

**KENTON COUNTY SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012**

- WITH INDEPENDENT AUDITORS' REPORT -

**KENTON COUNTY SCHOOL DISTRICT
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Independent Auditors' Report

Members of the Board of Education
Kenton County School District
1045 Eaton Drive
Ft. Wright, Kentucky 41017

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of 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 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Kenton County School District, as of June 30, 2012, and the respective changes in financial position, respective budgetary comparison for the General Fund 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 November 8, 2012 on our consideration of the Kenton County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, Kenton 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, on pages 3 through 9, and Budgetary Comparison Information, on page 16, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Kenton County School District's basic financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for the purpose 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 OMB 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 and individual nonmajor fund financial statements 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Bertke, Sparks & Kremer, Inc.
November 8, 2012

**KENTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2012**

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

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets increased \$767,523. Net assets of governmental activities increased \$1,248,016 from fiscal year 2011. Net assets of the business-type activity, which represents food service, increased \$968,947 from fiscal year 2011.
- General revenues accounted for \$113 million in revenue or 84 percent of all revenues. Program specific revenues, in the form of charges for services and sales, grants, and contributions, accounted for \$23 million or 16 percent of total revenues of \$136 million.
- The Board had \$128.8 million in total governmental expenses.
- \$51.7 million of revenue was derived from local taxation and investment income, an increase of \$748,000.
- Investment income increased by nearly \$60,000, a reflection of the current interest rate environment.
- SEEK funding increased a modest by .5% due to the underfunded SEEK base at the state level. The increase was \$195,577 due to enrollment increases.
- Total salary and benefit costs increased \$927,000 from 2010-11. This was a 1.1% increase.
- The General Fund reserve balance decreased \$553,000 to \$18.98M due to state SEEK funding reductions.

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 are comprised of three components: 1) district-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-Wide Financial Statements

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

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

**KENTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

OVERVIEW OF FINANCIAL STATEMENTS (CONT'D)

District-Wide Financial Statements (cont'd)

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

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

The district-wide financial statements can be found on pages 10 and 11 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 12 through 19 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 34 of this report.

**KENTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

DISTRICT WIDE FINANCIAL ANALYSIS

The perspective of the statement of net assets is of the District as a whole. The following table provides a summary of the District's net assets for 2012 compared to 2011:

	2012	2011
Current assets	\$ 23,958,951	\$ 32,148,495
Noncurrent assets	<u>207,975,382</u>	<u>205,619,317</u>
Total assets	<u>\$ 231,934,333</u>	<u>\$ 237,767,812</u>
Current liabilities	\$ 13,787,754	\$ 14,222,721
Noncurrent liabilities	<u>171,375,637</u>	<u>177,541,672</u>
Total liabilities	<u>\$ 185,163,391</u>	<u>\$ 191,764,393</u>
Net assets		
Investment in capital assets - net of debt	\$ 28,791,368	\$ 21,425,936
Restricted	3,076,744	11,872,856
Nonspendable	292,676	278,239
Committed	1,707,476	1,282,033
Assigned	209,987	-
Unassigned	<u>12,692,691</u>	<u>11,144,355</u>
Total net assets	<u>\$ 46,770,942</u>	<u>\$ 46,003,419</u>

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 \$46,770,942 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.

Total assets increased \$5,833,479. Net assets of the District's governmental activities increased \$767,523. The net assets of the District's business-type activity increased \$1,268,510.

**KENTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

DISTRICT WIDE FINANCIAL ANALYSIS (CONT'D)

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2012 and 2011

	2012	2011
Revenues:		
Program Revenues:		
Charges for services	\$ 4,930,940	\$ 4,619,532
Operating grants and contributions	15,426,313	19,967,300
Capital grants and contributions	<u>2,653,870</u>	<u>2,788,156</u>
 Total grant revenues	 <u>23,011,123</u>	 <u>27,374,988</u>
 General Revenues:		
Taxes	51,465,210	50,777,065
Grants and entitlements	63,211,518	57,698,947
Earnings on investments	220,355	160,630
Miscellaneous	<u>(1,891,060)</u>	<u>(467,082)</u>
 Total general revenues	 <u>113,006,023</u>	 <u>108,169,560</u>
 Total revenues	 <u>136,017,146</u>	 <u>135,544,548</u>
 Expenses:		
Instructional	74,824,881	71,246,284
Student support services	7,561,934	7,472,155
Instructional support	3,939,347	4,267,957
District administration	2,207,495	2,232,137
School administration	7,005,971	6,317,427
Business support	1,343,341	1,300,157
Plant operations	15,148,980	16,345,886
Student transportation	9,475,101	9,635,380
Central office support	34,102	-
Facilities acquisition and construction	14,741	-
Community support	793,704	820,056
Debt service	6,021,612	6,091,257
Food service	6,419,374	6,210,510
Other	<u>459,040</u>	<u>570,728</u>
 Total expenses	 <u>135,249,623</u>	 <u>132,509,934</u>
 Revenue in excess of expenses	 <u>\$ 767,523</u>	 <u>\$ 3,034,614</u>

**KENTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

BUSINESS-TYPE ACTIVITY

The only business-type activity of the District is the food service operation. This program had revenues of \$7.1 million and expenses, including transfers, of \$6.4 million for fiscal year 2012. Net assets increased \$1,268,510. The District continues to examine the food service operation in an effort to be self-operating without assistance from the General Fund. The business activity receives no support from tax revenues.

THE DISTRICT'S FUNDS

The District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$132.3 million and expenditures and other financing uses of \$139.6 million. The General Fund balance decreased \$554 thousand and the Construction Fund balance decreased \$7.6 million.

GENERAL FUND BUDGETING HIGHLIGHTS

The District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. 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 overall budget. By law the budget must have a minimum 2 percent contingency. The District adopted a budget with \$16.3M in contingency (18.2 percent). The beginning fund balance for the fiscal year was \$19,534,631. The most significant budgeted fund is the General Fund.

During the course of fiscal 2012, the District amended its General Fund budget as needed. The District uses a site-based budget. The budgeting systems are designed to tightly control total site budgets, but provide flexibility for site management.

For the General Fund, actual original revenues and other financing sources, excluding on-behalf payments (revenues that do not flow through the District), were \$87.8 million. Original budgeted revenues were \$86.6 million. The additional revenues were derived from SEEK replacement funding, property tax, and utilities tax.

Original budgeted expenditures were \$89.7 million, excluding on-behalf payments made by the State of Kentucky. Actual expenditures were \$88.3 million. The District recorded on-behalf payments in the General Fund in 2012 totaling \$17.9 million as required by KDE. These revenues and expenditures are not budgeted and do not run through the Kenton County School District financial system. These payments are made on behalf of the Kenton County School District by the Commonwealth of Kentucky for employee health insurance, Teachers' Retirement, and Vocational Education.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Investment in capital assets for governmental activities increased from \$204.6 million to \$205.8 million. Capital assets in business-type activities increased from \$173 thousand to \$1.1 million.

**KENTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONT'D)

Debt

At June 30, 2012, the District had \$179.2 million in outstanding bonds. The bonds are being paid from the Capital Outlay, Building and Construction funds.

During FY 2012 the District issued school building revenue bonds totaling \$19,105,000. This refunding was for bonds originally issued in FY 2002. \$9,105,000 of new bonds were issued in 2011-2012. These bonds were issued for continuing renovations at Scott High School and for the installment of solar panels at Turkeyfoot Middle School.

CURRENT ISSUES

An extraordinary small increase of 2/10 of one percent in property values and newly developed property occurred in FY 2012. However, this was much better than the prior year when a decrease in property values was experienced by the district. The real estate market is a reflection of our national economy. Motor vehicle assessments increased significantly for the second consecutive year, which should provide additional tax revenue. Enrollment has steadily increased from 11,897 in 1994 to a current 14,700. This enrollment growth was much smaller than a previous year, equivalent to ¾ and 1%. The residential housing market and economic slowdown are major concerns in Kenton County. However, looking ahead, enrollment numbers are projected to continue to increase at a slower manageable pace.

The District remains committed to increasing staff salaries and responding to the competitive educational environment that exists in Northern Kentucky. The beginning teacher salary was increased to \$38,860 while the top end of the 187 day salary schedule for teachers stands at \$71,082. Kenton County School District staff salaries have become more and more attractive in comparison to other Northern Kentucky school districts. Staff retention and stability have increased significantly across all employee categories and are competitive with neighboring districts in Ohio. Applicants for all job categories are more plentiful than in years. State revenue projections continue to look very bleak, however, and will require that budget reductions and restrictions currently in place will have to remain and new initiatives will be severely restricted. Despite the lack of revenue increases, fiscal conservatism made it possible to increase the district salary schedules by 2%. Many new initiatives in cost savings have been introduced in transportation, administration, facility maintenance and energy savings. Debt refinancing is a possibility as some issues mature. At the same time, many new services and supports have been added at the schools.

There continues to be a concerted focus on investing in capital construction considering the age and size of our facilities and the population growth that the district has experienced. Major renovations inside and out are planned at Scott High School. Phase 2 at Scott is at completion and planning for Phase 3, a \$15,000,000 renovation is underway, Phase 3 at Scott High School is the district's top construction priority.

**KENTON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Dr. Teri Cox-Cruey, Superintendent or Mr. Kelley Gamble, Treasurer, at 859-344-8888, or by mail at 1055 Eaton Drive, Fort Wright, Kentucky 41017.

**KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS - DISTRICT WIDE
AS OF JUNE 30, 2012**

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
CURRENT			
Cash and cash equivalents	\$ 20,028,009	\$ 1,638,590	\$ 21,666,599
Accounts receivable	1,992,501	7,175	1,999,676
Inventories for consumption	-	292,676	292,676
Investments	-	-	-
Total current	<u>22,020,510</u>	<u>1,938,441</u>	<u>23,958,951</u>
NONCURRENT			
Bond issuance costs - net	984,689	-	984,689
Nondepreciated capital assets:			
Land	6,359,319	-	6,359,319
Construction in progress	111,339	-	111,339
Depreciated capital assets:			
Land improvements	3,410,127	-	3,410,127
Buildings and improvements	253,767,618	-	253,767,618
Furniture and equipment	21,391,438	3,392,133	24,783,571
Less: accumulated depreciation	<u>(79,190,679)</u>	<u>(2,250,602)</u>	<u>(81,441,281)</u>
Total noncurrent	<u>206,833,851</u>	<u>1,141,531</u>	<u>207,975,382</u>
Total assets	<u>\$ 228,854,361</u>	<u>\$ 3,079,972</u>	<u>\$ 231,934,333</u>
LIABILITIES			
CURRENT			
Current portion of bonds payable	\$ 9,819,374	\$ -	\$ 9,819,374
Current portion of accrued sick leave	223,444	-	223,444
Accounts payable	617,884	57,605	675,489
Accrued payroll and related expenses	326,554	-	326,554
Accrued interest	1,808,377	-	1,808,377
Deferred revenues	<u>934,516</u>	<u>-</u>	<u>934,516</u>
Total current	<u>13,730,149</u>	<u>57,605</u>	<u>13,787,754</u>
NONCURRENT			
Accrued sick leave	2,010,997	-	2,010,997
Long term bonds payable	<u>169,364,640</u>	<u>-</u>	<u>169,364,640</u>
Total noncurrent	<u>171,375,637</u>	<u>-</u>	<u>171,375,637</u>
Total liabilities	<u>185,105,786</u>	<u>57,605</u>	<u>185,163,391</u>
NET ASSETS			
Invested in capital assets, net of related debt	27,649,837	1,141,531	28,791,368
Restricted			
Grants	531,732	-	531,732
Capital projects	956,852	-	956,852
Net assets	-	1,588,160	1,588,160
Nonspendable	-	292,676	292,676
Committed			
Site based carryforward	232,740	-	232,740
Accrued sick leave	1,117,221	-	1,117,221
Capital projects	357,515	-	357,515
Assigned			
Purchase obligations	209,987	-	209,987
Unrestricted	<u>12,692,691</u>	<u>-</u>	<u>12,692,691</u>
Total net assets	<u>43,748,575</u>	<u>3,022,367</u>	<u>46,770,942</u>
Total liabilities and net assets	<u>\$ 228,854,361</u>	<u>\$ 3,079,972</u>	<u>\$ 231,934,333</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES - DISTRICT WIDE
FOR THE YEAR ENDED JUNE 30, 2012**

FUNCTION/PROGRAMS	PROGRAM REVENUES				NET(EXPENSE) REVENUE AND CHANGES IN NET ASSETS		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
Governmental Activities:							
Instructional	\$ 74,824,881	\$ 833,340	\$ 8,282,639	\$ -	\$ (65,708,902)	\$ -	\$ (65,708,902)
Student support services	7,561,934	17,322	553,661	-	(6,990,951)	-	(6,990,951)
Staff support services	3,939,347	-	938,751	-	(3,000,596)	-	(3,000,596)
District administration	2,207,495	-	-	-	(2,207,495)	-	(2,207,495)
School administration	7,005,971	-	100,680	-	(6,905,291)	-	(6,905,291)
Business support services	1,343,341	-	-	-	(1,343,341)	-	(1,343,341)
Plant operation and maintenance	15,148,980	416,814	199,261	-	(14,532,905)	-	(14,532,905)
Student transportation	9,475,101	899,063	486,639	-	(8,089,399)	-	(8,089,399)
Central office	34,102	-	-	-	(34,102)	-	(34,102)
Community service operations	793,704	-	793,704	-	-	-	-
Facility acquisition and construction	14,741	-	-	2,653,870	2,639,129	-	2,639,129
Education specific	395,544	-	395,544	-	-	-	-
Other	63,496	-	-	-	(63,496)	-	(63,496)
Interest on long-term debt	6,021,612	-	-	-	(6,021,612)	-	(6,021,612)
Total governmental activities	128,830,249	2,166,539	11,750,879	2,653,870	(112,258,961)	-	(112,258,961)
Business-type Activities							
Food service	6,419,374	2,764,401	3,675,434	-	-	20,461	20,461
Total business-type activities	6,419,374	2,764,401	3,675,434	-	-	20,461	20,461
Total school district	\$ 135,249,623	\$ 4,930,940	\$ 15,426,313	\$ 2,653,870	\$ (112,258,961)	\$ 20,461	\$ (112,238,500)

General Revenues

Taxes	\$ 51,465,210	\$ -	\$ 51,465,210
State aid formula grants	63,211,518	-	63,211,518
Investment earnings	217,859	2,496	220,355
Miscellaneous	244,809	-	244,809
Special items:			
Loss on bond refunding - principal	(4,367,400)	-	(4,367,400)
Gain on sale of fixed assets and insurance claims	(41,358)	1,245,553	1,204,195
Loss compensation	-	-	-
Bond principal paid by KSFCC	1,027,336	-	1,027,336
Total general and special revenues	111,757,974	1,248,049	113,006,023
Change in net assets	(500,987)	1,268,510	767,523
Net assets - beginning	44,249,562	1,753,857	46,003,419
Net assets - ending	\$ 43,748,575	\$ 3,022,367	\$ 46,770,942

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**KENTON COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2012**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CONSTRUCTION FUND</u>	<u>BUILDING FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS						
CURRENT						
Cash and cash equivalents (deficit)	\$ 17,752,027	\$ 819,047	\$ 343,180	\$ -	\$ 1,113,755	\$ 20,028,009
Accounts receivable	1,877,032	115,469	-	-	-	1,992,501
Total current	<u>\$ 19,629,059</u>	<u>\$ 934,516</u>	<u>\$ 343,180</u>	<u>\$ -</u>	<u>\$ 1,113,755</u>	<u>\$ 22,020,510</u>
LIABILITIES AND FUND BALANCE						
CURRENT						
Accounts payable	\$ 321,664	\$ -	\$ 4,998	\$ -	\$ 291,222	\$ 617,884
Accrued payroll and related expenses	326,554	-	-	-	-	326,554
Deferred revenues	-	934,516	-	-	-	934,516
Total current	<u>648,218</u>	<u>934,516</u>	<u>4,998</u>	<u>-</u>	<u>291,222</u>	<u>1,878,954</u>
FUND BALANCE						
Restricted						
Grants	531,732	-	-	-	-	531,732
Capital projects	-	-	297,770	-	659,082	956,852
Committed						
Sick leave	1,117,221	-	-	-	-	1,117,221
Capital projects	357,515	-	-	-	-	357,515
Site-based carry forward	232,740	-	-	-	-	232,740
Assigned						
Purchase obligations	6,124	-	40,412	-	163,451	209,987
Unassigned	16,735,509	-	-	-	-	16,735,509
Total fund balances	<u>18,980,841</u>	<u>-</u>	<u>338,182</u>	<u>-</u>	<u>822,533</u>	<u>20,141,556</u>
Total liabilities and fund balances	<u>\$ 19,629,059</u>	<u>\$ 934,516</u>	<u>\$ 343,180</u>	<u>\$ -</u>	<u>\$ 1,113,755</u>	<u>\$ 22,020,510</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**KENTON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012**

Total governmental fund balance		\$ 20,141,556
Amounts reported for governmental activities in the statement of net assets are different because:		
Bond issuance costs - net of amortization		984,689
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	285,039,841	
Accumulated depreciation	<u>(79,190,679)</u>	
		205,849,162
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:		
Bonds payable		(179,184,014)
Accrued interest		(1,808,377)
Accrued sick leave		<u>(2,234,441)</u>
Total net assets - governmental		<u>\$ 43,748,575</u>

KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	GENERAL FUND	SPECIAL REVENUE FUND	CONSTRUCTION FUND	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Taxes	\$ 39,279,733	\$ -	\$ -	12,185,477	\$ -	\$ 51,465,210
Earnings on investments	217,859	7,526	-	-	-	225,385
State sources	63,032,817	3,464,691	-	1,344,472	1,309,398	69,151,378
Federal sources	178,701	7,866,215	-	-	-	8,044,916
Other sources	2,551,910	-	-	-	-	2,551,910
Total revenues	<u>105,261,020</u>	<u>11,338,432</u>	<u>-</u>	<u>13,529,949</u>	<u>1,309,398</u>	<u>131,438,799</u>
EXPENDITURES:						
Instructional	64,528,601	8,232,514	-	-	-	72,761,115
Student support services	7,000,948	553,661	-	-	-	7,554,609
Staff support services	3,000,596	938,751	-	-	-	3,939,347
District administration	2,200,859	-	-	-	-	2,200,859
School administration	6,895,596	100,680	-	-	-	6,996,276
Business support services	1,337,522	-	-	-	-	1,337,522
Plant operation and maintenance	11,358,146	199,261	-	-	361,193	11,918,600
Student transportation	9,460,571	486,639	-	-	-	9,947,210
Central office	34,102	-	-	-	-	34,102
Community service operation	-	793,704	-	-	-	793,704
Facility acquisition and construction	-	-	7,202,739	-	-	7,202,739
Educational specific	-	395,544	-	-	-	395,544
Debt service:						
Principal	-	-	390,491	7,596,500	125,672	8,112,663
Interest	-	-	-	5,933,449	-	5,933,449
Total expenditures	<u>105,816,941</u>	<u>11,700,754</u>	<u>7,593,230</u>	<u>13,529,949</u>	<u>486,865</u>	<u>139,127,739</u>
Excess (deficit) of revenues over expenditures	<u>(555,921)</u>	<u>(362,322)</u>	<u>(7,593,230)</u>	<u>-</u>	<u>822,533</u>	<u>(7,688,940)</u>
OTHER FINANCING SOURCES(USES):						
Proceeds from sale of assets	92,568	-	-	-	-	92,568
Proceeds from sale of bonds	-	-	-	-	-	-
Operating transfers in	322,010	412,447	-	-	-	734,457
Operating transfers out	(412,447)	(50,125)	-	-	-	(462,572)
Total other financing sources	<u>2,131</u>	<u>362,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>364,453</u>
Net change in fund balances	(553,790)	-	(7,593,230)	-	822,533	(7,324,487)
Fund balance, July 1, 2011	19,534,631	-	7,931,412	-	-	27,466,043
Fund balance, June 30, 2012	<u>\$ 18,980,841</u>	<u>\$ -</u>	<u>\$ 338,182</u>	<u>\$ -</u>	<u>\$ 822,533</u>	<u>\$ 20,141,556</u>

