

**Todd County
School District**

Financial Statements

June 30, 2012



Todd County School District
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Independent Auditors' Report

Kentucky State Committee for School District Audits
Members of the Board of Education
Todd County School District
Elkton, 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 Todd 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the *Independent Auditors' Contract—General Audit Requirements*, Appendix II of the *Independent Auditors' Contract—State Audit Requirements*, Appendix III of the *Independent Auditors' Contract—Audit Extension Request* and Appendix IV of the *Independent Auditors' 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, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2012 on our consideration of Todd County School 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 through 20 and 63 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining and individual non-major fund financial statements and other information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual non-major fund financial statements and other information,

and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Bowling Green, Kentucky
October 31, 2012

Required Supplementary Information

Management's Discussion and Analysis

**TODD COUNTY SCHOOL DISTRICT
ELKTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

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

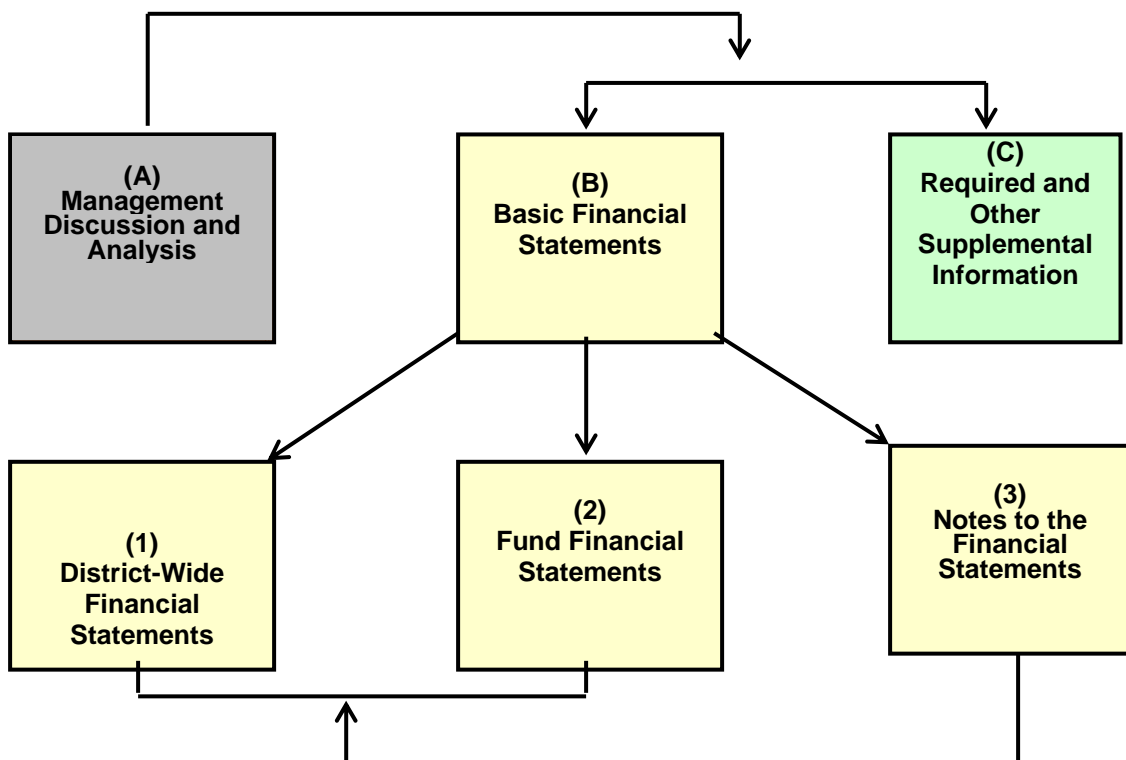
FINANCIAL HIGHLIGHTS

- The beginning General Fund balance for the District was \$3,562,278. The ending General Fund balance was \$3,111,090.
- Three different construction projects were approved by the Kentucky Department of Education toward the end of 2010 - the Horizon Academy Renovation, the South Todd Addition and Renovation, and the North Todd Addition and Renovation. The bonds for these projects were sold at the beginning of the 2011 school year. These projects were completed during the 2012 school year.
- An additional construction project was approved by the Kentucky Department of Education in June of 2011. This project is to replace the roof on the Todd County Middle School gym and cafeteria. This project was funded with building funds and was completed during the 2012 school year.
- During the 2012 school year, the district continued to invest heavily in technology through the general fund and other sources. The investment in technology impacts the method teachers use in presenting content knowledge to their students and for our students to make progress toward rigorous college and career ready standards.

Overview of the Annual Financial Report (AFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Todd County School District as a financial whole, an entire operating entity, in a manner similar to a private-sector business. The annual report consists of three parts: (A) management's discussion and analysis (this section), (B) the basic financial statements, and (C) required and other supplemental information. The statements then proceed to provide an increasingly detailed look at specific financial activities. The District's basic financial statements comprise three components: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Organization of the Annual Financial Report



The District-Wide Financial Statements have two sections (1) the *Statement of Net Assets* and (2) the *Statement of Activities*. The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term

as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other non-major funds presented in total in one column.

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 38 through 61 of this report.

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during the current fiscal year?" The *Statement of Net Assets* and the *Statements of Activities*, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as Kentucky's SEEK funding formula and its adjustments, the School District's property tax base, required educational programs and other factors.

In the Statement of Net Assets and the Statements of Activities, the School District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extra-curricular activities. The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt is also supported by taxes and intergovernmental revenues.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District's food service is reported as business activities. These activities are funded through fees, federal grants, and federal commodities.

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$13,159,907 as of June 30, 2012. This was a decrease of \$308,165 over the previous year.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The amount of capital assets, net of related debt was \$9,920,373 (an increase of \$402,710 over the previous year). 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.

Government-wide financial statements can be found on pages 22 through 25 of this report.

Reporting the School District's Most Significant Funds

Fund Financial Statements

After looking at the District as a whole, an analysis of the School District's major funds follows. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. 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. Fund accounting 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 assets that belong to others. The school's activity funds and scholarship trust account are reported as fiduciary funds. The only proprietary fund is the school food fund. A proprietary fund is sometimes referred to as an enterprise fund. It is a fund that operates like a business with sales of goods and services. All other activities of the district are included in the governmental funds. The major governmental funds for the Todd County School District are the general fund, the special revenue (grants) fund, and the construction fund.

