well as certain bank reconciliations. Reconciliations are an important control element. Failure to perform such reconciliations allows the opportunity for inaccuracy in the financial records and other risks such as misappropriation of funds.
- In our review of the School Food Service Fund, we observed errors in the D-4 reports issued through the District's software package for a la carte sales. Daily tapes reviewed appeared to be accurate. However, monthly totals used for preparing the District's State reimbursement reports were not accurate. For the year the difference was approximately \$68,000 (fewer sales reported). This difference did not affect the meals requested for reimbursement. However, it did affect the skew of costs on the report. The impact of this error was not computed.
- An instance was noted where a reimbursement check made payable to a school activity fund was cashed at the bank to provide reimbursements for overpayments made by the students. Although documentation was maintained on the amounts to be repaid to each student, the fact that a check was cashed by the bank is a major break in control. All employees should be aware that checks are to be immediately endorsed "for deposit only" and deposited intact into the bank account of the school. The bank should be notified that checks made payable to the school may not be cashed under any circumstances.
- In our review of payroll for substitute teachers, it was determined that one substitute was incorrectly classified as a higher rank than qualified. This teacher has been with the District for a number of years and has been incorrectly paid for all of those years. In the current year the teacher was paid with federal funds and the overpayment was approximately \$2600. All new staff classifications and changes to staff classifications should be reviewed by a second party.
- The Board should consider a policy concerning administrators' use of weekend days to be worked in lieu of work week/school days. Administrators should account for all week days either through non-contract or otherwise. Such flexibility in work days was admonished in other school districts by the Kentucky Office of Educational Accountability in 2012.

- Due to changes in personnel in the Head Start program, the second, independent review of income documentation, computer entry, and other income eligibility was eliminated. Errors in eligibility may occur and not be detected.

Although we have indicated some items for review as observed during the audit process, we would like to take this opportunity to compliment the Board on the conscientious attitude of its employees. The staff, as always, was most cordial and cooperative with us throughout the audit process.

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

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

Raisor, Zapp & Woods, PSC

RAISOR, ZAPP & WOODS, PSC
Certified Public Accountants

October 12, 2012

RAISOR, ZAPP & WOODS, P.S.C.

Certified Public Accountants

513 HIGHLAND AVENUE
P.O. BOX 354
CARROLLTON, KENTUCKY 41008
(502) 732-6655 FAX (502) 732-6161

October 12, 2012

Members of the Carroll County, Kentucky, Board of Education
Carrollton, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carroll County, Kentucky, Board of Education, for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, OMB Circular A-133, and the audit requirements prescribed by the Kentucky State Committee for School District Audits, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 10, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Carroll County, Kentucky, Board of Education are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the fixed asset depreciable lives is based on each asset's projected useful life expectancy. We evaluated the key factors and assumptions used to develop fixed asset depreciable lives and computed depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

After discussion with the District's finance officer, adjustments were made to the preliminary annual financial report submitted to the Department of Education to record:

- Computer equipment lease payable and reclassify the lease payments made to debt service.
- Additional receivables for utility taxes at June 30, 2012 and omitted taxes collected by the state.
- Additional on behalf income for network services and vocational education.
- A decrease in accounts payable and a corresponding increase in deferred income for Fund 2.
- Construction retainages.
- Interfund transfers and transfer of fixed assets from the Governmental Funds to the Business-type Activities - Proprietary Fund.

