

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

REPORT OF AUDIT  
Year Ended June 30, 2012

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# Marr, Miller & Myers, PSC

Certified Public Accountants  
(606) 528-2454 (FAX 528-1770)

P.O. Box 663  
Corbin, Kentucky 40702

## INDEPENDENT AUDITOR'S REPORT

October 15, 2012

Members of the Board of Education  
Whitley County School District  
Williamsburg, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Whitley County School District (the "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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Special Revenue Funds, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

# Marr, Miller & Myers, PSC

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The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted auditing standards. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The additional information shown on pages 39 through 54 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on pages 44 through 47 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the basic financial statements. Such information is the responsibility of the District and was derived from and relates to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Marr, Miller & Myers, PSC*

Certified Public Accountants

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012

The management of the Whitley County School District (the "District") offers readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. We encourage readers to review the information presented here in conjunction with additional information found within the body of the audit.

**SUPERINTENDENT'S REVIEW OF THE YEAR**

- The District continued to refine curriculum and exit criteria for all grade levels with committees of teachers representing primary, intermediate, middle and high school grade levels.
- The District built leadership capacity among teachers by placing them as Action Component Leaders in development of the School Improvement Plans.
- All schools presented disaggregated data annual test results and plans for school improvement to the Board of Education.
- The focus on improved instruction throughout the District remained a priority with the continued employment of our writing specialist, math specialist and reading specialist. All three specialists provided a variety of content specific professional development activities for teachers, as well as in-class assistance.
- The District increased its focus on student achievement through providing professional development including:
  - Assisting Lower Achieving Students in the Classroom
  - Grade Level Academies
  - Internet Safety
  - Modifying Instruction for Diverse Learners
  - Improving Student Motivation
  - Classroom Behavior Management
  - Curriculum Alignment
  - Building Positive Parent Relations
  - Thinklink
  - Formative/Summative Assessments
  - Program reviews
  - Response to Intervention
- The District continued its efforts to effectively integrate technology and curriculum through professional development activities which included:
  - PowerPoint
  - Primary Level Software Exploration
  - Intermediate Level Software Exploration
  - Microsoft Word
  - Excel Spreadsheet
  - Smart Boards
  - STAR Math and STAR Reading
  - Technology and Literature
  - Instructional use of iPads in the classroom
  - Riverdeep software
  - iMACS
  - Document Cameras
  - Student Response Systems

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012

- Creation and implementation of a technology curriculum for the elementary students that teaches our students about internet safety, keyboarding skills, and computer fundamentals through core content instruction.
- Continued the Read to Achieve, Reading Recovery and Early Incentive Reading programs targeting at-risk readers in the elementary schools.
- Continued participation in the MAF grant program targeting students performing below grade level in mathematics at four of our elementary schools, Central Primary, East, North and Boston.
- Continued a collaborative program with Save The Children at Pleasant View Elementary, Whitley Central Intermediate, Oak Grove Elementary and Central Primary Schools designed to improve the literacy levels of at-risk students. Services are targeted to struggling readers both during the school day and in an after-school program, as well as Healthy Choices and Early Steps.
- Continued the Y.O.U. (Youth Opportunities Unlimited) program targeting students at-risk of dropping out of school. This program assists with credit completion and employment opportunities.
- Continued support to Rockholds Opportunity Center for students in Grades 7-12 who are not succeeding in a traditional school environment.
- Continued participation in the 21<sup>st</sup> Century Community Learning Grants at Pleasant View, Boston, North, East, Middle School and High School. The 21<sup>st</sup> Century Community Learning Grant provides after school and summer learning opportunities and field trips for our students. Added 21<sup>st</sup> CCLC programs at Whitley Central Primary and Intermediate Schools.
- PRIDE Grants were awarded to several schools in the District.
- Virtualization project reduced the number of computer servers and the amount of energy consumption needed to power and cool them.
- *Technology Tidbits* is a blog to inform staff of exciting and new technology information that can be used in the classroom.
- Completed construction of a Freshman Wing and renovation of administrative area at Whitley County High School.
- Completed installation of a geothermal HVAC system at the High School, which included the addition of air conditioning to the gymnasium.
- All buildings in the District are utilizing Automated Logic, a digital energy control system.
- Installed two new labs of iMacs at the High School to enhance instruction and student achievement.
- Purchase of student sets of iPads through 21<sup>st</sup> Century to increase student achievement in areas of reading, speech, and math.
- Purchase of Student Response systems to aid in teacher evaluation of student comprehension.
- Set up Audio and Video conferencing for District meetings.

WHITLEY COUNTY SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012

- Developed and implemented a data driven instructional framework to provide instructional support for at risk students. This framework is based on Response to Intervention models and is designed to pinpoint the needs of students who are functioning at academic levels below their peers. Once the student need has been identified, an intervention plan is developed and the student is provided instructional support to accelerate his/her learning progress. Student progress is monitored on a continuing basis to drive instructional planning in order to help the student achieve grade level performance.

The Special Education Department has continued its major training initiative and additionally has progressed into the implementation phase of this initiative to enhance the delivery of specially designed instruction for students identified with special needs:

- The ASD Cadre is an ongoing monthly training module, led by our Special Education Cooperative, targeting the learning needs of students identified with Autism Spectrum Disorder. With this training, District personnel are developing proficiency in the 24 evidence-based practices that will be used/implemented with a student diagnosed with ASD in our school district as well as establishing model classroom sites. From this ASD Cadre, a system has been established to process referrals supporting the allocation of resources when meeting the needs of students with ASD.
- Special Education Tech Academy is a within district technology awareness forum, under the collaboration of the Special Education and Technology Departments, setup for resource teachers who teach students with special needs. This forum provides on-going hands-on training about a variety of technology equipment that can be utilized within the classroom. This academy has also been instrumental in providing and supporting the educational use of mobile Special Education iPad labs in every school within the District.
- Special education personnel have been trained and continue to implement SRA's Reading Mastery and Corrective Reading programs for all K-8 special education students that qualify for specially designed instruction in the area of reading to improve reading performance district wide. Students not responding to SRA are being offered additional reading intervention through RAVE-O or Read-Well. Regarding math, special education personnel have been trained and are implementing Envision Math and Focus Math to improve mathematics performance district-wide. Teachers continue to report significant gains in grades K-8. Results will continue to be monitored to validate the effectiveness of the programs.
- RTI Workgroups are district- and school-wide brainstorming sessions that analyze student needs and help determine the appropriate specially designed interventions to meet that individual student's area of need based on data. Using AIMSweb, special education teachers are critically evaluating student response to specially designed instruction and selecting interventions according to rates of improvement.

#### FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$4,497,227 in 2012 and \$15,183,263 in 2011. This is a decrease of \$10,686,036. Restricted funds comprised \$3,209,897 of the cash balance at June 30, 2012 as compared to \$13,420,409 at June 30, 2011. General Fund cash decreased \$598,748 from 2011 to 2012.
- A concerted effort was focused on purchasing in the areas of supplies, food, and travel. This resulted in several economies due to changed management strategies.
- Earnings on investments decreased \$40,181 due to expending available monies on construction projects.

WHITLEY COUNTY SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012

- The General Fund had \$34,262,131 in revenue, which primarily consisted of the state program (SEEK) and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there were \$34,417,764 in General Fund expenditures.

## OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 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 proprietary funds are vending and food service operations, community education and day care 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 22 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 38 of this report.

WHITLEY COUNTY SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

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

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

Fiscal year 2012 government-wide net assets compared to 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Current assets	\$ 6,808,835	\$ 17,341,002
Capital assets	<u>49,425,234</u>	<u>48,859,595</u>
Total Assets	<u>\$ 56,234,069</u>	<u>\$ 66,200,597</u>
Current liabilities	\$ 2,472,110	\$ 10,638,382
Noncurrent liabilities	<u>27,986,624</u>	<u>29,224,852</u>
Total Liabilities	<u>\$ 30,458,734</u>	<u>\$ 39,863,234</u>
<b>Net assets</b>		
Investment in capital assets, net of related debt	\$ 20,837,433	\$ 12,317,644
Restricted	3,661,890	13,499,341
Unrestricted	<u>1,276,012</u>	<u>520,378</u>
Total Net Assets	<u>\$ 25,775,335</u>	<u>\$ 26,337,363</u>

The most significant change in the financial position of the District since the last audit was the decrease in cash and cash equivalents in the amount of \$10,686,036. The District also had an overall decrease in liabilities in the amount of \$9,404,500. The investment in capital assets, net of related debt had an increase in the amount of \$8,519,789 due to the completion of construction projects during the year, primarily at the Whitley County High School Campus.

The following table presents a summary of revenues and expenditures, for Governmental Funds only, for the fiscal years ended June 30:

	<u>2012</u>	<u>Percent</u>	<u>2011</u>	<u>Percent</u>
<b>REVENUES</b>				
Local revenue sources	\$ 5,297,936	11.36%	\$ 5,029,671	8.01%
State revenue sources	33,662,486	72.18	33,684,762	53.68
Federal sources	7,537,170	16.16	7,744,256	12.34
Operating transfers (net)	129,978	.28	134,368	.21
Proceeds from sale of assets	10,181	.02	7,478	.01
Bond proceeds	-	-	15,754,000	25.11
Capital lease proceeds	-	-	<u>399,347</u>	<u>.64</u>
Total revenues	<u>46,637,751</u>	<u>100.00</u>	<u>62,753,882</u>	<u>100.00</u>

WHITLEY COUNTY SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012

EXPENDITURES

Instruction	30,218,814	64.80	28,697,096	45.73
Student support services	1,233,404	2.65	1,994,052	3.18
Instructional staff	1,918,230	4.11	2,360,729	3.76
District administration	1,039,681	2.23	1,028,710	1.64
School administration	1,527,227	3.27	1,944,956	3.10
Business	826,542	1.77	623,932	.99
Plant operations and maintenance	3,172,741	6.80	3,572,876	5.69
Student transportation	3,315,397	7.11	3,758,030	5.99
Facilities acquisition and construction	2,411,675	5.17	7,432,064	11.85
Food service operation	5,057	.01	540	-
Community services activities	590,111	1.27	622,026	.99
Architectural/engineering	2,250	-	-	-
Bond – call premium/costs	69,150	.15	306,265	.49
Debt service/lease payments	<u>9,660,988</u>	<u>20.72</u>	<u>1,832,217</u>	<u>2.92</u>
Total expenditures	<u>55,991,267</u>	<u>120.06</u>	<u>54,173,493</u>	<u>86.33</u>
Excess revenues (expenditures)	<u>\$ (9,353,516)</u>	<u>(20.06)%</u>	<u>\$ 8,580,389</u>	<u>13.67%</u>

The majority of the District's revenue was derived from state revenue sources making up 72.18% of their revenue in 2012 as compared to 53.68% in 2011. Local revenue sources comprised 11.36% in 2012 as compared to 8.01% in 2011. Bond and capital lease proceeds comprised 25.75% of the revenue in 2011.