Governmental Funds — Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Assets and the Statements of Activities) and governmental *funds* is reconciled in the financial statements.

Proprietary Funds — Proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match.

Fiduciary Funds — The District is fiduciary for assets that belong to others and is responsible for ensuring that assets reported in the fiduciary funds are used only for their intended purposes. The District's fiduciary funds consist of student activities funds and the scholarship fund. These funds are excluded from the government-wide financial statements because the assets cannot be used to finance the operations of the District.

The basic governmental fund financial statements can be found on pages 26 through 37 of this report.

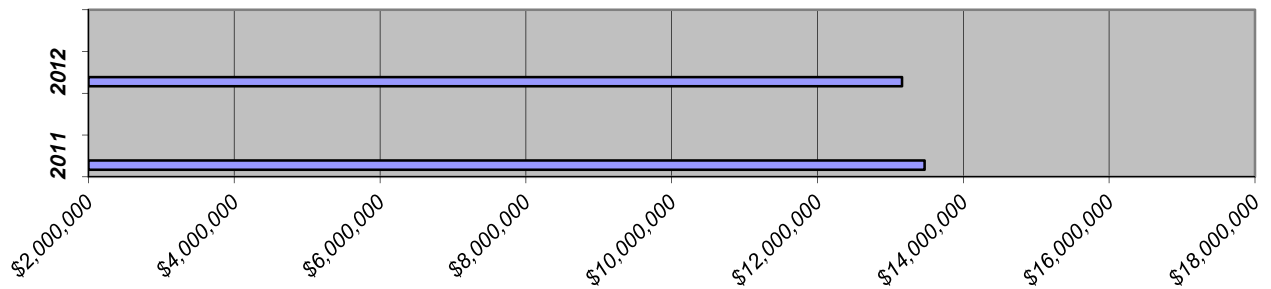
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Changes in Net Assets for June 30, 2011 and June 30, 2012

	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District Percentage Change
	FY2011	FY2012	FY2011	FY2012	FY2011	FY2012	2011-2012
Current and Other Assets	\$7,605,562	\$3,766,500	\$264,233	\$349,262	\$7,869,795	\$4,115,762	-47.7%
Capital Assets	\$28,649,573	\$30,326,793	\$486,615	\$439,155	\$29,136,188	\$30,765,948	5.6%
Total Assets	\$36,255,135	\$34,093,293	\$750,848	\$788,417	\$37,005,983	\$34,881,710	-5.7%
Long Term Liabilities	\$20,899,788	\$19,593,814	\$0	\$0	\$20,899,788	\$19,593,814	-6.2%
Other Liabilities	\$2,636,839	\$2,126,453	\$1,284	\$1,536	\$2,638,123	\$2,127,989	-19.3%
Total Liabilities	\$23,536,627	\$21,720,267	\$1,284	\$1,536	\$23,537,911	\$21,721,803	-7.7%
Investment in Capital Assets (net of debt)	\$9,031,048	\$9,481,218	\$486,615	\$439,155	\$9,517,663	\$9,920,373	4.2%
Restricted	\$621,333	\$315,334			\$621,333	\$315,334	-49.2%
Unrestricted Fund	\$3,066,127	\$2,576,474	\$262,949	\$347,726	\$3,329,076	\$2,924,200	-12.2%
Total Net Assets	\$12,718,508	\$12,373,026	\$749,564	\$786,881	\$13,468,072	\$13,159,907	-2.3%

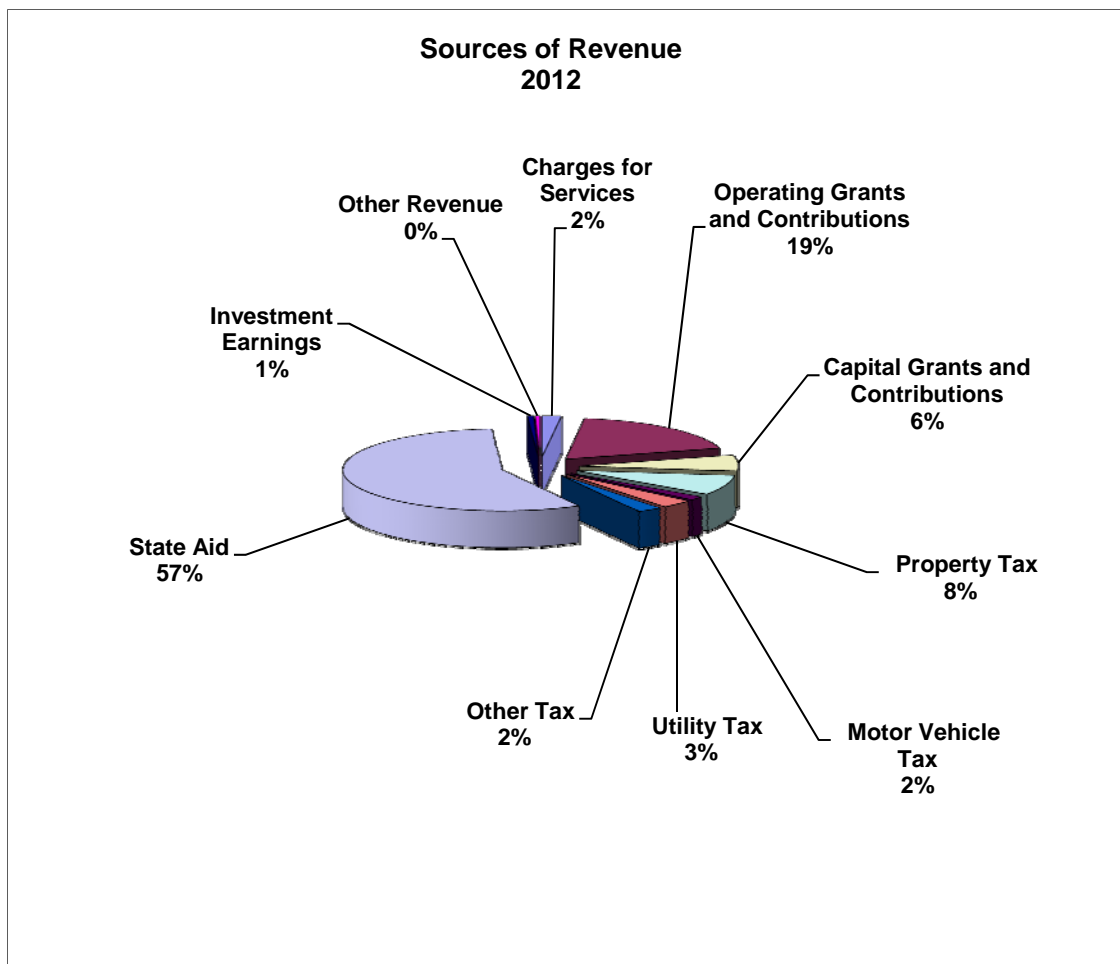
At year-end, assets exceeded liabilities by \$13,159,907.