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

Net changes-governmental funds \$ (7,324,487)

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

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

Depreciation expense	(7,994,101)	
Capital outlays	9,376,043	
Retirements of capital assets	<u>(133,926)</u>	
		1,248,016

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

Loss on bond principal not refunded	(4,570,000)	
Capitalized bond costs on refunded bond	<u>202,600</u>	
Net loss on rended bond		(4,367,400)
Principal paid		9,579,367

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

	<u>363,517</u>	
Changes in net assets of governmental activities		<u><u>\$ (500,987)</u></u>

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

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Taxes	\$ 38,737,465	\$ 38,778,335	\$ 39,279,733	\$ 501,398
Other local sources	2,893,927	3,085,126	2,769,769	(315,357)
State sources	44,396,033	45,195,542	63,032,817	17,837,275
Federal sources	157,000	143,950	178,701	34,751
Other sources	378,613	378,613	414,578	35,965
Total revenues	<u>86,563,038</u>	<u>87,581,566</u>	<u>105,675,598</u>	<u>18,094,032</u>
EXPENDITURES:				
Instructional	52,117,323	52,343,980	64,528,601	(12,184,621)
Student support services	5,595,557	5,703,638	7,000,948	(1,297,310)
Staff support services	2,487,141	2,553,519	3,000,596	(447,077)
District administration	2,163,745	2,167,520	2,200,859	(33,339)
School administration	5,414,344	5,593,187	6,895,596	(1,302,409)
Business support services	1,218,394	1,247,599	1,337,522	(89,923)
Plant operation and maintenance	11,341,058	11,555,336	11,358,146	197,190
Student transportation	8,950,922	9,029,726	9,460,571	(430,845)
Central office	-	-	-	-
Community service operation	46,004	40,604	34,102	6,502
Facility acquisition and construction	-	-	-	-
Other	16,794,866	16,881,088	412,447	16,468,641
Total expenditures	<u>106,129,354</u>	<u>107,116,197</u>	<u>106,229,388</u>	<u>886,809</u>
Net change in fund balance	(19,566,316)	(19,534,631)	(553,790)	18,980,841
Fund balance, July 1, 2011	<u>19,566,316</u>	<u>19,534,631</u>	<u>19,534,631</u>	<u>-</u>
Fund balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,980,841</u>	<u>\$ 18,980,841</u>

**KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF JUNE 30, 2012**

	FOOD SERVICE	TOTAL
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 1,638,590	\$ 1,638,590
Accounts receivable	7,175	7,175
Inventories for consumption	292,676	292,676
	1,938,441	1,938,441
NONCURRENT		
Furniture and equipment	3,392,133	3,392,133
Less: accumulated depreciation	(2,250,602)	(2,250,602)
	1,141,531	1,141,531
Total assets	\$ 3,079,972	\$ 3,079,972
LIABILITIES		
CURRENT		
Accounts payable	\$ 57,605	\$ 57,605
	57,605	57,605
NET ASSETS		
Invested in capital assets, net of related debt	1,141,531	1,141,531
Nonspendable - inventories	292,676	292,676
Restricted net assets	1,588,160	1,588,160
	3,022,367	3,022,367
Total liabilities and net assets	\$ 3,079,972	\$ 3,079,972

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	FOOD SERVICE	TOTAL
OPERATING REVENUES:		
Lunchroom sales	\$ 2,764,401	\$ 2,764,401
Other operating revenues	-	-
	2,764,401	2,764,401
OPERATING EXPENSES:		
Salaries and benefits	2,673,323	2,673,323
Contract services	90,246	90,246
Materials and supplies	2,945,128	2,945,128
Depreciation	438,792	438,792
Other operating expenses	-	-
	6,147,489	6,147,489
Total operating expenses	6,147,489	6,147,489
Operating loss	(3,383,088)	(3,383,088)
NONOPERATING REVENUES (EXPENSES):		
Federal grants	2,898,598	2,898,598
State grants	378,243	378,243
Donated commodities and other donations	398,593	398,593
Gain on disposal of fixed assets	1,245,553	1,245,553
Transfers	(271,885)	(271,885)
Interest income	2,496	2,496
	4,651,598	4,651,598
Total nonoperating revenues (expenses)	4,651,598	4,651,598
Net income	1,268,510	1,268,510
Total net assets, July 1, 2011	1,753,857	1,753,857
Total net assets, June 30, 2012	\$ 3,022,367	\$ 3,022,367

(See Auditors' Report and Accompanying Notes to the Financial Statements)

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

	FOOD SERVICE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from lunchroom sales	\$ 2,764,401	\$ 2,764,401
Cash payments to employees for services	(2,673,323)	(2,673,323)
Cash payments to suppliers for goods and services	(3,042,785)	(3,042,785)
Cash transfers	(271,885)	(271,885)
Net cash used in operating activities	(3,223,592)	(3,223,592)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition of capital assets	(162,186)	(162,186)
Net cash used in capital financing activities	(162,186)	(162,186)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Non-operating revenues received	3,691,896	3,691,896
Net cash provided by noncapital financing activities	3,691,896	3,691,896
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	2,496	2,496
Net cash flows provided by investing activities	2,496	2,496
Net increase in cash and cash equivalents	308,614	308,614
Cash and cash equivalents - beginning	1,329,976	1,329,976
Cash and cash equivalents - ending	\$ 1,638,590	\$ 1,638,590
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (3,383,088)	\$ (3,383,088)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation	438,792	438,792
Interfund transfers	(271,885)	(271,885)
Changes in assets and liabilities:		
(Increase) in inventories for consumption	(14,437)	(14,437)
Increase in accounts payable	7,026	7,026
Net cash used in operating activities	\$ (3,223,592)	\$ (3,223,592)
SCHEDULE OF NON-CASH TRANSACTIONS:		
Donated commodities received from the federal government	\$ 398,593	\$ 398,593

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**KENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Kenton 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 Kenton County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

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

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

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

Kenton County School District Finance Corporation - The Board authorized the establishment of the Kenton County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Kenton County Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

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

The district-wide 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 reconciliations with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

**KENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Presentation (cont'd)

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

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

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. 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 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 on page 48. This is a major fund of the District.

**KENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Presentation (cont'd)

I. Governmental Fund Types (cont'd)

(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. This is a major fund of the District.
2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

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 cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

III. Proprietary Fund (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). The Food Service fund is a major fund of the District.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements to proprietary funds as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

IV. Fiduciary Fund Type (Agency and Trust Funds)

The Activity Funds account 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.

**KENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Accounting

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

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

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

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

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The 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.

**KENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

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

Budgetary Process

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

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

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

Cash and Cash Equivalents

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

Inventories

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

Investments

In accordance with GASB 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, investments are reported at fair value.

Capital Assets

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

**KENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Capital Assets (cont'd)

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.

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

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

Accumulated Unpaid Sick Leave Benefits

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

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

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

**KENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Interfund Balances

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance Reserves

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

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for purpose; positive amounts are reported only in the General fund.

**KENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fund Balance Reserves (cont'd)

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

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

Interfund Activity

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

NOTE B - ESTIMATES

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

**KENTON COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2012**

NOTE C - CASH AND CASH EQUIVALENTS

At year end, the District had on deposit cash and cash equivalents totaling \$27,134,107. Of the total cash balance, \$525,000 was covered by the Federal Depository Insurance Corporation (FDIC), with the remainder covered by a collateral agreement and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

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

	Bank Balance	Book Balance
Fifth Third Bank	\$ 10,023,740	\$ 10,632,613
First Financial Bank	17,085,367	12,704,191
US Bank	25,000	25,000
Total	\$ 27,134,107	\$ 23,361,804

Allocation per financial statements:

Governmental funds	\$ 20,028,009
Proprietary funds	1,638,590
Activity funds	1,695,205
	\$ 23,361,804

NOTE D - ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2012, this amount totaled approximately \$2,234,441 for those employees with twenty-seven or more years of experience. The Board has reserved \$1,117,221 of its General Fund for unpaid sick leave benefits.

**KENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE E - CAPITAL ASSETS

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

<u>Governmental Activities</u>	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Land	\$ 6,359,319	\$ -	\$ -	\$ 6,359,319
Land improvements	3,410,127	-	-	3,410,127
Buildings and improvements	241,117,319	12,795,153	144,854	253,767,618
Technology equipment	7,302,650	1,050,701	409,765	7,943,586
Vehicles	11,459,390	936,223	1,108,187	11,287,426
General equipment	2,001,373	201,121	42,068	2,160,426
Construction in progress	5,718,494	111,339	5,718,494	111,339
	<u>277,368,672</u>	<u>15,094,537</u>	<u>7,423,368</u>	<u>285,039,841</u>
Totals at historical cost				
Less: accumulated depreciation				
Land improvements	2,283,275	70,669	-	2,353,944
Buildings and improvements	56,831,365	6,030,398	31,339	62,830,424
Technology equipment	4,926,471	924,554	392,901	5,458,124
Vehicles	7,287,427	859,850	1,108,188	7,039,089
General equipment	1,438,988	108,630	38,520	1,509,098
	<u>72,767,526</u>	<u>7,994,101</u>	<u>1,570,948</u>	<u>79,190,679</u>
Total accumulated depreciation				
Governmental activities capital assets - net	<u>\$ 204,601,146</u>	<u>\$ 7,100,436</u>	<u>\$ 5,852,420</u>	<u>\$ 205,849,162</u>
<u>Business - Type Activities</u>				
General equipment	\$ 3,239,078	\$ 158,016	\$ 56,629	\$ 3,340,465
Vehicles	51,668	-	-	51,668
Technology equipment	13,138	4,170	17,308	-
	<u>3,303,884</u>	<u>162,186</u>	<u>73,937</u>	<u>3,392,133</u>
Totals at historical cost				
Less: accumulated depreciation				
General equipment	3,095,146	404,277	1,300,489	2,198,934
Vehicles	31,001	20,667	-	51,668
Technology equipment	5,153	13,848	19,001	-
	<u>3,131,300</u>	<u>438,792</u>	<u>1,319,490</u>	<u>2,250,602</u>
Total accumulated depreciation				
Business - type activities capital assets - net	<u>\$ 172,584</u>	<u>\$ (276,606)</u>	<u>\$ (1,245,553)</u>	<u>\$ 1,141,531</u>

**KENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE F - LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued.

The proceeds from each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
February 1, 1998	\$ 8,700,000	4.000% - 4.500%
April 1, 2002	\$ 18,700,000	4.375% - 5.125%
February 15, 2003	\$ 15,880,000	2.000% - 3.625%
June 1, 2004	\$ 41,895,000	3.000% - 5.000%
January 1, 2005	\$ 35,000,000	2.500% - 4.500%
March 1, 2005	\$ 18,290,000	3.000% - 4.000%
January 1, 2006	\$ 3,560,000	3.200% - 4.250%
April 1, 2006	\$ 8,625,000	4.000% - 4.400%
October 1, 2006	\$ 8,220,000	3.625% - 4.250%
May 1, 2008	\$ 3,880,000	2.700% - 4.250%
February 1, 2009	\$ 29,400,000	1.500% - 5.030%
September 1, 2009	\$ 6,355,000	1.000% - 3.200%
September 1, 2009	\$ 10,100,000	1.400% - 5.900%
August 1, 2010	\$ 19,855,000	.500% - 2.500%
May 1, 2011	\$ 9,105,000	2.500% - 4.500%
February 1, 2012	\$ 43,530,000	2.500% - 6.500%

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

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note P sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2012, for debt service (principal and interest) are reported on Note P on page 34.

Defeased Bonds

As of June 30, 2012, the outstanding principal amount of indebtedness that is considered to be extinguished under "in substance defeasance" and therefore excluded from the financial statements was approximately \$38,960,000.

**KENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE G - COMMITMENTS UNDER NONCAPITALIZED LEASES

The District entered into a five-year operating lease for office space on July 1, 2011. The annual lease payments at inception were \$102,000. The annual payments are scheduled to increase by 5% per year in accordance with the terms of the lease. The lease contains an open-ended option to renew.

The District entered into a five-year operating lease for office space on June 1, 2011. The annual lease payments at inception were \$102,996. The lease contains an open-ended option to renew. Minimum future lease payments as of June 30, 2012, are as follows:

Year ending June 30:		
	2013	\$ 204,996
	2014	204,996
	2015	204,996
	2016	204,996
	Thereafter	<u>204,996</u>
		<u>\$ 1,024,980</u>

NOTE H - ON-BEHALF PAYMENTS

For the year ended June 30, 2012 total payments of \$18,216,632 made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 17,903,326
Food Service	<u>\$ 313,306</u>
Total On-behalf payments	<u>\$ 18,216,632</u>

NOTE I - RETIREMENT PLANS

Kentucky Teachers Retirement System

Certified employees participate in the Kentucky Teachers' Retirement System (KTRS), a cost sharing, multiple-employer retirement system created by and maintained by Kentucky legislature. KTRS provides retirement, death and disability benefits to Plan members.

Plan members are required to contribute 10.355% of their annual creditable compensation. Members hired on or after July 1, 2008 pay an additional .5% of their salary to the medical insurance fund. Matching contributions are made by the state in the form of on behalf payments. The district is required to remit matching contributions on those school district employees whose salaries are paid by federally programs. This federal matching rate is 13.605% for employees hired before July 1, 2008 and 14.105% for employees hired after July 1, 2008. The contribution requirement for KTRS for the year ended June 30, 2012, was \$7,044,105, which consisted of \$874,525 from the District and \$6,169,580 from the employees. Total contributions for the year ended June 30, 2011 and 2010 were \$6,466,502 and \$5,943,475, respectively. The contributions have been contributed in full for fiscal years 2012, 2011 and 2010.

**KENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE I - RETIREMENT PLANS (CONT'D)

County Employees Retirement System

Classified employees who work an average of 80 hours per month over the actual days worked during the school year participate in the County Employees Retirement System (CERS). This is a cost sharing, multiple-employer, public employers retirement plan created and maintained by Kentucky legislature and provides retirement, death and disability benefits to Plan members.

Participating employees contribute 5% of creditable compensation. Participants hired after August 31, 2008 are required to contribute 6%. Matching contributions are made by the state at a rate as required by the Board of Trustees to be necessary for the actuarial soundness per Kentucky Revised Statute 61.565. The contribution requirement for CERS for the year ended June 30, 2012, was \$4,127,178, which consisted of \$3,241,315 from the District and \$885,863 from the employees. Total contributions for the year ended June 30, 2011 and 2010 were \$3,806,053 and \$3,326,881, respectively. The contributions have been contributed in full for fiscal years 2012, 2011 and 2010.

The District's total payroll for the year was \$77,234,344. The payroll for employees covered under KTRS was \$59,169,934 and for CERS was \$17,090,978.

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

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits which is adjusted for the effects of projected salary increases and step-rate benefits that are estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligations for individual employers. KTRS and CERS both issue a publicly available financial report that includes all financial statements and required supplementary information. The reports can be obtained in writing from the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 and the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, KY 40601

NOTE J - CONTINGENCIES

Grant Fund Approval

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the 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 the programs.

**KENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE K - INSURANCE AND RELATED ACTIVITIES

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

NOTE L - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has obtained coverage through Indiana Insurance, a subsidiary of Liberty Mutual, for each of these risk areas.

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

NOTE M - DEFICIT OPERATING/FUND BALANCES

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

Construction Fund	\$ 7,593,230
General Fund	\$ 553,790
R.C. Hinsdale Elementary	\$ 18,565
River Ridge Elementary	\$ 5,964
Summit View Elementary	\$ 1,183
Taylor Mill Elementary	\$ 22,498
White's Tower Elementary	\$ 6,618
Summit View Middle School	\$ 13,945
Turkey Foot Middle School	\$ 6,305

NOTE N - COBRA

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

NOTE O - TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
1	2	Indirect Costs	\$ 412,447
51	1	Indirect Costs	\$ 271,885
2	1	Matching	\$ 50,125

**KENTON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE P - SCHEDULE OF LONG-TERM OBLIGATIONS

1998R, 2002, 2003R, 2004, 2005, 2005R, 2005 KISTA, 2006A, 2006B, 2006C, 2008, 2009,
2009C, 2009D, 2009 KISTA, 2010R, 2011 AND 2012R ISSUES

FISCAL YEAR	KENTON COUNTY SCHOOL DISTRICT			KY SCHOOL FACILITIES CONSTRUCTION COMMISSION			TOTAL REQUIREMENTS
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	
2012-2013	\$ 8,739,311	\$ 5,776,511	\$ 14,515,822	\$ 1,080,063	\$ 513,778	\$ 1,593,841	\$ 16,109,663
2013-2014	8,945,772	5,544,244	14,490,016	1,118,396	475,459	1,593,855	16,083,871
2014-2015	9,193,174	5,294,520	14,487,694	1,158,428	435,412	1,593,840	16,081,534
2015-2016	9,332,996	5,015,011	14,348,007	1,199,662	393,482	1,593,144	15,941,151
2016-2017	9,620,131	4,726,597	14,346,728	1,245,842	349,861	1,595,703	15,942,431
2017-2018	9,922,218	4,421,696	14,343,914	1,292,623	304,068	1,596,691	15,940,605
2018-2019	10,202,905	4,121,906	14,324,811	1,340,360	256,094	1,596,454	15,921,265
2019-2020	10,511,426	3,804,046	14,315,472	1,265,707	208,818	1,474,525	15,789,997
2020-2021	10,632,866	3,465,230	14,098,096	977,134	171,638	1,148,772	15,246,868
2021-2022	10,963,866	3,135,197	14,099,063	986,134	141,858	1,127,992	15,227,055
2022-2023	11,326,042	2,764,671	14,090,713	1,013,958	111,929	1,125,887	15,216,600
2023-2024	11,749,842	2,345,465	14,095,307	1,045,158	80,729	1,125,887	15,221,194
2024-2025	12,312,881	1,888,770	14,201,651	337,119	48,461	385,580	14,587,231
2025-2026	7,933,010	1,342,456	9,275,466	351,990	33,589	385,579	9,661,045
2026-2027	7,053,095	995,893	8,048,988	196,905	18,470	215,375	8,264,363
2027-2028	6,311,973	713,156	7,025,129	113,027	11,585	124,612	7,149,741
2028-2029	6,321,321	417,349	6,738,670	118,679	5,934	124,613	6,863,283
2029-2030	2,155,000	118,304	2,273,304	-	-	-	2,273,304
2030-2031	1,115,000	50,175	1,165,175	-	-	-	1,165,175
	<u>\$ 164,342,829</u>	<u>\$ 55,941,197</u>	<u>\$ 220,284,026</u>	<u>\$ 14,841,185</u>	<u>\$ 3,561,165</u>	<u>\$ 18,402,350</u>	<u>\$ 238,686,376</u>

NOTE Q - SUBSEQUENT EVENTS

Subsequent events were considered through November 15, 2012, which represents the date of our audit report.