Instructional expenditures comprised 64.80% of the District's expenses for 2012 as compared to 45.73% in 2011. Facilities acquisition and construction comprised 5.17% of the District's expenses for 2012 as compared to 11.85% in 2011. Plant operations and maintenance comprised 6.80% of the District's expenses for 2012 as compared to 5.69% in 2011. Capital assets of \$2,865,421 were charged to expenditures in 2012.

**Comments on Budget Comparisons**

- The District's total general fund revenues for the fiscal year ended June 30, 2012 were \$34,262,131.
- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual balance being \$7,857,164 more than budget or 29.76%. This is due primarily to recording on-behalf payments made by the State of Kentucky of \$7,454,140 that were not budgeted. When these are eliminated, revenues compared to budget were \$403,024 or 1.53% more than anticipated.
- The total cost of all general fund programs and services for the fiscal year ended June 30, 2012 was \$34,417,764.
- General fund budget expenditures to actual varied significantly in instruction support with them being \$6,107,088 over budget. Student transportation closed with a budget deficit of \$877,945. These were due primarily to on-behalf payments of \$7,454,140 which were not budgeted.

In Kentucky, the public school fiscal year is July 1 to June 30. Other programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted the original 2011-12 budget with \$970,411 in contingency (3.43%). The final District budget adopted had \$942,320 in contingency (3.57%).

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012

**Future Budget Implications**

The District adopted a budget for 2012-13 with \$599,594 in contingency (2.20%). Significant Board action that impacts the finances includes the funding of extra-curricular activities, KETS matching funds, KISTA lease bus obligations, a 1% salary increase for certified and classified personnel and numerous capital projects expenditures.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Questions regarding this report should be directed to the Superintendent or to Leigh Burke, Chief Financial Officer, at (606) 549-7000 or by mail at 300 Main Street, Williamsburg, KY 40769.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF NET ASSETS  
June 30, 2012

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 3,837,088	\$ 660,139	\$ 4,497,227
Accounts receivable:			
Taxes – current	188,696	-	188,696
Accounts receivable	191,868	11,433	203,301
Intergovernmental – state	182,327	-	182,327
Intergovernmental – federal	1,383,156	29,116	1,412,272
Materials and supplies inventory	-	83,887	83,887
Other current assets	<u>241,125</u>	<u>-</u>	<u>241,125</u>
Total current assets	<u>6,024,260</u>	<u>784,575</u>	<u>6,808,835</u>
<b>NONCURRENT ASSETS</b>			
Capital assets, net	<u>48,978,876</u>	<u>446,358</u>	<u>49,425,234</u>
Total noncurrent assets	<u>48,978,876</u>	<u>446,358</u>	<u>49,425,234</u>
<b>TOTAL ASSETS</b>	<u>55,003,136</u>	<u>1,230,933</u>	<u>56,234,069</u>
<u>LIABILITIES AND NET ASSETS</u>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	92,769	4,591	97,360
Matured coupons outstanding	52,416	-	52,416
Accrued wages and benefits	542,849	-	542,849
Deferred revenue	364,833	-	364,833
Current portion of bond obligations	1,335,000	-	1,335,000
Current portion of lease obligations	<u>79,652</u>	<u>-</u>	<u>79,652</u>
Total current liabilities	<u>2,467,519</u>	<u>4,591</u>	<u>2,472,110</u>
<b>NONCURRENT LIABILITIES</b>			
Noncurrent portion of bond obligations	27,252,801	-	27,252,801
Noncurrent portion of lease obligations	535,824	-	535,824
Noncurrent portion of accrued sick leave	<u>197,999</u>	<u>-</u>	<u>197,999</u>
Total noncurrent liabilities	<u>27,986,624</u>	<u>-</u>	<u>27,986,624</u>
<b>TOTAL LIABILITIES</b>	<u>30,454,143</u>	<u>4,591</u>	<u>30,458,734</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	20,391,075	446,358	20,837,433
Restricted	2,881,906	779,984	3,661,890
Unrestricted	<u>1,276,012</u>	<u>-</u>	<u>1,276,012</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 24,548,993</u>	<u>\$ 1,226,342</u>	<u>\$ 25,775,335</u>

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

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
Instruction	\$ 31,518,466	\$ -	\$18,326,593	\$ -
Support services:				
Student	1,250,363	-	-	-
Instructional staff	1,926,523	-	-	-
District administration	1,058,589	-	77,877	-
School administration	1,530,659	-	-	-
Business	843,735	-	155,754	-
Plant operations and maintenance	3,284,843	-	-	-
Student transportation	3,628,035	-	545,140	-
Food service	5,057	-	-	-
Community services activities	590,804	-	-	-
Architectural/engineering	2,250	-	-	-
Interest on long-term debt	1,726,080	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 47,365,404</u>	<u>\$ -</u>	<u>\$19,105,364</u>	<u>\$ -</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Food service	\$ 3,131,278	\$ 296,743	\$ 3,003,237	\$ -
Day care	241,230	153,820	77,877	-
Community education	-	60	-	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>\$ 3,372,508</u>	<u>\$ 450,623</u>	<u>\$ 3,081,114</u>	<u>\$ -</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 50,737,912</u>	<u>\$ 450,623</u>	<u>\$22,186,478</u>	<u>\$ -</u>

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

**NET (EXPENSES) REVENUES AND  
CHANGES IN NET ASSETS**

Governmental Activities	Business-Type Activities	Total
\$ (13,191,873)		\$ (13,191,873)
(1,250,363)		(1,250,363)
(1,926,523)		(1,926,523)
(980,712)		(980,712)
(1,530,659)		(1,530,659)
(687,981)		(687,981)
(3,284,843)		(3,284,843)
(3,082,895)		(3,082,895)
(5,057)		(5,057)
(590,804)		(590,804)
(2,250)		(2,250)
<u>(1,726,080)</u>		<u>(1,726,080)</u>
<u>(28,260,040)</u>		<u>(28,260,040)</u>

\$ 168,702	168,702
(9,533)	(9,533)
<u>60</u>	<u>60</u>
<u>159,229</u>	<u>159,229</u>
	<u>(28,100,811)</u>

**GENERAL REVENUES**

Taxes			
Property	2,404,146	-	2,404,146
Motor vehicle	666,793	-	666,793
Utilities	1,176,326	-	1,176,326
Revenue in lieu of taxes	49,783	-	49,783
State and formula grants	22,094,292	-	22,094,292
Earnings on investments	157,451	13,734	171,185
Loss on sale of fixed assets	2,843	-	2,843
Other local revenues	<u>843,437</u>	-	<u>843,437</u>
Total general revenues	27,395,071	13,734	27,408,805
Operating transfers (net)	<u>129,978</u>	-	<u>129,978</u>
Total general revenues and transfers	<u>27,525,049</u>	<u>13,734</u>	<u>27,538,783</u>
Change in net assets	(734,991)	172,963	(562,028)
Net assets, July 1, 2011	<u>25,283,984</u>	<u>1,053,379</u>	<u>26,337,363</u>
Net assets, June 30, 2012	<u>\$ 24,548,993</u>	<u>\$ 1,226,342</u>	<u>\$ 25,775,335</u>

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

BALANCE SHEETS  
GOVERNMENTAL FUNDS  
June 30, 2012

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS AND RESOURCES</b>				
Cash and cash equivalents	\$ 1,758,401	\$(1,131,210)	\$ 3,209,897	\$ 3,837,088
Accounts receivable:				
Taxes – current	188,696	-	-	188,696
Accounts receivable	175,938	15,930	-	191,868
Intergovernmental – state	-	182,327	-	182,327
Intergovernmental – federal	65,000	1,318,156	-	1,383,156
Other current assets	-	-	241,125	241,125
<b>TOTAL ASSETS AND RESOURCES</b>	<u>\$ 2,188,035</u>	<u>\$ 385,203</u>	<u>\$ 3,451,022</u>	<u>\$ 6,024,260</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 72,399	\$ 20,370	\$ -	\$ 92,769
Matured coupons outstanding	-	-	52,416	52,416
Accrued wages and benefits	542,849	-	-	542,849
Deferred revenue	-	364,833	-	364,833
<b>TOTAL LIABILITIES</b>	<u>615,248</u>	<u>385,203</u>	<u>52,416</u>	<u>1,052,867</u>
<b>FUND BALANCES</b>				
Unassigned	1,276,012	-	-	1,276,012
Nonspendable				
Prepays	-	-	241,125	241,125
Restricted				
Sick leave payable	98,999	-	-	98,999
SFCC escrow – prior offer	-	-	2,266,548	2,266,548
Debt service	-	-	890,700	890,700
SFCC – current offer	-	-	233	233
Committed				
Other lease obligations	79,652	-	-	79,652
Assigned				
Purchase obligations	118,124	-	-	118,124
<b>TOTAL FUND BALANCES</b>	<u>1,572,787</u>	<u>-</u>	<u>3,398,606</u>	<u>4,971,393</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,188,035</u>	<u>\$ 385,203</u>	<u>\$ 3,451,022</u>	<u>\$ 6,024,260</u>