Todd County Net Assets Decreased by 2% or \$308,165.

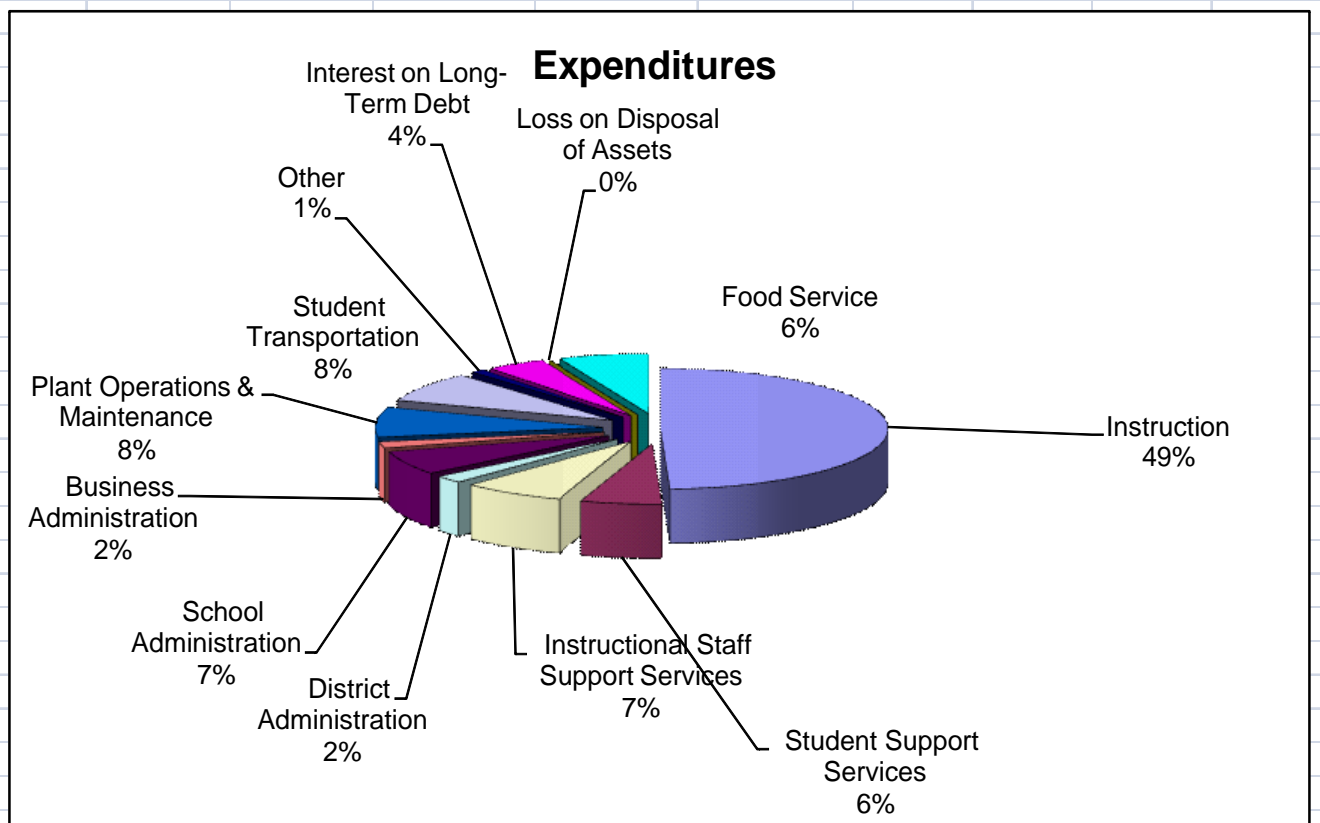


Changes in Net Assets for June 30, 2011 and June 30, 2012

	Governmental Activities		Proprietary Business-Type Activities		District Total		District Total Percentage Change
	FY2011	FY2012	FY2011	FY2012	FY2011	FY2012	2011-2012
Program Revenues							
Charges for Services	\$1,113	\$4,453	\$393,055	\$410,932	\$394,168	\$415,385	5.4%
Operating Grants and Contributions	\$4,223,553	\$3,089,521	\$965,146	\$1,042,355	\$5,188,699	\$4,131,876	-20.4%
Capital Grants and Contributions	\$1,274,207	\$1,373,408			\$1,274,207	\$1,373,408	7.8%
General Revenue							
Taxes							
Property Tax	\$1,593,903	\$1,734,202			\$1,593,903	\$1,734,202	8.8%
Motor Vehicle Tax	\$326,657	\$330,282			\$326,657	\$330,282	1.1%
Utility Tax	\$777,216	\$708,419			\$777,216	\$708,419	-8.9%
Other Tax	\$591,677	\$544,725			\$591,677	\$544,725	-7.9%
State Aid	\$11,672,484	\$12,534,938			\$11,672,484	\$12,534,938	7.4%
Investment Earnings	\$267,234	\$130,381	\$6,240	\$8,578	\$273,474	\$138,959	-49.2%
Other Revenue	\$54,183	\$98,605	\$8,116	\$100	\$62,299	\$98,705	58.4%
Total Revenues	\$20,782,227	\$20,548,934	\$1,372,557	\$1,461,965	\$22,154,784	\$22,010,899	-0.6%