**KENTON COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 AS OF JUNE 30, 2012**

ASSETS	CAPITAL OUTLAY FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	<u> </u>	<u> </u>
CURRENT		
Cash and cash equivalents	\$ 1,113,755	\$ 1,113,755
	<u> </u>	<u> </u>
Total assets	<u>\$ 1,113,755</u>	<u>\$ 1,113,755</u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 291,222	\$ 291,222
	<u> </u>	<u> </u>
Total liabilities	<u>291,222</u>	<u>291,222</u>
 FUND BALANCES		
Assigned - Purchase Obligations	163,451	163,451
Unassigned	-	-
Restricted:		
Capital projects fund	<u>659,082</u>	<u>659,082</u>
	<u> </u>	<u> </u>
Total fund balances	<u>822,533</u>	<u>822,533</u>
	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 1,113,755</u>	<u>\$ 1,113,755</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**KENTON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	CAPITAL OUTLAY FUND	TOTAL NONMAJOR GOVERNMENT FUNDS
REVENUES:		
Taxes	\$ -	\$ -
Earnings on investments	-	-
State sources	1,309,398	1,309,398
Federal sources	-	-
Other sources	-	-
	<u>1,309,398</u>	<u>1,309,398</u>
Total revenues	<u>1,309,398</u>	<u>1,309,398</u>
EXPENDITURES:		
Instructional	-	-
Student support services	-	-
Staff support services	-	-
District administration	-	-
School administration	-	-
Business support services	-	-
Plant operation and maintenance	361,193	361,193
Student transportation	-	-
Central office	-	-
Community service operations	-	-
Facility acquisition and construction	-	-
Debt service:		
Principal	125,672	125,672
Interest	-	-
	<u>486,865</u>	<u>486,865</u>
Total expenditures	<u>486,865</u>	<u>486,865</u>
Excess of revenues over expenditures	<u>822,533</u>	<u>822,533</u>
OTHER FINANCING SOURCES (USES):		
Operating transfers in	-	-
Operating transfers out	-	-
	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>822,533</u>	<u>822,533</u>
Fund balance, July 1, 2011	<u>-</u>	<u>-</u>
Fund balance, June 30, 2012	<u>\$ 822,533</u>	<u>\$ 822,533</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
BOND AND INTEREST REDEMPTION FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>ISSUE OF 1998R</u>	<u>ISSUE OF 2002</u>	<u>ISSUE OF 2003R</u>	<u>ISSUE OF 2004</u>	<u>ISSUE OF 2005</u>	<u>ISSUE OF 2005R</u>
Cash at July 1, 2011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Transfers and miscellaneous deposits	807,775	421,921	1,481,838	777,059	2,059,156	2,360,800
Disbursements:						
Bonds paid	790,000	403,752	1,430,000		740,000	1,865,000
Interest coupons	17,775	18,169	51,838	777,059	1,319,156	495,800
Total disbursements	807,775	421,921	1,481,838	777,059	2,059,156	2,360,800
Excess of receipts over disbursements	-	-	-	-	-	-
Cash at June 30, 2012	-	-	-	-	-	-
Accounts Receivable and Payable						
Matured interest and bonds outstanding	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-	-
Fund balance at June 30, 2012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	<u>ISSUE OF 2005KISTA</u>	<u>ISSUE OF 2006A</u>	<u>ISSUE OF 2006B</u>	<u>ISSUE OF 2006C</u>	<u>ISSUE OF 2008</u>	<u>Totals</u>
Cash at July 1, 2011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Transfers and miscellaneous deposits	175,303	260,381	462,195	380,252	284,473	9,471,153
Disbursements:						
Bonds paid	154,554	140,000	221,411	122,807	150,000	6,017,524
Interest coupons	20,749	120,381	240,784	257,445	134,473	3,453,629
Total disbursements	175,303	260,381	462,195	380,252	284,473	9,471,153
Excess of receipts over disbursements	-	-	-	-	-	-
Cash at June 30, 2012	-	-	-	-	-	-
Accounts Receivable and Payable						
Matured interest and bonds outstanding	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-	-
Fund balance at June 30, 2012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
BOND AND INTEREST REDEMPTION FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>TOTALS CONT'D</u>	<u>ISSUE OF 2009</u>	<u>ISSUE OF 2009C</u>	<u>ISSUE OF 2009D</u>	<u>ISSUE OF 2009KISTA</u>	<u>ISSUE OF 2010R</u>
Cash at July 1, 2011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Transfers and miscellaneous deposits	9,471,153	1,673,789	534,328	597,900	165,145	715,973
Disbursements:						
Bonds paid	6,017,524	477,051	370,000	270,000	134,813	319,587
Interest coupons	3,453,629	1,196,738	164,328	327,900	30,332	396,386
Transfers and miscellaneous	-	-	-	-	-	-
Call fee	-	-	-	-	-	-
Total disbursements	9,471,153	1,673,789	534,328	597,900	165,145	715,973
Excess of receipts over disbursements	-	-	-	-	-	-
Cash at June 30, 2012	-	-	-	-	-	-
Accounts Receivable and Payable						
Matured interest and bonds outstanding	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-	-
Fund balance at June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>ISSUE OF 2011</u>	<u>ISSUE OF 2012R</u>	<u>Totals</u>
Cash at July 1, 2011	\$ -	\$ -	\$ -
Receipts:			
Transfers and miscellaneous deposits	523,847	988,899	14,671,034
Disbursements:			
Bonds paid	200,000	763,056	8,552,031
Interest coupons	323,847	225,843	6,119,003
Transfers and miscellaneous	-	-	-
Call fee	-	-	-
Total disbursements	523,847	988,899	14,671,034
Excess of receipts over disbursements	-	-	-
Cash at June 30, 2012	-	-	-
Accounts Receivable and Payable			
Matured interest and bonds outstanding	-	-	-
Due from other funds	-	-	-
Due to other funds	-	-	-
Total accounts receivable and payable	-	-	-
Fund balance at June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
DIXIE HEIGHTS HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>FUND BALANCE JULY 1, 2011</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>FUND BALANCE JUNE 30, 2012</u>
11-12 general fees collected	\$ 47,703	\$ 142,225	\$ 175,953	\$ 13,975
9th region baseball tourney	-	473	-	473
Academic team	-	717	717	-
ACT testing	50	5,750	5,338	462
Advanced placement	30,841	44,943	41,303	34,481
Africa fund/internet fund	66	-	-	66
Art	1,068	5,788	5,438	1,418
Art Club	-	1,001	807	194
Art/Best Buy grant	78	-	-	78
Athletics general	277	102,247	100,178	2,346
B Soccer Fundraiser	3,431	6,545	9,976	-
B Tennis Expenses	-	910	910	-
B/G track home meets	-	4,974	4,492	482
Band	8,498	10,735	13,901	5,332
Baseball	-	8,567	8,567	-
Baseball 34 Dist Tourney	-	1,509	1,367	142
BETA club	325	1,574	1,395	504
Borrow from account	-	18,422	18,422	-
Bowling club	-	2,492	2,492	-
Boys' baseball district tournameer	770	-	769	1
Boys' basketball expenses	-	5,822	5,822	-
Boys' basketball fundraiser	6,036	30,696	33,606	3,126
Boys' golf	-	1,574	1,574	-
Boys' golf fundraiser	982	1,000	542	1,440
Boys' track	-	3,420	3,420	-
Boys' soccer	-	4,511	4,511	-
Broadway Nights	-	720	621	99
Business education	-	5,415	5,415	-
CATS testing expense	526	2,139	2,665	-
Celebrating differences	27	-	-	27
Cheerleaders - varsity	4,653	2,000	3,226	3,427
Chorus	767	14,062	14,327	502
Chorus/Chicago	500	1,109	1,286	323
Class of 2012	-	7,413	7,413	-
Colonels for Christ	17	-	-	17
Computer Graphics	-	651	651	-
Consumer economics	-	1,567	1,567	-
Co-Op produce program	42	-	42	-
Cross country	-	2,182	2,182	-
Dance team	475	455	275	655
Dances	15,468	30,175	31,935	13,708
Dixie design class	60	-	-	60
Dixie Pit coffee shop	1,944	10,443	12,387	-
Dixie Pit concessions profits	750	-	750	-
Dixie's Big Give	229	2,075	2,304	-
DH Invitational Tourney	-	2,247	2,247	-
Donations for D Mcintosh	-	1,725	1,725	-