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

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ASSETS  
June 30, 2012

<b>Total Fund Balances per fund financial statements</b>			<b>\$ 4,971,392</b>
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources, but they are reported in the statement of net assets.			48,978,876
Certain liabilities, such as bonds payable, the long-term portion of accrued sick leave and lease obligations are not reported in this fund financial statement because they are not due and payable in the current period, but they are presented in the statement of net assets:			
Accrued sick leave		\$ (197,998)	
Bonds payable		(28,587,801)	
Lease obligations		<u>(615,476)</u>	<u>(29,401,275)</u>
<b>Total Net Assets for Governmental Activities</b>			<b><u>\$ 24,548,993</u></b>

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

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2012

	<u>General Fund</u>	<u>Special Revenue</u>
<b>REVENUES</b>		
From local sources:		
Taxes		
Property	\$ 2,065,362	\$ -
Motor vehicle	666,793	-
Utilities	1,176,326	-
Earnings on investments	79,103	2,656
Other local revenues	426,839	466,381
Intergovernmental – state	29,692,737	1,963,940
Intergovernmental – indirect federal	154,971	6,894,676
Intergovernmental – direct federal	-	58,388
<b>TOTAL REVENUES</b>	<u>34,262,131</u>	<u>9,386,041</u>
 <b>EXPENDITURES</b>		
Instruction	22,070,180	8,148,634
Support services:		
Student	1,058,957	174,447
Instructional staff	1,316,671	601,559
District administration	1,033,370	6,311
School administration	1,482,745	44,482
Business	826,542	-
Plant operations and maintenance	3,163,175	9,566
Student transportation	3,315,397	-
Facilities acquisition and construction	-	-
Food service operation	5,057	-
Community services activities	93,512	496,599
Architectural/engineering	2,250	-
Payment of bonds/debt service	-	-
Payment of lease obligation	49,908	-
Payment of interest	-	-
<b>TOTAL EXPENDITURES</b>	<u>34,417,764</u>	<u>9,481,598</u>
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(155,633)</u>	<u>(95,557)</u>
 <b>OTHER FINANCING SOURCES (USES)</b>		
Bond – call premium	-	-
Operating transfers in	129,978	95,557
Operating transfers out	(114,346)	-
Proceeds from sale of assets	10,181	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>25,813</u>	<u>95,557</u>
 <b>NET CHANGES IN FUND BALANCES</b>	(129,820)	-
 <b>FUND BALANCES, JULY 1, 2011</b>	<u>1,702,606</u>	<u>-</u>
 <b>FUND BALANCES, JUNE 30, 2012</b>	<u>\$ 1,572,786</u>	<u>\$ -</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 338,784	\$ 2,404,146
-	666,793
-	1,176,326
75,692	157,451
-	893,220
2,005,809	33,662,486
-	7,049,647
<u>429,135</u>	<u>487,523</u>
<u>2,849,420</u>	<u>46,497,592</u>
-	30,218,814
-	1,233,404
-	1,918,230
-	1,039,681
-	1,527,227
-	826,542
-	3,172,741
-	3,315,397
2,411,675	2,411,675
-	5,057
-	590,111
-	2,250
8,210,000	8,210,000
-	49,908
<u>1,401,080</u>	<u>1,401,080</u>
<u>12,022,755</u>	<u>55,922,117</u>
<u>(9,173,335)</u>	<u>(9,424,525)</u>
(69,150)	(69,150)
2,028,056	2,253,591
(2,009,267)	(2,123,613)
-	10,181
<u>(50,361)</u>	<u>71,009</u>
(9,223,696)	(9,353,516)
<u>12,622,302</u>	<u>14,324,908</u>
<u>\$ 3,398,606</u>	<u>\$ 4,971,392</u>

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

<b>Total Net Change In Fund Balances – per fund financial statements</b>		<b>\$ (9,353,516)</b>
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Depreciation	\$ (2,310,196)	
Capital outlays	<u>2,865,421</u>	555,225
In the statement of activities, gain (loss) is recorded on the sale of assets, whereas in governmental funds, only the proceeds are reported.		(7,338)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities.		7,954,150
Payments on lease obligations are an expenditure in the governmental funds, but the payments reduce noncurrent lease obligations in the statement of net assets and do not result in an expense in the statement of activities.		127,912
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds, such as accrued sick leave.		<u>(11,424)</u>
<b>Change In Net Assets of Governmental Activities</b>		<b><u>\$ (734,991)</u></b>

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

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Favorable or (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
From local sources:				
Taxes				
Property	\$ 2,085,000	\$ 2,050,000	\$ 2,065,362	\$ 15,362
Motor vehicle	575,000	575,000	666,793	91,793
Utilities	1,200,000	1,200,000	1,176,326	(23,674)
Earnings on investments	150,000	75,000	79,103	4,103
Other local revenues	406,025	340,675	426,839	86,164
Intergovernmental – state	22,134,553	22,114,292	29,692,737	7,578,445
Intergovernmental – indirect federal	50,000	50,000	154,971	104,971
<b>TOTAL REVENUES</b>	<b>26,600,578</b>	<b>26,404,967</b>	<b>34,262,131</b>	<b>7,857,164</b>
<b>EXPENDITURES</b>				
Instruction	15,949,624	15,963,092	22,070,180	(6,107,088)
Support services:				
Student	1,105,172	1,072,810	1,058,957	13,853
Instructional staff	1,301,998	1,232,926	1,316,671	(83,745)
District administration	1,101,993	1,109,564	1,033,370	76,194
School administration	1,362,082	1,443,338	1,482,745	(39,407)
Business	589,058	561,087	826,542	(265,455)
Plant operations and maintenance	3,295,688	3,292,236	3,163,175	129,061
Student transportation	2,402,651	2,437,452	3,315,397	(877,945)
Food service operation	2,100	2,100	5,057	(2,957)
Community services activities	94,190	92,740	93,512	(772)
Architectural/engineering	-	-	2,250	(2,250)
Debt service	49,908	49,908	49,908	-
Contingency	970,411	942,320	-	942,320
<b>TOTAL EXPENDITURES</b>	<b>28,224,875</b>	<b>28,199,573</b>	<b>34,417,764</b>	<b>(6,218,191)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,624,297)</b>	<b>(1,794,606)</b>	<b>(155,633)</b>	<b>1,638,973</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	179,500	179,500	129,978	(49,522)
Operating transfers out	(95,000)	(95,000)	(114,346)	(19,346)
Proceeds from sale of assets	10,000	7,500	10,181	2,681
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<b>94,500</b>	<b>92,000</b>	<b>25,813</b>	<b>(66,187)</b>
<b>NET CHANGES IN FUND BALANCE</b>	<b>(1,529,797)</b>	<b>(1,702,606)</b>	<b>(129,820)</b>	<b>1,572,786</b>
<b>FUND BALANCE, JULY 1, 2011</b>	<b>1,529,797</b>	<b>1,702,606</b>	<b>1,702,606</b>	<b>-</b>
<b>FUND BALANCE, JUNE 30, 2012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,572,786</b>	<b>\$ 1,572,786</b>

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

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
SPECIAL REVENUE FUND  
Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Favorable or (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Unfavorable)</u>
<b>REVENUES</b>				
From local sources:				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Motor vehicle	-	-	-	-
Utilities	-	-	-	-
Earnings on investments	-	-	2,656	2,656
Other local revenues	463,967	455,819	466,381	10,562
Intergovernmental – state	1,829,799	1,816,719	1,963,940	147,221
Intergovernmental – federal	4,339,237	4,428,111	6,953,064	2,524,953
<b>TOTAL REVENUES</b>	<u>6,633,003</u>	<u>6,700,649</u>	<u>9,386,041</u>	<u>2,685,392</u>
<b>EXPENDITURES</b>				
Instruction	5,494,790	5,649,308	8,148,634	(2,499,326)
Support services:				
Student	202,103	147,803	174,447	(26,644)
Instructional staff	449,129	447,061	601,559	(154,498)
District administration	-	-	6,311	(6,311)
School administration	45,672	37,943	44,482	(6,539)
Plant operations and maintenance	23,400	23,400	9,566	13,834
Community services activities	512,909	490,134	496,599	(6,465)
<b>TOTAL EXPENDITURES</b>	<u>6,728,003</u>	<u>6,795,649</u>	<u>9,481,598</u>	<u>(2,685,949)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(95,000)</u>	<u>(95,000)</u>	<u>(95,557)</u>	<u>(557)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	95,000	95,000	95,557	557
Operating transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<u>95,000</u>	<u>95,000</u>	<u>95,557</u>	<u>557</u>
<b>NET CHANGES IN FUND BALANCE</b>	-	-	-	-
<b>FUND BALANCE, JULY 1, 2011</b>	-	-	-	-
<b>FUND BALANCE, JUNE 30, 2012</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2012