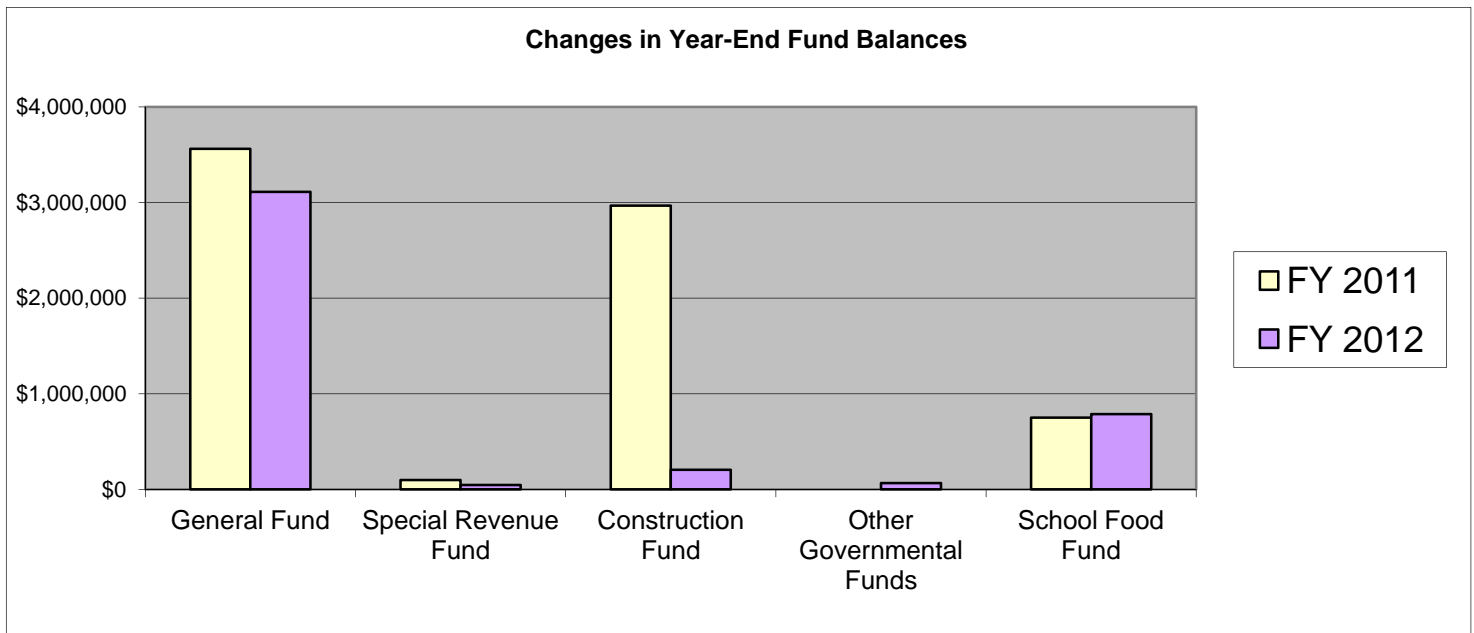
Expenses	Governmental Activities		Proprietary Business-Type Activities		District Total		District Total Percentage Change 2011-2012
	FY2011	FY2012	FY2011	FY2012	FY2011	FY2012	
Instruction	\$11,389,157	\$11,009,187			\$11,389,157	\$11,009,187	-3.3%
Support Services							
Student Support Services	\$1,142,001	\$1,274,528			\$1,142,001	\$1,274,528	11.6%
Instructional Staff	\$1,417,275	\$1,619,511			\$1,417,275	\$1,619,511	14.3%
District Administration	\$801,580	\$438,117			\$801,580	\$438,117	-45.3%
School Administration	\$1,379,059	\$1,436,398			\$1,379,059	\$1,436,398	4.2%
Business Administration	\$450,787	\$372,058			\$450,787	\$372,058	-17.5%
Plant Operations & Maintenance	\$1,696,893	\$1,792,523			\$1,696,893	\$1,792,523	5.6%
Student Transportation	\$1,786,086	\$1,793,533			\$1,786,086	\$1,793,533	0.4%
Other	\$219,104	\$210,962			\$219,104	\$210,962	-3.7%
Interest on Long-Term Debt	\$845,088	\$947,599			\$845,088	\$947,599	12.1%
Loss of disposal of assets	\$325,243				\$325,243	\$0	-100.0%
Food Service			\$1,377,442	\$1,424,648	\$1,377,442	\$1,424,648	3.4%
Total Expenses	\$21,452,273	\$20,894,416	\$1,377,442	\$1,424,648	\$22,829,715	\$22,319,064	-2.2%



- The District's total revenues were \$22,010,899 and the total expenditures were \$22,319,064. Expenses exceeded revenues by \$308,165.
- State revenues accounted for 57% and local taxes accounted for 15% of the revenue.
- Instruction was the major expense category and accounted for 49% of the total.
- Food service revenues exceeded expenses by \$37,317 and Governmental expenses exceeded revenues by \$345,482.

Financial Analysis of the District Funds

Changes in End-of-Year Fund Balances	FY 2011	FY 2012	Amount of Change	% Change
General Fund	\$3,562,278	\$3,111,090	(\$451,188)	-13%
Special Revenue Fund	\$96,797	\$45,143	(\$51,654)	-53%
Construction Fund	\$2,967,472	\$204,930	(\$2,762,542)	100%
Other Governmental Funds	\$0	\$65,261	\$65,261	100%
School Food Fund	\$749,564	\$786,881	\$37,317	5%
Total	\$7,376,111	\$4,213,305	(\$3,162,806)	-43%



- The General Fund's fund balance showed a decrease of \$451,188.
- The Special Revenue fund had a decrease of \$51,654. The only fund balance left in the Special Revenue fund is technology at year end.
- The Construction fund showed a decrease in fund balance of \$2,762,542.
- Other Governmental funds showed an increase of \$65,261.
- The School Food Service fund balance had an increase of \$37,317.