Adjustments were also made to prepare the District's government wide financial statements. These statements are not included in the District's annual financial report.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 12, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Members of the Carroll County, Kentucky, Board of Education
Carrollton, Kentucky
Page Three

This information is intended solely for the use of the Members of the Carroll County, Kentucky, Board of Education and management thereof and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Raisor, Zapp & Woods, PSC

RAISOR, ZAPP & WOODS, PSC
Certified Public Accountants



Carroll County Board of Education

Mrs. Lisa James, Superintendent
Mr. Bill Hogan, Assistant Superintendent/Chief Academic Officer
Mr. Larry Curell, DPP/Chief Operations Officer
Mrs. Pam Williams, Elementary Instructional Supervisor
Mr. Jon Conrad, Chief Financial Officer
Mrs. Sheila Anderson, Director of Special Education

October 12, 2012

Kentucky State Committee for School District Audits

In response to the findings noted in the auditors' management letter for the year ended June 30, 2012, we submit the following:

Significant Deficiency 12-1

- Segregation of Duties and Checking Procedures

In response to this item, the district will address this issue with all appropriate school personnel and will continue to monitor this to ensure compliance.

Significant Deficiency 12-2

- Failure to prepare a complete set of financial statements, including the required disclosures are prepared as part of the annual audit.

In response to this item, the district's decision to outsource the preparation of the complete set of financial statements is a cost benefit decision as this is not a requirement of the Kentucky Department of Education.

Compliance Issue 12-3

- Failure to Comply with 702 KAR 3:130 Kentucky Department of Education Accounting Procedures for Kentucky School Activity Funds

In response to this item, the district performed a mid-year internal audit of the high school and middle school activity funds and addressed areas that required attention. An expanded mid-year audit will be performed at all schools to address this deficiency. Furthermore, Redbook training is conducted on an annual basis for new staff. The corrective action plan completion date is June 30, 2013 as monitoring will take place throughout the fiscal year.



Carroll County Board of Education

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Mr. Bill Hogan, Assistant Superintendent/Chief Academic Officer
Mr. Larry Curell, DPP/Chief Operations Officer
Mrs. Pam Williams, Elementary Instructional Supervisor
Mr. Jon Conrad, Chief Financial Officer
Mrs. Sheila Anderson, Director of Special Education

Although there have been some recommendations implemented as a result of prior years audits, our auditors' management letter cited areas where changes in procedures would provide the district with increased accountability. The Superintendent and Chief Financial Officer are going to meet with all appropriate district personnel to address the findings contained within the auditors' management letter. Monitoring to ensure compliance will be performed throughout the year. Therefore, the corrective action completion date for the following items is June 30, 2013. The following provides a review of our auditors' management letter followed by the district response:

- Reconciliations were not performed for some fund raiser activities and certain bank reconciliations.

Response: The Superintendent and Chief Financial Officer will meet with each School Principal and Bookkeeper to address these issues and ensure these issues are addressed.

- In the review of School Food Service, errors were observed in the D-4 reports issued through the District's software package for ala carte sales.

Response: The Superintendent and Chief Financial Officer will meet with the Food Service Manager and to implement additional procedures to ensure compliance.

- An instance was noted where a reimbursement check made payable to a school activity fund was cashed at the bank to provide reimbursements for overpayments made by the students.

Response: The Superintendent and Chief Financial Officer will meet with each School Principal and Bookkeeper to address this issue. Additionally, the Chief Financial Officer has discussed this with the Bank to ensure it will not happen again.

- An instance was observed that one substitute teacher was incorrectly classified as a higher rank than qualified.

Response: The Chief Financial Officer will review all new staff classifications and changes to current staff classifications to ensure staff is correctly classified.



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- Due to changes in personnel in the Head Start program, the second, independent review of income documentation, computer entry, and other income eligibility was eliminated.

Response: The Superintendent and Chief Financial Officer have discussed this finding with appropriate Head Start personnel to ensure the second independent review is being completed.

- A policy concerning administrators' use of weekend days to be worked in lieu of work week/schools days should be considered.

Response: The Superintendent and Chief Financial Officer have discussed this with KSBA and are considering implementing such a policy.

We are pleased to note that many of the prior year findings were eliminated through implementation of additional controls. We continually strive for improvement in the areas addressed within this audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Lisa James", is written over the typed name.

Mrs. Lisa James, Superintendent