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
DIXIE HEIGHTS HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>FUND BALANCE</u> <u>JULY 1, 2011</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>FUND BALANCE</u> <u>JUNE 30, 2012</u>
Drama	\$ 6,048	\$ 4,262	\$ 7,238	\$ 3,072
Drug Free Club	203	-	-	203
Energy Wise Team	652	-	-	652
English department	-	17,873	17,873	-
Environmental club	375	15	-	390
F.B.L.A.	1,507	962	1,197	1,272
F.E.A.	299	72	209	162
Facility rental	2,025	540	1,635	930
Faculty	1,443	2,976	2,544	1,875
Fast pitch fundraiser	3,529	14,534	16,375	1,688
Field trip fees collected	-	8,241	7,963	278
Flower fund	-	350	350	-
Football	-	15,069	15,069	-
Football fundraisers	5,637	12,628	15,653	2,612
Foreign language department	-	261	261	-
Freshman academy trips	39	-	39	-
Freshman breakfast donations	34	-	34	-
Fuel up to play 60 grant	602	-	377	225
G Soccer Fundraiser	7,919	5,160	5,352	7,727
G Tennis Expenses	-	727	727	-
G Track Expenses	50	3,962	4,012	-
General	543	4,829	4,538	834
German NHS	180	-	-	180
Girls' basketball expenses	113	5,584	5,697	-
Girls' basketball fundraiser	6,485	15,527	12,027	9,985
Girls' fastpitch district tournamen	-	77	77	-
Girls' fastpitch expenses	-	2,750	2,750	-
Girls' golf expenses	-	780	780	-
Girls' soccer	-	4,821	4,821	-
Girls' soccer 9th region	-	2,005	2,005	-
Graduation expenses	-	5,107	5,019	88
Guidance office	1,998	3,588	2,910	2,676
Ham radio technology	100	-	-	100
Health class	-	636	636	-
Honors night expenses	-	500	67	433
Horticulture grant	204	481	260	425
Humanities	-	276	276	-
IMPACT	1,854	2,948	1,432	3,370
International club	1,884	-	1,884	-
Janie fund	-	500	500	-
KAEA - all state art	14	2,523	2,537	-
Lacrosse expenses	-	1,345	1,068	277
Lacrosse fundraiser	2,846	5,467	6,121	2,192
Library fines	941	1,921	1,707	1,155
Little Colonel League	-	42,175	42,175	-
Locks	3,717	5	2,500	1,222
Marketing Class	638	-	-	638

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
DIXIE HEIGHTS HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>FUND BALANCE</u> <u>JULY 1, 2011</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>FUND BALANCE</u> <u>JUNE 30, 2012</u>
Marketing/advertising	\$ 3,691	\$ -	\$ -	\$ 3,691
Mathematics	-	11,720	11,720	-
Math Fair	-	484	484	-
May term class fees	-	6,416	4,416	2,000
Membership fees paid	-	6,076	6,076	-
Mock trial team	-	1,620	1,620	-
National art honor society	15	-	-	15
National Honor Society	3,695	2,080	1,009	4,766
Nurse/Medical treatments	240	154	189	205
Odyssey of the Mind	166	3,718	3,417	467
Parking stickers	6,601	4,930	4,385	7,146
Participation fees	126	16,643	90	16,679
Project prom	1,157	6,558	6,218	1,497
Project transition	2,264	4,548	3,691	3,121
Retirement Party	-	1,855	1,855	-
Schools of study	-	1,000	1,000	-
Science	-	14,435	14,435	-
Scott scholarship	-	33,250	33,250	-
Senior fest	-	2,520	2,311	209
Senior project/Bookstore	459	1,634	2,093	-
Senior project/Gift of Life	-	144	144	-
Senior project/Helping Homeless	-	2,110	2,110	-
Senior project/It's a dogs life	-	339	339	-
Senior project/Keeping Faith	-	860	860	-
Senior project/Make a Wish	740	-	740	-
Senior project/Matilda Grace	97	-	97	-
Senior project/Movie Production	-	327	311	16
Senior project/Redwood	-	204	204	-
Senior project/Vision is priceless	300	-	300	-
Senior project/Web Design	-	37	37	-
Site based	150	500	500	150
Soccer district tournament	629	-	629	-
Social Norms Project	2	2,683	2,685	-
Social studies department	-	295	295	-
Sports class	-	3,862	3,862	-
Student council	11,429	14,289	11,476	14,242
Student enrichment	9,133	16,140	19,201	6,072
Student needs	1,999	-	262	1,737
Student Y Club	-	3,021	3,021	-
Students Taking Charge	300	-	-	300
Summer basketball camp	-	45,110	29,002	16,108
Summer school	-	7,200	6,289	911
Swimming	-	1,791	1,791	-
Technology	9,578	26,108	35,686	-
Textbook	21,158	64,247	683	84,722
Track boy's t-shirts	122	-	-	122
Track maintenance	250	250	-	500

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
DIXIE HEIGHTS HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>FUND BALANCE JULY 1, 2011</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>FUND BALANCE JUNE 30, 2012</u>
Track meet entry fees	\$ 320	\$ -	\$ -	\$ 320
Transportation	1,622	-	816	806
Turkey dinner/A.T.	333	2,089	1,675	747
Volleyball district tournament	78	-	78	-
Volleyball Expenses	-	3,693	3,693	-
Weight room	-	200	-	200
Wrestling	-	2,446	2,446	-
Yearbook	6,137	2,520	1,287	7,370
Youth Service Center	680	364	186	858
	<u>\$ 260,933</u>	<u>\$ 1,002,220</u>	<u>\$ 960,177</u>	<u>\$ 302,976</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
SCOTT HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>FUND BALANCE JULY 1, 2011</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>FUND BALANCE JUNE 30, 2012</u>
Academic team	\$ 25	\$ -	\$ -	\$ 25
After prom	1,257	5,239	2,080	4,416
Annual	10,614	4,009	40	14,583
AP exams	15,352	27,871	26,023	17,200
Art	588	1,471	1,496	563
Athletic concession	609	1,404	-	2,013
Athletics	-	157,736	156,782	954
Band	4,239	10,365	6,612	7,992
Bookstore	1,274	812	1,248	838
Bowling	141	-	141	-
Business education	80	-	38	42
Class of 2011	878	95	973	-
Class of 2012	5,782	7,986	10,873	2,895
Class of 2013	2,775	10,673	5,283	8,165
Class of 2014	1,315	1,966	2,161	1,120
Class of 2015	-	1,679	409	1,270
Creative Writing Club	131	851	565	417
Drama	1,495	7,193	8,491	197
English	547	-	547	-
Environmental club	1,664	18	-	1,682
FBLA/ FBLA Meijer	3	1,092	1,086	9
FCCLA	146	-	-	146
Fees	49,943	56,407	90,022	16,328
Fellowship Christian	14	-	-	14
Flower fund	70	1,446	1,415	101
Foreign language	990	535	505	1,020
Forensics	-	225	225	-
French club	448	2,292	2,129	611
French NHS	446	290	219	517
Future Teachers of America	276	-	-	276
General	18,789	11,753	17,734	12,808
German	564	1,944	2,111	397
German NHS	414	-	39	375
Guidance	-	275	38	237
Health and physical education	1,365	1,120	269	2,216
Janie fund	83	585	385	283
Junior statesmen	755	10,560	8,219	3,096
Key club	174	427	392	209
Learning links	645	455	157	943
Library	454	2,803	2,575	682
Lockers	3,028	-	-	3,028
Math	81	232	313	-
MOS	2,413	(1,979)	78	356
Multi media	223	64	287	-
Music	65	-	65	-
National Art HS	553	110	117	546

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
SCOTT HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>FUND BALANCE JULY 1, 2011</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>FUND BALANCE JUNE 30, 2012</u>
National Honor Society	1,335	4,362	4,330	1,367
Parking/assessment	\$ 679	\$ 2,960	\$ 2,899	\$ 740
Philosophy club	39	144	176	7
Renaissance academy	-	618	618	-
Professional development	301	68	-	369
PSAT/plan	357	1,074	1,104	327
Right track program	2,660	-	-	2,660
Science	3,487	100	1,971	1,616
Science field trips	6,192	10,779	13,362	3,609
Scott Pepsi	1,827	740	877	1,690
Scott swimming pool	860	-	-	860
Shirts for students	12,550	737	3,501	9,786
SHS scholarship fund	10,589	33,239	23,451	20,377
SHS teacher	2,585	-	-	2,585
Site based	4	500	-	504
Social studies	1,805	856	1,165	1,496
Spanish Honor Society	842	204	409	637
Special Ed. FMD	1,513	578	700	1,391
STLP	21	765	763	23
Student council	1,783	8,077	5,964	3,896
Structured teaching	172	323	-	495
Teachers' Pepsi	997	1,124	1,556	565
Teacher Support	-	3,922	1,177	2,745
Teen leadership club	207	481	65	623
Textbooks	45,147	43,615	27,216	61,546
Visual/performing arts	1,110	1,569	1,084	1,595
	<u>\$ 227,770</u>	<u>\$ 131,487</u>	<u>\$ 84,365</u>	<u>\$ 230,079</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
SIMON KENTON HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>FUND BALANCE JULY 1, 2011</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>FUND BALANCE JUNE 30, 2012</u>
Academic team	\$ -	\$ 2,340	\$ 1,723	\$ 617
Agriculture	2,055	3,057	894	4,218
AP Testing fund	20,986	34,572	32,865	22,693
Art department	799	3,775	3,032	1,542
Athletic	8,405	183,325	169,195	22,535
Band	-	15,949	11,855	4,094
Bookstore	5,309	4,618	5,501	4,426
Business department	679	4,608	4,728	559
Chorus	-	9,260	8,798	462
Fresh Class of 2015	-	1,071	-	1,071
Class of 2012	1,503	42,895	44,398	-
Class of 2013	2,242	-	-	2,242
Class of 2014	1,278	1,577	505	2,350
Coffee shop	150	-	150	-
Community based class	18,579	4,588	11,169	11,998
Counseling	1,249	3,191	3,091	1,349
Dance Team	-	6,551	6,027	524
Drama	1,357	3,179	2,778	1,758
Energy Wise	993	766	71	1,688
Engineering class	211	94	305	-
English	1,020	4,768	3,258	2,530
Entrepreneurship	463	4,676	4,537	602
Environmental club	730	16	746	-
Facility usage	7,646	1,460	2,962	6,144
Farmers market	600	300	635	265
FBLA	12	1,737	1,165	584
FCA	38	76	87	27
Fine arts support fund	7,156	219	2,425	4,950
Fire fund	24,418	2,582	-	27,000
French club	14	280	291	3
Freshman orientation	2,876	8,337	8,740	2,473
Future Educators	809	-	-	809
Future Farmers of America	7,031	16,991	18,850	5,172
General	4,170	15,838	18,751	1,257
Greendot	-	121	100	21
Greenhouse	6,305	11,317	6,607	11,015
Janie fund	20	625	645	-
Library	634	2,360	544	2,450
Media	308	(308)	-	-
National Honor Society	1,010	2,563	1,498	2,075
Odyssey of the Mind	-	3,936	3,936	-