Comments on General Fund and Special Revenue Budget Comparisons

- The District's General Fund total revenues for the fiscal year ended June 30, 2012, net of interfund transfers, were \$12,316,964. This is \$168,529 more than was budgeted in the final working budget. The District budgets for its local revenues (taxes, earned interest, and tuition) in a conservative manner. Thus, local revenues were higher than budgeted \$171,796.
- Other expenditures show a \$1,194,360 surplus. The major reason is because in this category the district's contingency was budgeted. The contingency is not meant to be expended, but is to be used as the district's beginning balance for next year. The contingency budgeted was actually \$1,200,000.
- The Special Revenue fund budget compared to actual will always differ slightly because the state budget report only shows current fiscal year grant awards. The Special Revenue expenditures will include current year grant expenditures and previous year grant expenditures that were not completed at the end of the previous year.

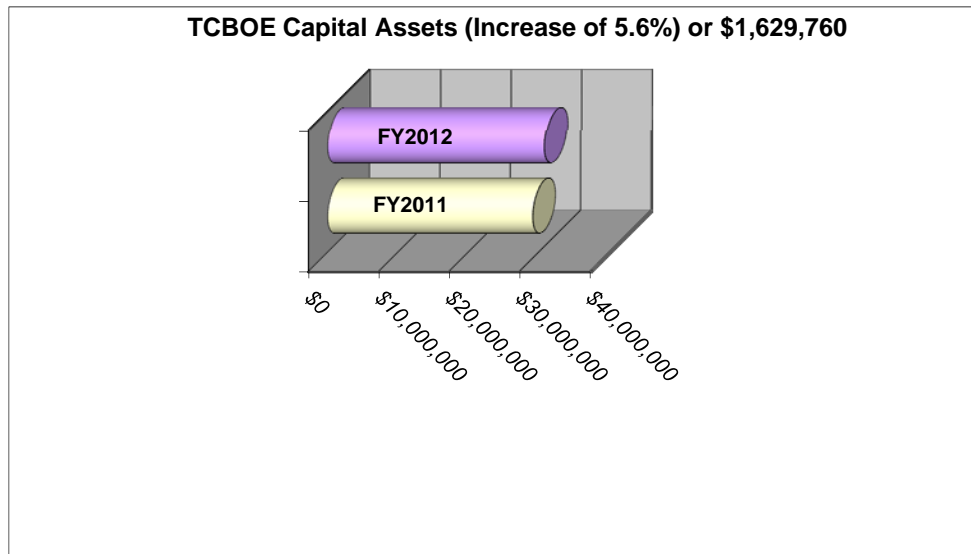
CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By June 30, 2012 the district had invested \$30,765,948 in capital assets. This included land, school buildings, athletic facilities, maintenance facilities, computer equipment and administrative offices. The cumulative total initial cost of assets was \$46,434,808 with accumulated depreciation of \$15,668,860.

SUMMARY OF CAPITAL ASSETS

(net of depreciation)	Government Activities		Business-Type Activities		District Total	
	FY2011	FY2012	FY2011	FY2012	FY2011	FY2012
Land	\$4,385,979	\$4,359,823			\$4,385,979	\$4,359,823
Construction in Progress	\$6,796,783	\$0			\$6,796,783	\$0
Buildings	\$14,276,240	\$23,256,477	\$444,912	\$410,196	\$14,721,152	\$23,666,673
Equipment & Furniture	\$3,190,571	2,710,493	\$41,703	\$28,959	\$3,232,274	\$2,739,452
Total Assets	\$28,649,573	\$30,326,793	\$486,615	\$439,155	\$29,136,188	\$30,765,948



Long-Term Debt

The District's long-term general obligation bonds outstanding at June 30, 2012 were \$20,293,745. Of that amount, the Kentucky SFCC has agreed to make a portion of the principal and interest under agreements previously described. Though the District is liable for the full amount of the bonds and the full amount is recorded on the financial statements, the SFCC has agreed to repay \$1,670,678 of the bonds leaving the District to pay \$18,623,067.

Outstanding Debt at Year End

	Governmental Activities 2011	Governmental Activities 2012
General Obligation Bonds:		
Series 1999B Refinance TCMS Renovations	1,280,000	980,000
Series 2003 TCCHS Renovations	2,045,000	0
Series 2004 Energy Conservation Project	785,000	700,000
Series 2005 Central Office and Auditorium	2,410,000	2,320,000
Series 2009 Refinance 1998A and 1998B	3,820,000	3,540,000
KISTA 2005	240,241	177,658
KISTA 2008	527,909	456,087
Series 2010 Refunding Revenue	1,650,000	1,610,000
Series 2010 BAB's	8,435,000	8,360,000
Series 2011 Refunding Revenue	0	2,150,000
Total	<u>\$ 21,193,150</u>	<u>\$ 20,293,745</u>

BUDGETARY IMPLICATIONS

It is extremely important that the district continue to budget very conservatively. The district receives approximately 83% of its new general fund revenue each year through the state funding formula (SEEK). On occasions, there have been adjustments that caused a very significant decrease in the funding. The SEEK forecasts from the state should be considered only an estimate of state revenue. If the state does not get the revenue from taxing sources, an adjustment will be made to the funding formula. The district should always be prepared for such reductions in funding.

Approximately 7% of the new general fund revenue is from local property tax. The major portion of the tax revenue does not come to the district until the fifth-seventh months. This means the general fund's beginning fund balance must be used to absorb much of the first four months of expenditures. Provisions must always be made to have a significant fund beginning balance to start each year. The district has an ending fund balance of \$3,111,090.

By law, the budget must have a minimum 2% contingency. The district adopted a budget with \$1,200,000 in contingency. Significant Board action that impacts finances include pay raises for all employees, additional spending on students and classroom technology needs and general fund matching dollars for other grants. The district currently participates in forty-three federal and state grants. The total budget for these grants is \$4,245,431. Many of these grants are funded on a reimbursement basis. This requires the district to pay the expenses of the grant and then apply for reimbursement. The district must continue to monitor the grants constantly and get reimbursements in a timely manner. The district must also maintain a significant cash balance in order to pay the expenses of these grants while waiting for reimbursements.