<u>ASSETS</u>	<u>Food Service</u>	<u>Day Care</u>	<u>Community Education</u>	<u>Total</u>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 659,959	\$ -	\$ 180	\$ 660,139
Materials and supplies inventory	83,887	-	-	83,887
Accounts receivable:				
Accounts receivable	3,500	7,933	-	11,433
Intergovernmental – federal	<u>29,116</u>	<u>-</u>	<u>-</u>	<u>29,116</u>
Total current assets	<u>776,462</u>	<u>7,933</u>	<u>180</u>	<u>784,575</u>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	<u>446,358</u>	<u>-</u>	<u>-</u>	<u>446,358</u>
<b>TOTAL ASSETS</b>	<u>1,222,820</u>	<u>7,933</u>	<u>180</u>	<u>1,230,933</u>
<u>LIABILITIES AND NET ASSETS</u>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	<u>4,579</u>	<u>12</u>	<u>-</u>	<u>4,591</u>
Total current liabilities	<u>4,579</u>	<u>12</u>	<u>-</u>	<u>4,591</u>
<b>NET ASSETS</b>				
Investment in capital assets	446,358	-	-	446,358
Nonspendable – inventories	83,887	-	-	83,887
Prior year encumbrances	19,362	-	-	19,362
Restricted	<u>668,634</u>	<u>7,921</u>	<u>180</u>	<u>676,735</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 1,218,241</u>	<u>\$ 7,921</u>	<u>\$ 180</u>	<u>\$ 1,226,342</u>

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

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2012

	<u>Food Service</u>	<u>Day Care</u>	<u>Community Education</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Tuition and fees	\$ -	\$ 153,820	\$ 60	\$ 153,880
Sales	<u>296,743</u>	<u>-</u>	<u>-</u>	<u>296,743</u>
<b>TOTAL OPERATING REVENUES</b>	<u>296,743</u>	<u>153,820</u>	<u>60</u>	<u>450,623</u>
<b>OPERATING EXPENSES</b>				
Salaries	962,414	122,960	-	1,085,374
Employee benefits	545,612	111,533	-	657,145
Purchased services	11,946	1,900	-	13,846
Supplies and materials	1,407,141	4,837	-	1,411,978
Depreciation	74,187	-	-	74,187
Operating transfers	<u>129,978</u>	<u>-</u>	<u>-</u>	<u>129,978</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>3,131,278</u>	<u>241,230</u>	<u>-</u>	<u>3,372,508</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(2,834,535)</u>	<u>(87,410)</u>	<u>60</u>	<u>(2,921,885)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Operating grants – federal	2,507,220	-	-	2,507,220
Operating grants – state	339,898	77,877	-	417,775
Donated commodities	156,119	-	-	156,119
Interest income	<u>13,729</u>	<u>-</u>	<u>5</u>	<u>13,734</u>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>3,016,966</u>	<u>77,877</u>	<u>5</u>	<u>3,094,848</u>
<b>CHANGES IN NET ASSETS</b>	182,431	(9,533)	65	172,963
<b>NET ASSETS, JULY 1, 2011</b>	<u>1,035,810</u>	<u>17,454</u>	<u>115</u>	<u>1,053,379</u>
<b>NET ASSETS, JUNE 30, 2012</b>	<u>\$ 1,218,241</u>	<u>\$ 7,921</u>	<u>\$ 180</u>	<u>\$ 1,226,342</u>

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

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2012

	<u>Food Service</u>	<u>Day Care</u>	<u>Community Education</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from tuition and fees	\$ -	\$ 161,102	\$ 60	\$ 161,162
Cash received from sales	297,456	-	-	297,456
Cash payments for salaries and employee benefits	(1,508,026)	(234,493)	-	(1,742,519)
Cash payments for purchased services	(11,946)	(1,900)	-	(13,846)
Cash payments for supplies and materials	(1,365,901)	(5,734)	-	(1,371,635)
Cash payments for other expenses	(129,978)	-	-	(129,978)
Net cash provided (used) by operating activities	<u>(2,718,395)</u>	<u>(81,025)</u>	<u>60</u>	<u>(2,799,360)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	<u>(91,975)</u>	<u>-</u>	<u>-</u>	<u>(91,975)</u>
Net cash provided (used) by capital and related financing activities	<u>(91,975)</u>	<u>-</u>	<u>-</u>	<u>(91,975)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Receipt of interest	13,729	-	5	13,734
Receipt of grants	<u>3,001,846</u>	<u>77,877</u>	<u>-</u>	<u>3,079,723</u>
Net cash provided (used) by investing activities	<u>3,015,575</u>	<u>77,877</u>	<u>5</u>	<u>3,093,457</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	205,205	(3,148)	65	202,122
<b>CASH AND CASH EQUIVALENTS, JULY 1, 2011</b>	<u>454,754</u>	<u>3,148</u>	<u>115</u>	<u>458,017</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2012</b>	<u>\$ 659,959</u>	<u>\$ -</u>	<u>\$ 180</u>	<u>\$ 660,139</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (2,834,535)	\$ (87,410)	\$ 60	\$ (2,921,885)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Depreciation	74,187	-	-	74,187
Changes in assets and liabilities:				
Accounts receivable	47,637	7,282	-	54,919
Inventory	14,711	-	-	14,711
Accounts payable	<u>(20,395)</u>	<u>(897)</u>	<u>-</u>	<u>(21,292)</u>

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

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
Year Ended June 30, 2012

	<u>Food Service</u>	<u>Day Care</u>	<u>Community Education</u>	<u>Total</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (2,718,395)</u>	<u>\$ (81,025)</u>	<u>\$ 60</u>	<u>\$ (2,799,360)</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Donated commodities received from federal government				<u>\$ 156,119</u>
On-behalf payments from state government				<u>\$ 389,386</u>

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

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF FIDUCIARY NET ASSETS  
June 30, 2012

ASSETS

CURRENT ASSETS  
Cash and cash equivalents  
Receivables  
TOTAL ASSETS

AGENCY

\$ 419,121  
1,509  
420,630

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES  
Accounts payable  
Due to students  
TOTAL LIABILITIES

15,628  
405,002  
420,630

NET ASSETS

\$ -

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

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

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

The accounting policies that affect the significant elements of the Whitley County School District are summarized as follows:

**REPORTING ENTITY**

The Whitley 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 Whitley 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 by the GASB pronouncement since 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 Whitley County School District. 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 District 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 District. 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 statement of the following organization is included in the accompanying financial statements:

**WHITLEY COUNTY SCHOOL DISTRICT FINANCE CORPORATION**

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

**BASIS OF PRESENTATION**

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service,

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of 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. All taxes and revenues 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. Their focus is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one 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. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund's operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 44 through 47. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by the Proprietary Fund).
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(D) Debt Service Funds

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

II. Proprietary Fund Types (Enterprise Fund)

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contributions of commodities from the USDA. The Food Service Fund is a major fund.

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

- (B) The Day Care Fund is used to account for the day care operations of the District.
- (C) The Community Education Fund is used to account for community education provided by the District.

III. Fiduciary Fund Type (Agency Fund)

- (A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. This fund is accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for proprietary and fiduciary funds.

Revenues, Exchange and Nonexchange 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 recognized in the fiscal year when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year end.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 met. 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue: The District reports deferred revenue on its statement of net assets and governmental funds balance sheet. In both the government-wide and governmental fund statements, grants that are "intended to finance" future periods are reported as deferred revenue. In subsequent periods, the liability for deferred revenue is removed from the statement of net assets and governmental funds balance sheet and revenue is recognized.

Expenditures/Expenses: On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on a flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. The cash and investment pool has the same characteristics as demand deposits. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents in that fund. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The monies are either maintained in a central bank account or used to purchase legal investments.

It is the policy of the District to value investment contracts and money market investments with a maturity of one year or less at the time of purchase at cost or amortized cost. Investment contracts and money market investments that have a remaining maturity of greater than one year at the time of purchase are reported at fair value.

The Kentucky Revised Statutes authorize the District to invest in United States and State of Kentucky bonds, notes and other obligations; bank certificates of deposit; bankers' acceptances; and commercial paper notes rated prime that are issued by United States corporations. It is the District's policy to invest in all of the above types of investments. Under existing Kentucky statutes, all investment earnings accrue to the general and food service funds except certain trust funds and those funds individually authorized by Board resolution.

PREPAID ASSETS

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

INVENTORY

On government-wide financial statements, inventories are presented at cost or using the first in, first out (FIFO) method and are expensed when used.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

On fund financial statements, inventories are valued at cost while inventories of proprietary funds are stated at lower of cost or market. For all funds, cost is determined using the FIFO method and is determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time of purchase. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they do not represent available spendable resources. Inventories of proprietary funds consist of donated and purchased food.

**CAPITAL ASSETS AND DEPRECIATION**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by proprietary funds are reported on both statement types.

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 follows the policy of not capitalizing assets with a cost of less than \$1,000 with the exception of assets acquired with Technology Funds, for which there is no threshold, and have a useful life of less than 1 year.

All reported capital assets, with the exception of land, 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 governmental fund capital assets and proprietary fund capital assets:

<u>Description</u>	<u>Useful Life</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
General equipment	7 years
Other	10 years

**INTERFUND ACTIVITY**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Sales of goods and services 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.

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

**ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements and state laws.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is not recorded. For proprietary funds, the entire amount of compensated absences is recorded as an expense and liability of the fund.

**ON-BEHALF PAYMENTS FOR FRINGE BENEFITS**

The District recognizes as revenues and expenses contributions made by the State of Kentucky for health insurance and flexible spending accounts on behalf of the District's employees. In fiscal year 2012, the State made contributions of \$7,843,526, consisting of \$7,454,140 for governmental funds and \$389,386 for proprietary funds.

**ACCRUED LIABILITIES AND LONG-TERM DEBT**

All accrued liabilities and long-term debt are reported in the government-wide financial statements as well as the proprietary fund financial statements.

For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date, regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

**GOVERNMENTAL FUND BALANCE RESERVES**

The District records reservations for portions of governmental fund balances which are legally segregated for specific future use or which do not represent available spendable resources and therefore not available for appropriation. Unreserved fund balance indicates the portion of fund balance which is available for appropriation in future periods. Reservations of fund balance are established for prepaids, sick leave, debt service, lease obligations, inventory and encumbrances.

**RESTRICTED RESOURCES**

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**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 and tuition and fees charged for the day-care operations.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**CONTRIBUTIONS OF CAPITAL**

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

**ESTIMATES**

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

**BUDGETARY PROCESS**

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

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

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

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not after fiscal year end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All unencumbered budget appropriations lapse at year end.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation insurance.