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
SIMON KENTON HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>FUND BALANCE JULY 1, 2011</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>FUND BALANCE JUNE 30, 2012</u>
Pioneer Pride	\$ 1,812	\$ 1,508	\$ 1,171	\$ 2,149
Pioneer publishing	1,631	401	696	1,336
Project need	958	-	-	958
Project prom	530	-	530	-
Robert Roden Scholarship	-	1,300	-	1,300
Scholarship	19,284	1,143	6,500	13,927
Scott Scholarship	-	34,239	3,000	31,239
School fees	59,181	20,520	55,635	24,066
Science	550	12,269	10,343	2,476
Ski Club	-	903	903	-
SBDM	-	500	237	263
Spanish club	526	559	1,019	66
Student council	7,212	5,577	3,981	8,808
Student incentive	12,365	25,250	19,620	17,995
Summer school	12,295	9,395	12,036	9,654
Technology education	477	706	209	974
Technology maintenance	-	5,035	1,398	3,637
Textbook rental	63,090	93,881	45,921	111,050
Tornado Relief Fund	-	2,013	1,102	911
Val's VIP's	4,884	505	3,214	2,175
World Language	-	3,117	316	2,801
Yearbook	3,933	3,781	2,228	5,486
youth Service Center	-	1,334	325	1,009
Baseball	-	23,862	23,134	728
Bowling Team	-	3,682	2,345	1,337
Basketball - Boys	-	61,020	55,263	5,757
Basketball - Girls	-	15,466	13,317	2,149
Cheerleading	-	344	-	344
Cross Country	-	31	-	31
Football	-	38,476	29,522	8,954
Golf - Boy	-	579	175	404
Golf - Girls	-	50	-	50
hall of Fame	-	19,050	9,247	9,803
Soccer - Boys	-	2,369	2,069	300
Softball	-	4,203	2,913	1,290
Sports Medicine	-	1,540	505	1,035
Swimming	-	1,749	435	1,314
Tennis - Boys	-	2,854	2,708	146
Tennis - Girls	-	1,685	1,610	75
Track - Boys	-	5,987	5,985	2
Track - Girls	-	409	100	309
	<u>\$ 319,783</u>	<u>\$ 810,602</u>	<u>\$ 702,574</u>	<u>\$ 427,811</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**KENTON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>BEECHGROVE ELEMENTARY</u>	<u>J.A. CAYWOOD ELEMENTARY</u>	<u>FORT WRIGHT ELEMENTARY</u>	<u>KENTON ELEMENTARY</u>	<u>PINER ELEMENTARY</u>	<u>R.C. HINSDALE ELEMENTARY</u>
Fund balances at July 1, 2011	\$ 60,051	\$ 34,646	\$ 24,593	\$ 31,412	\$ 40,430	\$ 57,811
Add: receipts	120,872	104,752	100,079	126,037	108,164	142,676
Less: disbursements	<u>(114,482)</u>	<u>(95,872)</u>	<u>(78,778)</u>	<u>(123,687)</u>	<u>(95,446)</u>	<u>(161,241)</u>
Fund balances at June 30, 2012	<u>\$ 66,441</u>	<u>\$ 43,526</u>	<u>\$ 45,894</u>	<u>\$ 33,762</u>	<u>\$ 53,148</u>	<u>\$ 39,246</u>

	<u>RIVER RIDGE ELEMENTARY</u>	<u>RYLAND HEIGHTS ELEMENTARY</u>	<u>SUMMIT VIEW ELEMENTARY</u>	<u>TAYLOR MILL ELEMENTARY</u>	<u>WHITE'S TOWER ELEMENTARY</u>	<u>SUMMIT VIEW MIDDLE SCHOOL</u>
Fund balances at July 1, 2011	\$ 28,666	\$ 21,332	\$ 53,286	\$ 108,191	\$ 14,886	\$ 74,920
Add: receipts	173,569	115,303	146,836	81,061	62,551	282,778
Less: disbursements	<u>(179,533)</u>	<u>(115,040)</u>	<u>(148,019)</u>	<u>(103,559)</u>	<u>(69,169)</u>	<u>(296,723)</u>
Fund balances at June 30, 2012	<u>\$ 22,702</u>	<u>\$ 21,595</u>	<u>\$ 52,103</u>	<u>\$ 85,693</u>	<u>\$ 8,268</u>	<u>\$ 60,975</u>

	<u>TURKEY FOOT MIDDLE SCHOOL</u>	<u>TWENHOFEL MIDDLE SCHOOL</u>	<u>WOODLAND MIDDLE SCHOOL</u>	<u>NORTHERN KENTUCKY DEVELOPMENT CENTER</u>	<u>TOTAL</u>
Fund balances at July 1, 2011	\$ 40,417	\$ 99,369	\$ 30,891	\$ 779	\$ 721,680
Add: receipts	220,763	298,095	210,602	-	2,294,138
Less: disbursements	<u>(227,068)</u>	<u>(284,402)</u>	<u>(188,460)</u>	<u>-</u>	<u>(2,281,479)</u>
Fund balances at June 30, 2012	<u>\$ 34,112</u>	<u>\$ 113,062</u>	<u>\$ 53,033</u>	<u>\$ 779</u>	<u>\$ 734,339</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**KENTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

	CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	EXPENDITURES	PROGRAM/ CLUSTER TOTAL
U.S. DEPARTMENT OF ENERGY				
State Energy Program - Recovery Act	81.041	N/A	\$ 29,767	\$ 29,767
<i>Passed through the Kentucky Department of Education</i>				
Conservation Research and Development - Recovery Act	81.086	931002 09	179,016	179,016
Total U.S. Department of Energy			208,783	208,783
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed through the Kentucky Department of Education</i>				
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	2000001 11	286	286
Total U.S. Department of Health and Human Services			286	286
U.S. DEPARTMENT OF EDUCATION				
Title I - State Agency Program for Neglected and Delinquent Children and Youth	84.013	N/A	19,324	19,324
Career and Technical Education - Community Based Organizations	84.048	N/A	33,350	33,350
<i>Passed through the Kentucky Department of Education:</i>				
Career and Technical Education - Basic Grants to States	84.048	4621132 11	138,899	138,899
Improving Teacher Quality State Grant	84.367	3230002 11	126,293	
Improving Teacher Quality State Grant	84.367	3230002 10	221,637	347,930
English Language Acquisition Grants	84.365	3300002 11	74,811	74,811
Education Jobs Fund	84.410	EJOB00 10	1,955,662	1,955,662
Education of Homeless Children and Youth Cluster:				
Education for Homeless Children and Youth	84.196	3990002 11	40,887	
Education for Homeless Children and Youth - Recovery Act	84.387	4990002 09	1,486	42,373
Title I - Part A Cluster:				
Title I - Grants to Local Educational Agencies	84.010	3100002 11	1,225,998	
Title I - Grants to Local Educational Agencies	84.010	3100002 10	312,422	
Title I - Grants to Local Educational Agencies - Recovery Act	84.389	4100002 09	100,419	1,638,839
Education Technology State Grants Cluster:				
Education Technology State Grants - Recovery Act	84.386	4210002 09	17,155	
Education Technology State Grant	84.318	3210002 10	5,121	
Education Technology State Grant	85.318	3210002 09	4,051	26,327
Special Education Cluster:				
Special Education Grants to States - Recovery Act	84.391	4810002 09	38,241	
Special Education Preschool Grants - Recovery Act	84.392	4800002 09	1,333	
Special Education Grants to States	84.027	3810002 11	2,924,555	
Special Education Grants to States	84.027	3810002 10	180,677	
Special Education Preschool Grants	84.173	3800002 11	136,944	3,281,750
Total U.S. Department of Education			7,559,265	7,559,265
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed through the Kentucky Department of Education</i>				
Child Nutrition Cluster:				
National School Lunch Program	10.555	7750002 11	425,326	
National School Lunch Program	10.555	7750002 12	1,909,399	
School Breakfast Program	10.553	7760005 11	90,058	
School Breakfast Program	10.553	7760005 12	468,032	
Summer Food Service Program for Children	10.559	7690024 11	2,054	
Summer Food Service Program for Children	10.559	7740023 11	19,594	
<i>Passed through the Kentucky Department of Agriculture</i>				
National School Lunch Program - Food Donation	10.555	059-0100	398,593	3,313,056
Total U.S. Department of Agriculture			3,313,056	3,313,056
Total Expenditures of Federal Awards			\$ 11,081,390	\$ 11,081,390

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**KENTON COUNTY SCHOOL DISTRICT
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 the Kenton County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

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

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

SUMMARY OF AUDITORS' RESULTS

1. The Independent Auditors' Report expresses an unqualified opinion on the basic financial statements of the Kenton County School District.
2. Two significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' 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.
3. No instances of noncompliance material to the financial statements of the Kenton County School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 for Kenton County School District expresses an unqualified opinion on all major federal programs.
6. The audit did not disclose any findings reportable under section 510 (a) of OMB Circular A-133.
7. The programs tested as major programs include: Title I – Grants to Local Educational Agencies, CFDA #84.010; Title I – Grants to Local Educational Agencies – Recovery Act, CFDA #84.389; Education Technology State Grant, CFDA #84.318; Education Technology State Grants – Recovery Act, CFDA #84.386; Special Education Grants to States, CFDA #84.027; Special Education Preschool Grants, CFDA #84.173; Special Education Grants to States – Recovery Act, CFDA #84.391; Special Education Preschool Grants – Recovery Act, CFDA #84.392; National School Lunch Program, CFDA #10.555; School Breakfast Program, CFDA #10.553 and Summer Food Service Program for Children, CFDA #10.559; Education for Homeless Children and Youth, CFDA #84.196; Education for Homeless Children and Youth – Recovery Act, CFDA #84.387; State Energy Program – Recovery Act, CFDA #81.041 and Conservation Research and Development – Recovery Act, CFDA #81.086.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Kenton County School District does not qualify as a low-risk auditee.