DISTRICT CHALLENGES FOR THE FUTURE

The primary challenges for Todd County Schools are to continue to improve the academic performance of our students and to improve the school climate and culture.

Todd County will continue to improve the curriculum so that it is rigorous, intentional and aligned to state standards. We are continually realigning the curriculum, not only by having communication within grade levels, but between the schools with focus on key transitions. We continue to analyze our test scores and student work to identify gaps and provide feedback not only to the students but staff as well. We will continue to implement “Thoughtful Ed” professional development and instructional practices in all classrooms throughout the district to motivate and increase student achievement.

The second challenge for the future of Todd County Schools is to fund the 21st Century Classroom for the next three years and beyond. This is a significant investment, not only in the technology for our district, but in the lives of our children.

The third challenge for the future of Todd County Schools is to improve school culture and climate. The leadership believes all children can learn at high levels and supports a climate that is conducive to performance excellence. We continually strive to improve our learning community by working with families to remove barriers to learning to meet the needs of students. We will continue to use multiple communication strategies to disseminate information on things like student achievement.

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District’s finances and to show the School District’s accountability for the money it receives. If you have any questions about this report or need additional information, inquiries should be directed to the Todd County Board of Education, Makka Wheeler, Finance Officer.

Basic Financial Statements

Todd County School District
Statement of Net Assets

June 30, 2012	Governmental Activities	Business- Type Activities	Total
Assets			
Cash	\$ 3,218,179	\$ 316,283	\$ 3,534,462
Accounts receivable:			
Taxes	218,414	-	218,414
Accounts	87,173	945	88,118
Intergovernmental	80,225	-	80,225
Inventory	-	32,034	32,034
Bond issuance costs	221,180	-	221,180
Less: accumulated amortization	(58,671)	-	(58,671)
Non-depreciable capital assets	4,215,072	-	4,215,072
Depreciable capital assets	40,917,942	1,301,794	42,219,736
Less: accumulated depreciation	(14,806,221)	(862,639)	(15,668,860)
Total assets	34,093,293	788,417	34,881,710
Liabilities			
Accounts payable	93,991	1,536	95,527
Accrued liabilities	11,497	-	11,497
Deferred revenue	72,079	-	72,079
Accrued interest	286,798	-	286,798
Long-term obligations:			
Due within one year:			
Outstanding bonds	1,128,928	-	1,128,928
Other	441,936	-	441,936
Compensated absences	91,224	-	91,224
Due beyond one year:			
Outstanding bonds	18,772,263	-	18,772,263
Other	502,448	-	502,448
Compensated absences	319,103	-	319,103
Total liabilities	21,720,267	1,536	21,721,803

June 30, 2012	Governmental Activities	Business- Type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	9,481,218	439,155	9,920,373
Restricted for:			
Grant programs	45,143	-	45,143
Capital projects	270,191	-	270,191
Unrestricted	2,576,474	347,726	2,924,200
Total Net Assets	\$ 12,373,026	\$ 786,881	\$ 13,159,907

See accompanying notes to the financial statements.

Todd County School District

Statement of Activities

Program Revenues					Net (Expense) Revenue and Changes in Net Assets		
Year Ended June 30, 2012	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction	\$ 11,009,187	\$ 3,903	\$ 1,917,336	\$ 44,993	\$ (9,042,955)	\$ -	\$ (9,042,955)
Support services:							
Student	1,274,528	-	48,849	-	(1,225,679)	-	(1,225,679)
Instructional staff	1,619,511	-	693,357	-	(926,154)	-	(926,154)
District administration	438,117	-	-	-	(438,117)	-	(438,117)
School administration	1,436,398	-	596	-	(1,435,802)	-	(1,435,802)
Business	372,058	-	-	-	(372,058)	-	(372,058)
Plant operations and maintenance	1,792,523	550	1,321	186,081	(1,604,571)	-	(1,604,571)
Student transportation	1,793,533	-	238,754	-	(1,554,779)	-	(1,554,779)
Other	210,962	-	189,308	-	(21,654)	-	(21,654)
Interest on long-term debt	947,599	-	-	1,142,334	194,735	-	194,735
Total governmental activities	20,894,416	4,453	3,089,521	1,373,408	(16,427,034)	-	(16,427,034)
Business-Type Activities							
Food services	1,424,648	410,932	1,042,355	-	-	28,639	28,639
Total business-type activities	1,424,648	410,932	1,042,355	-	-	28,639	28,639
Total School District	\$ 22,319,064	\$ 415,385	\$ 4,131,876	\$ 1,373,408	\$ (16,427,034)	\$ 28,639	\$ (16,398,395)

General Revenues

Taxes:

Property	1,734,202	-	1,734,202
Motor vehicle	330,282	-	330,282
Utilities	708,419	-	708,419
Unmined minerals	358	-	358
Other	544,367	-	544,367
State aid	12,534,938	-	12,534,938
Investment earnings	130,381	8,578	138,959
Other	93,901	100	94,001
Gain on disposal of assets	4,704	-	4,704
Total general revenues	16,081,552	8,678	16,090,230
Change in Net Assets	(345,482)	37,317	(308,165)
Net Assets – Beginning of Year	12,718,508	749,564	13,468,072
Net Assets – End of Year	\$ 12,373,026	\$ 786,881	\$ 13,159,907

Todd County School District
Balance Sheet
Governmental Funds

June 30, 2012	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 2,877,296	\$ 37,002	\$ 238,620	\$ 65,261	\$ 3,218,179
Accounts receivable:					
Taxes	218,414	-	-	-	218,414
Accounts	87,173	-	-	-	87,173
Intergovernmental	-	80,225	-	-	80,225
Total Assets	\$ 3,182,883	\$ 117,227	\$ 238,620	\$ 65,261	\$ 3,603,991