Under the depository contract, the District, at its own discretion, invests funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At June 30, 2012, the carrying amount of the District's deposits (cash and cash equivalents) was \$4,497,227 and the bank balance was \$7,035,869. The entire bank balance throughout the year was covered by federal depository insurance or by collateral held by the District's agent in the District's name.

The deposits were deemed collateralized under Kentucky Law during the year and the District maintains copies of all safekeeping receipts. The following is disclosed:

- a. Name of banks utilized during fiscal year: Community Trust Bank, U.S. Bank, The Bank of New York Trust Co., N.A., BNY Mellon and First and Farmers National Bank.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$12,866,308.
- c. Largest cash, savings and time deposit combined account balance amounted to \$11,849,758 and occurred during the month of July 2011.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$250,000 per bank.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

These three levels of risk are as follows:

- Category 1 Deposits, which are insured or collateralized with securities, held by the District or by its agent in the District's name.
- Category 2 Deposits, which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the District's cash deposits are classified as Category 1 and 2.

NOTE 3 – PROPERTY TAXES

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of the certified roll, upon which the levy for the 2012 fiscal year was based, was \$633,796,853. The tax rates assessed for the year ended June 30, 2012 to finance general fund operations were \$.386 per \$100 valuation for real property and \$.433 per \$100 valuation for tangible property. Taxes are due on October 1, and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2012 were ninety percent of the tax levy. Delinquent taxes are allocated to the general fund. The District records taxes receivable only for the amounts collected during the next sixty days from its fiscal year end.

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.

At June 30, 2012, the components of taxes receivable were as follows:

Motor vehicle tax	\$ 44,219
PSC property tax	49
Delinquent property tax	30,103
Utility tax	104,647
Omitted property tax	9,678
	<u>\$ 188,696</u>

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2012 consisted of taxes, accounts (rent and student fees), interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

**NOTE 5 – CAPITAL ASSETS**

A summary of capital assets activity during the fiscal year follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Construction in progress	\$ 6,916,709	\$ 2,128,982	\$ 9,045,691	\$ -
Land	1,410,839	-	-	1,410,839
Land improvements	1,416,757	-	-	1,416,757
Buildings and improvements	48,723,973	9,045,691	-	57,769,664
Technology equipment	4,964,088	465,147	142,879	5,286,356
Vehicles	6,300,993	-	-	6,300,993
General equipment	2,584,236	271,292	16,427	2,839,101
Infrastructure	<u>610,435</u>	<u>-</u>	<u>1,975</u>	<u>608,460</u>
Totals at cost	<u>72,928,030</u>	<u>11,911,112</u>	<u>9,206,972</u>	<u>75,632,170</u>
Less accumulated depreciation:				
Land improvements	(1,224,455)	-	61,929	(1,286,384)
Buildings and improvements	(14,568,701)	-	1,036,375	(15,605,076)
Technology equipment	(3,391,692)	142,169	626,017	(3,875,540)
Vehicles	(3,977,205)	-	394,340	(4,371,545)
General equipment	(1,245,951)	9,798	162,336	(1,398,489)
Infrastructure	<u>(89,036)</u>	<u>1,975</u>	<u>29,199</u>	<u>(116,260)</u>
Total accumulated depreciation	<u>(24,497,040)</u>	<u>153,942</u>	<u>2,310,196</u>	<u>(26,653,294)</u>
Governmental activities capital assets, net	<u>\$ 48,430,990</u>	<u>\$ 12,065,054</u>	<u>\$ 11,517,168</u>	<u>\$ 48,978,876</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Food service equipment	\$ 1,334,110	\$ 91,975	\$ -	\$ 1,426,085
Technology equipment	<u>34,203</u>	<u>-</u>	<u>2,100</u>	<u>32,103</u>
Totals at cost	<u>1,368,313</u>	<u>91,975</u>	<u>2,100</u>	<u>1,458,188</u>
Less accumulated depreciation:				
Food service equipment	(911,588)	-	72,210	(983,798)
Technology equipment	<u>(28,120)</u>	<u>2,065</u>	<u>1,977</u>	<u>(28,032)</u>
Total accumulated depreciation	<u>(939,708)</u>	<u>2,065</u>	<u>74,187</u>	<u>(1,011,830)</u>
Business-type activities capital assets, net	<u>\$ 428,605</u>	<u>\$ 94,040</u>	<u>\$ 76,287</u>	<u>\$ 446,358</u>

WHITLEY COUNTY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 5 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 1,741,974
Support services:	
Student	16,959
Instructional staff	8,293
District administration	18,908
School administration	3,432
Business	17,193
Plant operation and management	112,102
Student transportation	390,642
Community services activities	<u>693</u>
Total governmental activities	<u>\$ 2,310,196</u>

NOTE 6 – BONDED DEBT AND LEASE OBLIGATIONS

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

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
2002A	\$ 7,915,000	3.15% to 4.8%
2002B	2,045,000	1.75% to 4.125%
2004	1,055,000	1.00% to 3.25%
QZAB 2002	498,801	0%
QZAB 2003	500,000	0%
2006	6,425,000	4.0% to 4.15%
2007	3,265,000	4.05%
2009	3,655,000	1.00% to 3.00%
2010	7,580,000	1.00% to 2.8%
QZAB 2010	1,850,000	5.25%
QSCB 2010	6,324,000	5.25%

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

In 1988, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

WHITLEY COUNTY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

**NOTE 6 – BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)**

In 2010, the District issued \$7,580,000 of School Building Refunding Revenue Bonds to refund the Series 2002A Bonds dated February 1, 2002. The Series 2002A Bonds maturing February 1, 2014 and thereafter were called on February 1, 2012 at a price of \$7,146,767, representing \$6,915,000 of principal, \$69,150 for a call premium and \$162,617 of interest.

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

Year	Kentucky School Facility Construction Commission		Whitley County School District		Total
	Principal	Interest	Principal	Interest	
2012-13	\$ 386,031	\$ 174,806	\$ 948,969	\$ 432,186	\$ 1,941,992
2013-14	372,461	163,067	937,539	408,885	1,881,952
2014-15	363,924	151,273	951,076	393,543	1,859,816
2015-16	376,167	139,031	973,833	375,364	1,864,395
2016-17	389,226	125,973	995,774	353,301	1,864,274
2017-18	403,145	112,053	1,520,656	328,408	2,364,262
2018-19	377,745	98,027	1,552,255	300,776	2,328,803
2019-20	266,212	85,961	1,103,788	274,444	1,730,405
2020-21	276,859	75,313	1,133,141	242,882	1,728,195
2021-22	287,934	64,238	1,172,066	210,447	1,734,685
2022-23	299,595	52,577	795,405	167,274	1,314,851
2023-24	311,879	40,293	828,121	134,501	1,314,794
2024-25	324,743	27,428	865,257	100,320	1,317,748
2025-26	338,139	14,033	896,861	64,721	1,313,754
2026-27	-	-	945,000	19,946	964,946
2027-28	-	-	20,000	405	20,405
	<u>\$ 4,774,060</u>	<u>\$ 1,324,073</u>	<u>\$ 15,639,741</u>	<u>\$ 3,807,403</u>	<u>\$ 25,545,277</u>

The District issued \$1,850,000 of Qualified Zone Academy Bonds, Series 2010. After deducting the bond discount of \$23,125 and various bond fees of \$13,874, proceeds in the amount of \$1,813,001 were deposited into the construction fund for additions and renovations at Whitley County High School. The District also issued \$6,324,000 of Qualified School Construction Bonds, Series 2010. After deducting the bond discount of \$77,469 and various bond fees of \$47,414, proceeds in the amount of \$6,199,117 were deposited into the construction fund for the projects at Whitley County High School.

The above two bond issues were issued as "specified tax credit bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 as codified in various section of the Internal Revenue Code of 1986, as amended. The District has elected to receive a cash subsidy payment from the federal government equal to the lesser of (i) the amount of 100% of the interest payable by the District on each interest payment date on such bonds, or (ii) the amount of interest which would have been payable under such bond on such date if such interest were determined at the applicable credit rate determined under Section 54A(b)(3) of the Code with respect to such bonds had the Bonds been issued as "tax credit bonds" (the "Applicable Credit Rate"). The available cash subsidy payment for the Bonds will be paid directly to the District and will not constitute security for the payment of principal of or any interest on the Bonds.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

**NOTE 6 – BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)**

The following represents the future minimum obligations of the District related to these two issues and include amounts to be paid by the SFCC (School Facility Construction Commission) and the federal government, at June 30, 2012 for debt service (principal and interest):

Year	Whitley County School District Sinking Fund	Kentucky School Facility Construction Commission Sinking Fund	(ARRA) Direct Pay Interest	Total
2012-13	\$ 41,667	\$ 23,037	\$ 429,135	\$ 493,839
2013-14	76,398	23,037	429,135	528,570
2014-15	78,206	23,037	429,135	530,378
2015-16	73,627	23,037	429,135	525,799
2016-17	73,750	23,037	429,135	525,922
2017-18	72,560	23,037	429,135	524,732
2018-19	69,792	23,037	429,135	521,964
2019-20	44,591	23,037	429,135	496,763
2020-21	46,800	23,037	429,135	498,972
2021-22	40,311	23,037	429,135	492,483
2022-23	460,145	23,037	429,135	912,317
2023-24	460,198	23,037	429,135	912,370
2024-25	457,247	23,037	429,135	909,419
2025-26	461,241	23,037	429,135	913,413
2026-27	457,877	23,037	429,135	910,049
2027-28	1,402,418	23,037	429,135	1,854,590
2028-29	1,422,823	23,037	429,135	1,874,995
2029-30	900,230	23,037	214,568	1,137,835
	<u>\$ 6,639,881</u>	<u>\$ 414,666</u>	<u>\$ 7,509,863</u>	<u>\$ 14,564,410</u>

The full principal amount of these two issues of \$8,174,000 will be funded through the above sinking fund payments. They are due November 1, 2029 and are included in the noncurrent portion of bond obligations.