**KENTON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES

2012-01

Condition: Internal controls established in the District are not being followed consistently.

Criteria: Controls established by the District require proper authorization prior to disbursement of any funds for reimbursement or other expenditure.

Cause: Proper supervisory authorization for purchases and reimbursement was not being obtained properly

Effect: Purchases may have been made and reimbursements made without authorization.

Recommendation: District employees should be educated on the District policies surrounding purchases and reimbursements.

Views of Responsible Officials and Planned Corrective Actions: Kenton County School District agrees with this finding. At the beginning of each school year all District employees will be reminded of the District's purchasing and reimbursement authorization policies and will be required to sign that they are in compliance with existing and revised policies and procedures. Training is scheduled for December 13, 2012, to ensure that everyone is knowledgeable of the current requirements and the recently revised policies and procedures. Employee understanding of purchasing procedures and travel policies will be documented annually.

2012-02

Condition: Internal controls established in the District are not being followed consistently.

Criteria: Controls established by the District require supervisory authorization prior to disbursement of any funds for reimbursement or other expenditure.

Cause: While supervisors did approve some requests, those request made by individuals in a management position were often missing an additional supervisory signature.

Effect: Disbursements may have been made without proper authorization.

Recommendation: Reimbursement request made should be approved by the next level of management.

Views of Responsible Officials and Planned Corrective Actions: Kenton County School District agrees with this finding. While we regret that there were any issues with the controls and procedures in the Kenton County School District, this event has alerted us that increased supervision and monitoring are critical. Strategies will be developed to allow in-district, periodic, internal audits and spot checks on procedural compliance measures within every department. We take great pride in being good stewards in managing our finances for our taxpayers and stakeholders. We want the public to know that we are taking all measures to ensure that this does not occur in the future in the Kenton County School District.

**KENTON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

**KENTON COUNTY SCHOOL DISTRICT
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL
JUNE 30, 2012**

BOARD MEMBERS

Karen Collins, President
Term Expires: December 31, 2012

Carl Wicklund, Vice-President
Term Expires: December 31, 2012

Tamara Miano
Term Expires: December 31, 2014

Mike Martin
Term Expires: December 31, 2012

Becky Melching
Term Expires: December 31, 2014

ADMINISTRATIVE PERSONNEL

Dr. Terri Cox-Cruey
Superintendent and Secretary to the Board

Kelley Gamble
Director of Finance and Treasurer to the Board

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

Members of the Board of Education
Kenton County School District
1045 Eaton Drive
Ft. Wright, Kentucky 41017

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kenton County School District as of and for the year ended June 30, 2012, which collectively comprise the Kenton County School District's basic financial statements and have issued our report thereon dated November 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of 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.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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 as items 2012-01 and 2012-02. 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 the Kenton County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2012-01 and 2012-02. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract – State Audit Requirements which are described in the accompanying schedule of findings and questioned costs as items 2012-01 and 2012-02.

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

We noted certain matters that we reported to management of Kenton County School District in a separate letter dated November 8, 2012.

This report is intended solely for the information of the audit committee, management, 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.



Bertke, Sparks & Kremer, Inc.
November 8, 2012

**INDEPENDENT AUDITORS' 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**

Members of the Board of Education
Kenton County School District
1045 Eaton Drive
Ft. Wright, Kentucky 41017

Compliance

We have audited Kenton County School District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Kenton County School District's major federal programs for the year ended June 30, 2012. Kenton County School District's major federal programs are identified in the summary of auditors' 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 Kenton County School District's management. Our responsibility is to express an opinion on Kenton County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of 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 Kenton County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Kenton County School District's compliance with those requirements.

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

Internal Control Over Compliance

Management of Kenton County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Kenton County School District'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 Kenton County School District's internal control over compliance.

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

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

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



Bertke, Sparks & Kremer, Inc.
November 8, 2012

**KENTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

In planning and performing our audit of the financial statements of the Kenton County School District for the year ended June 30, 2012, we considered the District's internal control structure 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.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. A separate report dated November 8, 2012 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 8, 2012, on the financial statements of the Kenton County School District.

CURRENT YEAR RECOMMENDATIONS

Central Office

Condition: Internal controls established in the District are not being followed consistently.

Criteria: Controls established by the District require proper authorization prior to disbursement of any funds for reimbursement or other expenditure.

Cause: Proper supervisory authorization for purchases and reimbursement was not being properly obtained.

Effect: Purchases may have been made and reimbursements made without authorization.

Recommendation: District employees should be educated on the District policies surrounding purchases and reimbursements.

Response: At the beginning of each school year all District employees will be reminded of the District's purchasing and reimbursement authorization policies and will be required to sign that they are in compliance with existing and revised policies and procedures. Training is scheduled for December 13, 2012, to ensure that everyone is knowledgeable of the current requirements and the recently revised policies and procedures. Employee understanding of purchasing procedures and travel policies will be documented annually.

Condition: Internal controls established in the District are not being followed consistently.

Criteria: Controls established by the District require supervisory authorization prior to disbursement of any funds for reimbursement or other expenditure.

Cause: While supervisors did approve some requests, those requests made by individuals in a management position were often missing an additional supervisory signature.

Effect: Disbursements may have been made without proper authorization.

Recommendation: Reimbursement requests should be approved by the next level of management.

Response: While we regret that there were any issues with the controls and procedures in the Kenton County School District, this event has alerted us that increased supervision and monitoring are critical. Strategies will be developed to allow in-district, periodic, internal audits and spot checks on procedural compliance measures within every department. We take great pride in being good stewards in managing our finances for our taxpayers and stakeholders. We want the public to know that we are taking all measures to ensure that this does not occur in the future in the Kenton County School District.

**KENTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT YEAR RECOMMENDATIONS (CONT'D)

ACTIVITY FUNDS

Dixie Heights High School

Any exceptions noted during testing appeared to be isolated incidents only.

Scott High School

Any exceptions noted during testing appeared to be isolated incidents only.

Simon Kenton High School

Any exceptions noted during testing appeared to be isolated incidents only.

Summit View Middle School

Any exceptions noted during testing appeared to be isolated incidents only.

Turkey Foot Middle School

Any exceptions noted during testing appeared to be isolated incidents only.

Twenhofel Middle School

Any exceptions noted during testing appeared to be isolated incidents only.

Woodland Middle School

Condition:	Internal controls established in the District are not being followed consistently.
Criteria:	Controls established by the District require proper authorization prior to disbursement of any funds for reimbursement or other expenditure.
Cause:	Override of controls by the principal.
Effect:	Disbursements may have been made without proper authorization and/or support.
Recommendation:	A District-Wide policy should be put in place that requires all payments to school principals made out of the activity fund accounts be approved by the District Finance Officer or his designee.
Response:	The District has established a policy that any reimbursement to a school principal from an activity fund must be approved by the appropriate Central Office supervisor.

Beechgrove Elementary

Any exceptions noted during testing appeared to be isolated incidents only.

**KENTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT YEAR RECOMMENDATIONS (CONT'D)

ACTIVITY FUNDS (CONT'D)

J.A. Caywood Elementary

Any exceptions noted during testing appeared to be isolated incidents only.

Fort Wright Elementary

Any exceptions noted during testing appeared to be isolated incidents only.

Kenton Elementary

Any exceptions noted during testing appeared to be isolated incidents only.

Piner Elementary

Any exceptions noted during testing appeared to be isolated incidents only.

R.C. Hinsdale Elementary

Any exceptions noted during testing appeared to be isolated incidents only.

River Ridge Elementary

Any exceptions noted during testing appeared to be isolated incidents only.

Ryland Heights Elementary

Any exceptions noted during testing appeared to be isolated incidents only.

Summit View Elementary

Any exceptions noted during testing appeared to be isolated incidents only.

Taylor Mill Elementary

Any exceptions noted during testing appeared to be isolated incidents only.

White's Tower Elementary

Any exceptions noted during testing appeared to be isolated incidents only.

Northern Kentucky Youth Development Center

Any exceptions noted during testing appeared to be isolated incidents only.

**KENTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

STATUS OF PRIOR YEAR RECOMMENDATIONS

Central Office

None

ACTIVITY FUNDS

Dixie Heights High School

None

Scott High School

None

Simon Kenton High School

None

Summit View Middle School

None

Turkey Foot Middle School

None

Twenhofel Middle School

None

Woodland Middle School

None

Beechgrove Elementary

None

J.A. Caywood Elementary

None

Fort Wright Elementary

None

**KENTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

STATUS OF PRIOR YEAR RECOMMENDATIONS (CONT'D)

ACTIVITY FUNDS (CONT'D)

Kenton Elementary

None

Piner Elementary

None

R.C. Hinsdale Elementary

None

River Ridge Elementary

None

Ryland Heights Elementary

None

Summit View Elementary

None

Taylor Mill Elementary

None

White's Tower Elementary

None

Northern Kentucky Youth Development Center

None