Liabilities and Fund Balances

Liabilities					
Accounts payable	\$ 60,296	\$ 5	\$ 33,690	\$ -	\$ 93,991
Accrued liabilities	11,497	-	-	-	11,497
Deferred revenue	-	72,079	-	-	72,079
Total liabilities	71,793	72,084	33,690	-	177,567
Fund Balances					
Restricted	-	45,143	204,930	65,261	315,334
Committed	1,517,552	-	-	-	1,517,552
Assigned	5,828	-	-	-	5,828
Unassigned	1,587,710	-	-	-	1,587,710
Total fund balances	3,111,090	45,143	204,930	65,261	3,426,424
Total Liabilities and Fund Balances	\$ 3,182,883	\$ 117,227	\$ 238,620	\$ 65,261	\$ 3,603,991

Todd County School District
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets

June 30,	2012
Total Fund Balances – Governmental Funds	\$ 3,426,424
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$45,133,014 and the accumulated depreciation is \$14,806,221.	30,326,793
Bond issuance costs are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the asset is \$221,180 and the accumulated amortization is \$58,671.	162,509
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:	
Bonds payable	(19,901,191)
Accrued interest on outstanding bonds	(286,798)
Other debt	(944,384)
Compensated absences	(410,327)
Total Net Assets – Governmental Activities	\$ 12,373,026

See accompanying notes to the financial statements.

Todd County School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2012	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	\$ 1,209,672	\$ -	\$ -	\$ 524,530	\$ 1,734,202
Motor vehicle	330,282	-	-	-	330,282
Utilities	708,419	-	-	-	708,419
Unmined minerals	358	-	-	-	358
Other	544,367	-	-	-	544,367
Tuition and fees	3,903	-	-	-	3,903
Earnings on investments	82,803	1,741	45,812	1,766	132,122
Other local revenue	102,796	-	-	-	102,796
Intergovernmental – state	12,534,938	1,293,927	-	1,178,258	15,007,123
Intergovernmental – federal	33,797	1,838,846	-	150,157	2,022,800
Total revenues	15,551,335	3,134,514	45,812	1,854,711	20,586,372
Expenditures					
Current:					
Instruction	8,357,701	2,050,079	-	-	10,407,780
Support services:					
Student	1,021,731	48,849	-	-	1,070,580
Instructional staff	811,023	693,357	-	-	1,504,380
District administration	813,373	-	-	-	813,373

School administration	1,407,885	596	-	-	1,408,481
Business	366,920	-	-	-	366,920
Plant operations and maintenance	1,641,315	1,321	-	-	1,642,636
Student transportation	1,431,980	238,754	-	-	1,670,734
Other	21,654	189,308	-	-	210,962
Debt service:					
Principal	-	-	-	1,029,405	1,029,405
Interest	-	-	-	853,879	853,879
Bond issuance cost	-	-	-	34,050	34,050
Building acquisition and construction	-	-	2,808,354	-	2,808,354
Total expenditures	15,873,582	3,222,264	2,808,354	1,917,334	23,821,534
Excess (Deficiency) of Revenues over Expenditures	(322,247)	(87,750)	(2,762,542)	(62,623)	(3,235,162)
Other Financing Sources (Uses)					
Proceeds of advance refunding bonds – net of discount	-	-	-	2,131,107	2,131,107
Payment to advance refunded bond escrow agent	-	-	-	(2,096,068)	(2,096,068)
Operating transfers – in	186,081	36,096	-	1,536,963	1,759,140
Operating transfers – out	(315,022)	-	-	(1,444,118)	(1,759,140)
Total other financing sources (uses)	(128,941)	36,096	-	127,884	35,039
Net Change in Fund Balances	(451,188)	(51,654)	(2,762,542)	65,261	(3,200,123)
Fund Balances – Beginning of Year	3,562,278	96,797	2,967,472	-	6,626,547
Fund Balances – End of Year	\$ 3,111,090	\$ 45,143	\$ 204,930	\$ 65,261	\$ 3,426,424

See accompanying notes to the financial statements.

Todd County School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities

Year Ended June 30,	2012
Total Net Change in Fund Balances – Governmental Funds	\$ (3,200,123)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays, \$2,917,753, exceeds depreciation, \$1,495,771, in the period.	1,421,982
Gains and losses are not presented in governmental funds because they do not provide or use current financial resources. However, they are presented on the statement of activities. The difference between proceeds from the sale of assets and the actual gain/loss from the sale net to this amount for the year.	(37,438)
Repayment of bond principal and other debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	3,581,003
The issuance of bonds provides current financial resources and is reported in the fund financial statements but it is presented as a liability in the statement of net assets.	(2,150,000)
Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the statement of activities are recognized when they are incurred.	39,094
Change in Net Assets – Governmental Activities	\$ (345,482)

See accompanying notes to the financial statements.

Todd County School District
Statement of Net Assets
Proprietary Funds

June 30, 2012	Enterprise Fund Food Service
Assets	
Current Assets	
Cash	\$ 316,283
Accounts receivable:	
Accounts	945
Inventory	32,034
Total current assets	349,262
Non-current Assets	
Fixed assets – net	439,155
Total Assets	\$ 788,417
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	\$ 1,536
Total current liabilities	1,536
Net Assets	
Invested in capital assets, net of related debt	439,155
Unrestricted	347,726
Total net assets	786,881
Total Liabilities and Net Assets	\$ 788,417

See accompanying notes to the financial statements.

Todd County School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year Ended June 30, 2012	Enterprise Fund Food Service
Operating Revenues	
Lunchroom sales	\$ 410,932
Total operating revenues	410,932
Operating Expenses	
Salaries and wages	626,641
Contract services	25,791
Materials and supplies	717,491
Other operating expenses	2,407
Depreciation expense	52,318
Total operating expenses	1,424,648
Operating loss	(1,013,716)
Non-Operating Revenues (Expenses)	
State operating grants	114,063
Federal operating grants	855,002
Donated commodities	73,290
Interest revenue	8,578
Other	100
Total non-operating revenues (expenses)	1,051,033
Change in Net Assets	37,317
Total Net Assets – Beginning of Year	749,564
Total Net Assets – End of Year	\$ 786,881

See accompanying notes to the financial statements.