In 2009, the District entered into negotiations for the purchase of four school buses. Bonds were issued in the amount of \$374,539 through the KISTA Bond Pool Sizing Second Series of 2009. Interest rates range from 2.0% to 3.9%.

The minimum obligations of the District at June 30, 2012 for debt service (principal and interest) are as follows:

Year	Principal	Interest	Total
2012-13	\$ 35,644	\$ 8,608	\$ 44,252
2013-14	36,611	7,628	44,239
2014-15	37,855	6,529	44,384
2015-16	38,960	5,356	44,316
2016-17	40,203	4,070	44,273
2017-18	34,401	2,663	37,064
2018-19	35,644	1,390	37,034
	<u>\$ 259,318</u>	<u>\$ 36,244</u>	<u>\$ 295,562</u>

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

NOTE 6 – BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

During the current fiscal year, bond principal payments in the amount of \$34,815 were paid.

In 2011, the District entered into negotiations for the purchase of four school buses. Bonds were issued in the amount of \$399,347 through the KISTA Bond Pool Sizing First Series of 2011. Interest rates range from 1.0% to 4.0%.

The minimum obligations of the District at June 30, 2012 for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012-13	\$ 44,008	\$ 9,719	\$ 53,727
2013-14	37,663	9,147	46,810
2014-15	38,481	8,488	46,969
2015-16	39,096	7,680	46,776
2016-17	40,119	6,703	46,822
2017-18	41,142	5,600	46,742
2018-19	42,371	4,324	46,695
2019-20	36,025	2,841	38,866
2020-21	<u>37,253</u>	<u>1,490</u>	<u>38,743</u>
	<u>\$ 356,158</u>	<u>\$ 55,992</u>	<u>\$ 412,150</u>

During the current fiscal year, bond principal payments in the amount of \$43,189 were paid.

A non-interest bearing technology loan in the amount of \$499,080 was obtained in 2007 through the KISTA New Market Tax Credit Program, and is shown as lease obligations in the accompanying financial statements. The District used these funds for the purchase of technology equipment.

Loan principal in the amount of \$49,908 was paid during the current fiscal year, which paid off the loan. The assets acquired are being depreciated. This depreciation is included in total depreciation expense allocated to governmental functions.

NOTE 7 – RISK MANAGEMENT

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

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

**NOTE 7 – RISK MANAGEMENT (CONTINUED)**

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

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.

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). There were no instances of noncompliance noted.

**NOTE 8 – RETIREMENT PLANS**

**Pension Plan**

The Whitley County School System contributes to the Teachers' Retirement System of Kentucky ("KTRS"), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

KTRS was created by the 1938 General Assembly and is governed by Chapter 181 Section 220 through Chapter 181 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS web site at <http://ktrs.ky.gov/>.

Contribution rates are established by KRS. Members, after July 1, 2008, are required to contribute 10.855% of their salaries to KTRS. For members before July 1, 2008, the contribution rate is 10.355%. The Commonwealth of Kentucky is required to contribute 14.105% of salaries for members after July 1, 2008 and 13.605% for members before July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions. The Board is required to match .50% of salaries for all employees paid by the general fund.

The Whitley County School System's total payroll for the year was \$27,914,642. The payroll for employees covered under KTRS was \$20,896,980. For the year ended June 30, 2012, the Commonwealth contributed \$2,164,255 to KTRS for the benefit of participating employees. The School Districts' contribution to KTRS for the year ending June 30, 2012 was \$515,004, which represents those employees covered by federal programs.

Substantially all other employees (classified personnel) are covered under the County Employees Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5% for members before September 1, 2008 and 6% for members after and a Board contribution of 18.96% of the employee's total compensation subject to contribution. The Contribution requirement for CERS for the year ended June 30, 2012 was \$1,372,463, which consisted of \$1,086,079 from the Board and \$286,384 from the employees.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

**NOTE 8 – RETIREMENT PLANS (CONTINUED)**

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, 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.

CERS does not make separate measurements of assets and pension benefit obligation for individual employers. As the District is only one of several employers participating in the Plan, it is not practicable to determine the District's portion of the unfunded past service cost of the vested benefits of the District's portion of the Plan assets.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District provides a \$100 contribution to eligible participants.

**Medical Insurance Plan**

In addition to the pension benefits described above, Kentucky Revised Statute 181.875 requires KTRS to provide post-retirement healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

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

The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefit, one and five tenths percent (1.5%) of the gross annual payroll of all active members is contributed. One-half (1/2) of this amount is derived from member contributions and one-half (1/2) from state appropriation. Also, the premiums collected from retirees, as described in the plan description, and investment interest help meet the medical expenses of the plan.

**NOTE 9 – CONTINGENCIES**

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

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2012

**NOTE 9 – CONTINGENCIES (CONTINUED)**

Aaliah Anderson vs. Whitley County Board of Education – This case involves a Due Process Hearing. After the Hearing the student moved from Whitley County Schools to Williamsburg Independent due to a disagreement with the Principal. The mother of the student is requesting moving fees to be reimbursed. The Whitley County Schools filed Summary Judgment or in the alternative an Order Dismissing the Complaint of the Petitioner. A Hearing Officer has no authority to make a monetary award in a Due Process Case. This matter is on Appeal. There is insurance coverage for this claim.

Rains vs. Whitley County Board of Education – This case involves a lawsuit filed by the Plaintiff against the Whitley County Broadcasting, Inc., and the Whitley County Board Members, alleging that the Board failed to make payments on the lease of the property for the radio tower. The Plaintiff filed a Motion for Partial Summary Judgment and the Motion was overruled. Written Discovery has been conducted and no depositions have been taken. A Motion for Summary Judgment is being prepared, and the matter is set for trial on February 21, 2013. There is no insurance coverage for this claim, as contracts are specifically excluded in the District’s policy.

No provision was made in the accompanying financial statements for any contingent liabilities.

**NOTE 10 – DEFICIT OPERATING/FUND BALANCES**

The following funds had operations that resulted in current year operating deficits in governmental funds, resulting in corresponding reductions in fund balance, as follows:

FSPK/Building Fund	\$ (216,180)
Seek Capital Outlay Fund	\$ (40,110)
General Fund	\$ (129,820)
Construction Fund	\$ (1,797,694)
Debt Service Funds	\$ (7,169,712)

**NOTE 11 – TRANSFER OF FUNDS**

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	51	1	Indirect costs	\$ 129,978
Operating	320	400	Debt service requirement	986,307
Operating	1	2	Matching – KETS	95,557
Operating	310	400	Debt service requirement	436,517
Operating	1	360	Construction	18,789
Operating	320	360	Construction	586,443

**NOTE 12 – INTERFUND RECEIVABLES AND PAYABLES**

There were no interfund receivables or payables at June 30, 2012.

**NOTE 13 – SUBSEQUENT EVENTS**

We evaluated events and transactions that occurred after the balance sheet date as potential subsequent events. We performed this evaluation through October 15, 2012, the date on which we issued our financial statements.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2012

	Seek Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Funds	Total Nonmajor Governmental Funds
<b>ASSETS AND RESOURCES</b>					
Cash and cash equivalents	\$ 230,989	\$ 2,035,792	\$ -	\$ 943,116	\$ 3,209,897
Other current assets	<u>241,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>241,125</u>
<b>TOTAL ASSETS AND RESOURCES</b>	<u>\$ 472,114</u>	<u>\$ 2,035,792</u>	<u>\$ -</u>	<u>\$ 943,116</u>	<u>\$ 3,451,022</u>
<b>LIABILITIES</b>					
Matured coupons outstanding	\$ -	\$ -	\$ -	\$ 52,416	\$ 52,416
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,416</u>	<u>52,416</u>
<b>FUND BALANCES</b>					
Nonspendable					
Prepays	241,125	-	-	-	241,125
Restricted					
SFCC escrow – prior offer	230,989	2,035,559	-	-	2,266,548
Debt service	-	-	-	890,700	890,700
SFCC – current offer	<u>-</u>	<u>233</u>	<u>-</u>	<u>-</u>	<u>233</u>
<b>TOTAL FUND BALANCES</b>	<u>472,114</u>	<u>2,035,792</u>	<u>-</u>	<u>890,700</u>	<u>3,398,606</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 472,114</u>	<u>\$ 2,035,792</u>	<u>\$ -</u>	<u>\$ 943,116</u>	<u>\$ 3,451,022</u>

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2012

	<u>Seek Capital Outlay Fund</u>	<u>FSPK Fund</u>	<u>Construction Fund</u>	<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>					
From local sources:					
Taxes:					
Property	\$ -	\$ 338,784	\$ -	\$ -	\$ 338,784
Earnings on investments	-	-	8,749	66,943	75,692
Intergovernmental – state	396,407	1,017,786	-	591,616	2,005,809
Intergovernmental – direct federal	-	-	-	429,135	429,135
	<u>396,407</u>	<u>1,356,570</u>	<u>8,749</u>	<u>1,087,694</u>	<u>2,849,420</u>
<b>TOTAL REVENUES</b>					
<b>EXPENDITURES</b>					
Payment of bonds	-	-	-	8,210,000	8,210,000
Payment of interest	-	-	-	1,401,080	1,401,080
Facilities acquisition and construction	-	-	2,411,675	-	2,411,675
	<u>-</u>	<u>-</u>	<u>2,411,675</u>	<u>-</u>	<u>2,411,675</u>
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>2,411,675</u>	<u>9,611,080</u>	<u>12,022,755</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>396,407</u>	<u>1,356,570</u>	<u>(2,402,926)</u>	<u>(8,523,386)</u>	<u>(9,173,335)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond – call premium	-	-	-	(69,150)	(69,150)
Operating transfers in	-	-	605,232	1,422,824	2,028,056
Operating transfers out	(436,517)	(1,572,750)	-	-	(2,009,267)
	<u>(436,517)</u>	<u>(1,572,750)</u>	<u>-</u>	<u>-</u>	<u>(2,009,267)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(436,517)</u>	<u>(1,572,750)</u>	<u>605,232</u>	<u>1,353,674</u>	<u>(50,361)</u>
<b>NET CHANGES IN FUND BALANCES</b>	(40,110)	(216,180)	(1,797,694)	(7,169,712)	(9,223,696)
<b>FUND BALANCES, JULY 1, 2011</b>	<u>512,224</u>	<u>2,251,972</u>	<u>1,797,694</u>	<u>8,060,412</u>	<u>12,622,302</u>
<b>FUND BALANCES, JUNE 30, 2012</b>	<u>\$ 472,114</u>	<u>\$ 2,035,792</u>	<u>\$ -</u>	<u>\$ 890,700</u>	<u>\$ 3,398,606</u>

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
WHITLEY COUNTY HIGH SCHOOL  
Year Ended June 30, 2012

ACCOUNTS:	Cash Balances July 1, 2011	Receipts	Disbursements	Interfund Transfers
General	\$ 11,302	\$ 10,350	\$ 12,281	\$ -
Pepsi	3,770	2,829	4,302	-
Academic Team	4	-	421	420
Art	879	900	1,438	-
Band	459	600	167	-
Beta Club	753	730	870	-
Cheerleaders	4,011	11,352	15,745	400
Choir	347	100	26	-
DECA	132	1,412	211	-
FBLA	200	2,710	2,638	-
FFA	797	14,903	14,607	-
FCCLA	1,494	3,520	4,486	-
Horticulture	7,336	7,236	7,008	-
Parking	4,269	890	1,518	-
Library	83	-	-	-
Science/Math Club	870	-	54	-
Seniors	2	13,722	14,264	600
Textbooks	5,165	1,641	1,693	-
Vocational Foods	524	-	-	-
Yearbook	6,464	10,263	8,361	-
French	439	4,488	4,713	-
Football	6,133	29,086	22,777	-
Boys Basketball	9,336	6,874	11,833	-
Girls Basketball	6,169	18,024	18,951	-
Baseball	4,133	150	4,668	2,360
Softball	-	12,476	14,224	1,750
Track	3,131	-	750	-
Lockers	6,764	3,875	5,870	(2,170)
Pep	699	460	626	-
TMH	203	-	-	-
JROTC	8,018	11,213	11,636	1,000
Teacher's Pepsi	1,165	7,688	6,034	-
Tennis	2,205	10,658	7,408	-
Special Olympics	358	-	-	-
FEA	401	7,931	6,647	-
CATS	82	-	-	-
Special Events	28,215	19,229	9,895	-
Transportation	10,070	688	361	(71)
Boys Golf	574	2,000	1,077	-
Girls Golf	6	4,148	3,027	-

<u>Cash Balances</u> <u>June 30, 2012</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2012</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2012</u>	<u>Fund</u> <u>Balances</u> <u>June 30,</u> <u>2012</u>
\$ 9,371	\$ -	\$ 216	\$ 9,155
2,297	-	-	2,297
3	-	-	3
341	-	341	-
892	-	-	892
613	-	-	613
18	-	-	18
421	-	-	421
1,333	-	-	1,333
272	-	-	272
1,093	-	883	210
528	-	-	528
7,564	-	-	7,564
3,641	-	269	3,372
83	-	-	83
816	-	-	816
60	-	60	-
5,113	255	-	5,368
524	-	-	524
8,366	-	-	8,366
214	-	214	-
12,442	-	-	12,442
4,377	-	-	4,377
5,242	-	521	4,721
1,975	-	-	1,975
2	-	-	2
2,381	-	-	2,381
2,599	-	-	2,599
533	-	-	533
203	-	-	203
8,595	-	593	8,002
2,819	168	139	2,848
5,455	-	-	5,455
358	-	-	358
1,685	-	521	1,164
82	-	-	82
37,549	-	-	37,549
10,326	-	1,009	9,317
1,497	-	-	1,497
1,127	-	1,098	29

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES (CONTINUED)  
WHITLEY COUNTY HIGH SCHOOL  
Year Ended June 30, 2012

ACCOUNTS:	<u>Cash Balances</u> <u>July 1, 2011</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund</u> <u>Transfers</u>
NHS	41	-	726	750
Volleyball	1	7,462	8,836	1,373
Project TLC	1,326	-	-	-
Colonel Players	1,453	300	646	-
Wrestling	2	4,733	4,399	-
First Priority	5	-	75	71
Soccer	600	6,076	5,631	554
Girls Soccer	1	9,080	7,179	(554)
FRC	1	-	-	-
Non-Revenue Sport	21,845	15,000	259	(7,243)
Scholarship	1,000	-	400	-
Physical Education	145	-	50	-
Boys Cross Country	578	1,000	1,431	-
Girls Cross Country	1,270	1,000	3,027	760
Totals	<u>\$ 165,230</u>	<u>\$ 266,797</u>	<u>\$ 253,246</u>	<u>\$ -</u>

<u>Cash Balances</u> <u>June 30, 2012</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2012</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2012</u>	<u>Fund</u> <u>Balances</u> <u>June 30,</u> <u>2012</u>
65	-	-	65
-	-	-	-
1,326	-	-	1,326
1,107	200	-	1,307
336	-	-	336
1	-	-	1
1,599	-	-	1,599
1,348	-	160	1,188
1	-	-	1
29,343	-	-	29,343
600	-	-	600
95	-	-	95
147	-	-	147
3	-	-	3
<u>\$ 178,781</u>	<u>\$ 623</u>	<u>\$ 6,024</u>	<u>\$ 173,380</u>

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS  
Year Ended June 30, 2012

	<u>Cash Balances</u> <u>July 1, 2011</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund</u> <u>Transfers</u>
WHITLEY COUNTY MIDDLE SCHOOL All funds	\$ <u>69,143</u>	\$ <u>148,833</u>	\$ <u>156,454</u>	\$ <u>-</u>
OAK GROVE ELEMENTARY SCHOOL All funds	\$ <u>19,304</u>	\$ <u>80,837</u>	\$ <u>82,404</u>	\$ <u>-</u>
WHITLEY COUNTY NORTH ELEMENTARY SCHOOL All funds	\$ <u>35,415</u>	\$ <u>18,910</u>	\$ <u>23,861</u>	\$ <u>-</u>
PLEASANT VIEW ELEMENTARY SCHOOL All funds	\$ <u>9,223</u>	\$ <u>27,503</u>	\$ <u>22,022</u>	\$ <u>-</u>
WHITLEY COUNTY CENTRAL PRIMARY SCHOOL All funds	\$ <u>24,034</u>	\$ <u>43,040</u>	\$ <u>44,389</u>	\$ <u>-</u>
BOSTON ELEMENTARY SCHOOL All funds	\$ <u>6,904</u>	\$ <u>6,288</u>	\$ <u>8,864</u>	\$ <u>-</u>
ROCKHOLDS OPPORTUNITY CENTER All funds	\$ <u>11,376</u>	\$ <u>350</u>	\$ <u>74</u>	\$ <u>-</u>
WHITLEY COUNTY INTERMEDIATE SCHOOL All funds	\$ <u>53,305</u>	\$ <u>44,030</u>	\$ <u>44,459</u>	\$ <u>-</u>
WHITLEY COUNTY EAST ELEMENTARY SCHOOL All funds	\$ <u>23,943</u>	\$ <u>21,975</u>	\$ <u>21,546</u>	\$ <u>-</u>

<u>Cash Balances</u> <u>June 30, 2012</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2012</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2012</u>	<u>Fund</u> <u>Balances</u> <u>June 30,</u> <u>2012</u>
\$ <u>61,522</u>	\$ <u>336</u>	\$ <u>7,482</u>	\$ <u>54,376</u>
\$ <u>17,737</u>	\$ <u>-</u>	\$ <u>511</u>	\$ <u>17,226</u>
\$ <u>30,464</u>	\$ <u>160</u>	\$ <u>-</u>	\$ <u>30,624</u>
\$ <u>14,704</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>14,704</u>
\$ <u>22,685</u>	\$ <u>61</u>	\$ <u>-</u>	\$ <u>22,746</u>
\$ <u>4,328</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,328</u>
\$ <u>11,652</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>11,652</u>
\$ <u>52,876</u>	\$ <u>329</u>	\$ <u>1,611</u>	\$ <u>51,594</u>
\$ <u>24,372</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>24,372</u>

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award</u>	<u>Federal Disbursements</u>
<b>U.S. Department of Education</b>				
Passed through State Department of Education:				
SPECIAL EDUCATION CLUSTER (IDEA)				
Special Education – Grants to States (IDEA, Part B)	84.027A	3810002-11	\$ 962,186	\$ 834,545*
Special Education – Grants to States (IDEA, Part B)	84.027A	3810002-10	984,013	404,747*
Special Education – Grants to States (IDEA, Part B)	84.027A	3810002-10	13,728	13,728*
Special Education – Preschool Grants (IDEA, Preschool)	84.173A	3800002-11	37,270	37,270*
Special Education – Grants to States (IDEA, Part B), Recovery Act	84.391	4810002-09	1,105,367	<u>416,641*</u>
Total Special Education Cluster (IDEA)				<u>1,706,931</u>
TITLE I, PART A CLUSTER				
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	3100002-11	2,535,307	2,428,461*
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	3100002-10	2,552,831	185,245*
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010A	3100202-12	44,696	9,020*
Title I Grants to Local Educational Agencies, (Title I, Part A of the ESEA)	84.010A	3100202-09	151,288	126,519*
Title I Grants to Local Educational Agencies, Recovery Act	84.389	4100002-09	2,228,865	<u>219,280*</u>
Total Title I, Part A Cluster				<u>2,968,525</u>
EDUCATIONAL TECHNOLOGY STATE GRANTS CLUSTER				
Education Technology State Grants	84.318	3210002-10	8,537	326
Education Technology State Grants Recovery Act (Enhancing Education through Technology Program)	84.386	4210002-09	68,193	<u>7,856</u>
Total Educational Technology State Grants Cluster				<u>8,182</u>

\* Denotes major program

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program Or Award</u>	<u>Federal Disbursements</u>
<b>SCHOOL IMPROVEMENT GRANTS CLUSTER</b>				
School Improvement Grants, Recovery Act	84.388A	4100302-09	71,750	<u>71,750</u>
Total School Improvement Grants Cluster				<u>71,750</u>
<b>EDUCATION OF HOMELESS CHILDREN AND YOUTH CLUSTER</b>				
Education for Homeless Children and Youth	84.196A	3990002-11	34,535	34,535
Education for Homeless Children and Youth, Recovery Act	84.387A	4990002-09	3,000	<u>2,784</u>
Total Education for Homeless Children and Youth Cluster				<u>37,319</u>
Vocational Education – Basic Grants to States	84.048	3483	3,648	3,648
Vocational Education – Basic Grants to States	84.048	4621232-11	66,016	65,427
Vocational Education – Basic Grants to States	84.048	4621132-10	69,362	23,269
Vocational Education – Basic Grants to States	84.048	4621032-09	2,247	2,247
Improving Teacher Quality State Grants	84.367	3230002-11	361,996	361,996*
Improving Teacher Quality State Grants	84.367	3230002-10	424,961	8,213*
Improving Teacher Quality State Grants	84.367	3230002-09	439,031	89*
Twenty-First Century Community Learning Centers	84.287	3400002-11	30,000	30,000*
Twenty-First Century Community Learning Centers	84.287	3400002-10	760,750	516,918*
Twenty-First Century Community Learning Centers	84.287	3400002-09	584,000	178,184*
Twenty-First Century Community Learning Centers	84.287	3400002-08	275,000	1,729*
Twenty-First Century Community Learning Centers	84.287	5500Z	112,000	103,821*
Rural Education	84.358B	3140002-11	96,516	4,995
Rural Education	84.358B	3140002-10	123,437	27,174
Adult Education – State Grant Program	84.002A	3732	125,163	122,832
Adult Education – State Grant Program	84.002A	3731	121,058	90
Adult Education – State Grant Program	84.002A	3732S	5,920	5,920
Adult Education – State Grant Program	84.002A	3651	22,049	22,004
Education Jobs Fund	84.410	EJOB0010	1,277,490	<u>515,327*</u>
Total U.S. Department of Education				<u>\$ 6,786,590</u>
<b><u>U.S. Department of Labor</u></b>				
Passed through State Department of Education:				
WIA Jobs for America's Graduates	17.259	5882A	\$ 48,250	\$ 48,228
WIA Jobs for America's Graduates	17.259	5882B	32,750	<u>32,710</u>
Total U.S. Department of Labor				<u>\$ 80,938</u>

\* Denotes major program

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award</u>	<u>Federal Disbursements</u>
<u>U.S. Department of Agriculture</u>				
Passed through State Department of Education:				
CHILD NUTRITION CLUSTER				
School Breakfast Program	10.553	7760005-12	\$ 577,705	\$ 577,705*
		7760005-11	143,116	143,116*
National School Lunch Program	10.555	7750002-12	1,164,240	1,164,240*
		7750002-11	298,743	298,743*
Summer Food Service Program for Children	10.559	7690024-12	4,640	4,640*
		7690024-11	2,150	2,150*
		7740023-12	45,061	45,061*
		7740023-11	20,752	20,752*
Total Child Nutrition Cluster				<u>2,256,407</u>
EMERGENCY FOOD ASSISTANCE CLUSTER				
Emergency Food Assistance Program	10.569	-	156,119	<u>156,119</u>
Total Emergency Food Assistance Cluster				<u>156,119</u>
Child and Adult Care Food Program	10.558	7800016-12	9,305	9,305
		7800016-11	1,432	1,432
		7790021-12	136,591	136,591
		7790021-11	22,690	22,690
Fresh Fruit and Vegetable Program	10.582	7720012-12	50,982	50,982
		7720012-11	29,813	<u>29,813</u>
Total U.S. Department of Agriculture				<u>\$ 2,663,339</u>
<u>U.S. Department of Justice</u>				
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	3001	\$ 51,194	<u>\$ 2,445</u>
Total U.S. Department of Justice				<u>\$ 2,445</u>
<u>National Oceanic and Atmospheric Administration</u>				
Congressionally Identified Awards and Projects	11.469	EF-10-81	\$ 3,722	\$ 250
Congressionally Identified Awards and Projects	11.469	EF-10-87	3,851	352
Congressionally Identified Awards and Projects	11.469	EF-11-83	675	639
Congressionally Identified Awards and Projects	11.469	EF-11-91	850	741
Congressionally Identified Awards and Projects	11.469	EF-11-90	566	566
Congressionally Identified Awards and Projects	11.469	EF-11-92	1,050	519
Congressionally Identified Awards and Projects	11.469	EF-11-95	1,250	<u>1,248</u>
Total National Oceanic and Atmospheric Administration				<u>\$ 4,315</u>

\* Denotes major program

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award</u>	<u>Federal Disbursements</u>
<u>U.S. Department of Defense</u>				
Junior Reserve Officers' Training Corps	12.000	5042	\$ 57,351	\$ 57,351
Junior Reserve Officers' Training Corps	12.000	5041	42,847	<u>2,402</u>
Total U.S. Department of Defense				<u>\$ 59,753</u>
<u>Corporation for National and Community Service</u>				
Learn and Serve America – School and Community Based Programs	94.004	1000001-10	\$ 1,150	\$ 759
Learn and Serve America – School and Community Based Programs	94.004	1000001-09	5,500	<u>4,279</u>
Total Corporation for National and Community Service				<u>\$ 5,038</u>
<u>Department of Energy</u>				
State Energy Program, Recovery Act	81.041	5692	\$ 23,400	<u>\$ 9,566</u>
Total Department of Energy				<u>\$ 9,566</u>
<u>Appalachian Regional Commission</u>				
Appalachian Research, Technical Assistance and Demonstration Projects	23.011	6882	\$ 5,000	<u>\$ 3,430</u>
Total Appalachian Regional Commission				<u>\$ 3,430</u>
Total Expenditures of Federal Awards				<u>\$ 9,615,414</u>

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Whitley 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 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.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2012

SUMMARY OF AUDIT RESULTS

1. We have issued an unqualified opinion on the basic financial statements of the Whitley County School District.
2. No material weakness(es) were identified in our audit of the financial statements.
3. No significant deficiencies were identified in our audit of the financial statements.
4. No material noncompliance was identified in our audit of the financial statements.
5. No significant deficiencies were noted in our audit of internal control over major programs.
6. We have issued an unqualified opinion on compliance for major programs.
7. The audit did not disclose any audit findings, which we are required to report under Section .510(a) of A-133.
8. The programs tested as major programs included:

	<u>CFDA</u>
TITLE I, PART A CLUSTER	
Title I Grants to Local Educational Agencies	84.010
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010A
Title I Grants to Local Educational Agencies, Recovery Act	84.389
CHILD NUTRITION CLUSTER	
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
National School Breakfast Program	10.553
SPECIAL EDUCATION CLUSTER (IDEA)	
Special Education – Preschool Grants (IDEA, Preschool)	84.173A
Special Education – Grants to States (IDEA, Part B)	84.027A
Special Education – Grants to States (IDEA, Part B), Recovery Act	84.391
Improving Teacher Quality State Grants	84.367
Twenty-First Century Community Learning Centers	84.287
Education Jobs Fund	84.410

9. The threshold for distinguishing Types A and B programs was \$300,000.
10. Whitley County School District was determined to be a high risk auditee.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2012

NONE

# Marr, Miller & Myers, PSC

Certified Public Accountants  
(606) 528-2454 (FAX 528-1770)

P.O. Box 663  
Corbin, Kentucky 40702

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

October 15, 2012

Members of the Board of Education  
Whitley County School District  
Williamsburg, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Whitley County School District as of and for the year ended June 30, 2012, which collectively comprise the Whitley County School District's basic financial statements and have issued our report thereon dated October 15, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report.

### Internal Control Over Financial Reporting

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

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

## Marr, Miller & Myers, PSC

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### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Whitley 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 would 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 that are required to be reported under Government Auditing Standards. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract – State Audit Requirements.

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

*Marr, Miller & Myers, PSC*

Certified Public Accountants

# Marr, Miller & Myers, PSC

Certified Public Accountants  
(606) 528-2454 (FAX 528-1770)

P.O. Box 663  
Corbin, Kentucky 40702

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

October 15, 2012

Members of the Board of Education  
Whitley County School District  
Williamsburg, Kentucky

### Compliance

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

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report. Those standards 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 the 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 the District's compliance with those requirements.

In our opinion, Whitley 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.

# Marr, Miller & Myers, PSC

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## Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB 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 the 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 and use of the Board, management, others within the District, the Kentucky Department of Education, Kentucky State Committee for School District Audits and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Marr, Miller & Myers, PSC*

Certified Public Accountants

# Marr, Miller & Myers, PSC

Certified Public Accountants  
(606) 528-2454 (FAX 528-1770)

P.O. Box 663  
Corbin, Kentucky 40702

October 15, 2012

Members of the Board of Education  
Whitley County School District  
Williamsburg, Kentucky

In planning and performing our audit of the financial statements of the Whitley 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.

During our audit, we became aware of no matters that are required to be noted and there were no prior year findings.

*Marr, Miller & Myers, PSC*  
Certified Public Accountants