Todd County School District
Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2012	Enterprise Fund Food Service
Cash Flows from Operating Activities	
Cash received from user charges	\$ 409,987
Cash payments to employees for services	(525,885)
Cash payments for contract services	(25,791)
Cash payments to suppliers for goods and services	(664,000)
Cash payments for other operating expenses	(2,407)
Net cash used in operating activities	(808,096)
Cash Flows from Non-Capital Financing Activities	
Non-operating grants received	868,309
Other	100
Net cash provided by non-capital financing activities	868,409
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	(4,858)
Net cash used in capital and related financing activities	(4,858)
Cash Flows from Investing Activities	
Interest on investments	8,578
Net cash provided by investing activities	8,578
Net Increase in Cash	64,033
Cash – Beginning of Year	252,250
Cash – End of Year	\$ 316,283

Year Ended June 30, 2012	Enterprise Fund Food Service
Reconciliation of Operating Loss to Net Cash Used In Operating Activities	
Operating loss	\$ (1,013,716)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	52,318
Commodities used	73,290
On-behalf payments received	100,756
Changes in assets and liabilities:	
Receivables	(945)
Inventories	(20,051)
Accounts payable	252
Net Cash Used In Operating Activities	\$ (808,096)

Non-Cash Activities

- The food service fund received \$73,290 of donated commodities from the federal government.
- The food service fund received on-behalf payments of \$100,756 relating to insurance benefits.

See accompanying notes to the financial statements.

Todd County School District
Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2012	Agency Fund
Assets	
Cash	\$ 205,697
Accounts receivable	1,010
Total Assets	\$ 206,707
Liabilities	
Due to Hopkins County School District	\$ 1,523
Due to student groups	205,184
Total Liabilities	\$ 206,707

See accompanying notes to the financial statements.

Todd County School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year Ended June 30, 2012	Private Purpose Trust Funds
Additions	
Earnings on investments	\$ 73
Total additions	73
Deductions	
Scholarships	2,852
Total deductions	2,852
Change in Net Assets	(2,779)
Net Assets – Beginning of Year	2,779
Net Assets – End of Year	\$ -

See accompanying notes to the financial statements.

Note 1: Summary of Significant Accounting Policies

• Reporting Entity

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

The District, for financial purposes, includes all of the funds relevant to the operation of the Todd 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 Board itself such as Band Boosters, Parent-Teacher Associations, etc., except those funds administered as an activity in the agency funds.

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

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

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

Note 1: Summary of Significant Accounting Policies
(Continued)

• ***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 District, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

Fund Financial Statements — Fund financial statements report detailed information about the District's funds, including fiduciary funds. Separate statements for each fund category — governmental, proprietary and fiduciary — are presented. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Note 1: Summary of Significant Accounting Policies
(Continued)

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in fund balances. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

► **Governmental Fund Types**

The *General Fund* is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unassigned fund balances are considered as resources available for use. The general fund is a major fund.

The *Special Revenue Fund* accounts for proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for specified purposes other than debt service or capital projects. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the schedule of expenditures of federal awards. The special revenue fund is a major fund.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

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 and certain operating costs.

Note 1: Summary of Significant Accounting Policies
(Continued)

The *Facility Support Program of Kentucky (FSPK) Fund* accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds are restricted for use in financing projects identified in the District's facility plan.

The *Construction Fund* accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. The construction fund is a major fund.

The *Debt Service Fund* is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest and other debt related costs.

► **Proprietary Fund Types**

Enterprise Fund

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.

To the proprietary activities, the District applies all GASB pronouncements 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.

► **Fiduciary Fund Types** (includes agency funds and private purpose trust funds)

Fiduciary funds account for assets held by the District in a trustee's capacity or as an agent on behalf of others.

Agency Funds

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

Note 1: Summary of Significant Accounting Policies
(Continued)

Private Purpose Trust Funds

The *Private Purpose Trust Fund* was established to escrow money from a Todd County Middle School fundraiser for the purpose of project graduation expenses for the class of 2012. The expenses are to be awarded using both principal and income.

• ***Basis of Accounting***

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

The records of the District are maintained and the budgetary process is based on the modified accrual basis of accounting. This practice is the accounting method prescribed by the Committee for School District Audits. The District is required by state law to adopt annual budgets for the general fund, special revenue fund and capital projects funds.

For financial purposes, the accounting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a 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 the fund balance.

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

The financial statements of the governmental fund types are prepared on the modified accrual basis of accounting. On this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability

Note 1: Summary of Significant Accounting Policies
(Continued)

is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid. The proprietary funds are accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

• ***Estimates***

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

• ***Inventory***

Supplies and materials are charged to expenditures when purchased (purchases method) with the exception of the proprietary funds, which record inventory at the lower of cost, determined by first-in first-out ("FIFO") method, or market.

• ***Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000 with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Note 1: Summary of Significant Accounting Policies
(Continued)

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

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

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

• ***Deferred Revenue***

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

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

• ***Compensated Absences***

The District uses the vesting method to compute compensated absences for sick leave. Sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits at termination. The District records a liability for accumulated unused sick leave when earned for all employees with more than five years of service.

Note 1: Summary of Significant Accounting Policies
(Continued)

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

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account in the funds from which the employees will be paid.

• ***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. Bonds are recognized as a liability on the fund financial statements when due.

• ***Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing 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. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

• ***Property Taxes***

Property taxes collected are recorded as revenues in the fund for which they were levied. The assessment date of the property taxes is January 1 of each year. The levy is normally set during the September board meeting. Assuming property tax bills are timely mailed, the collection date is the period from September 15 through December 31. Collections from the period September 15 through November 1 receive a two percent discount. The due date is the period from November 2 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien being filed by the County Attorney.

Note 1: Summary of Significant Accounting Policies
(Continued)

• ***Revenues — Exchange and Non-Exchange Transactions***

Revenues resulting from exchange transactions are where each party receives equal value. On the modified accrual basis of accounting, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Assets from property taxes are normally recognized when an enforceable legal claim arises. However, for the District, an enforceable legal claim arises after the period for which taxes are levied. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September. On the modified accrual basis of accounting, assets and revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Revenues from non-exchange transactions must also be available before they can be recognized.

• ***Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as non-operating revenues/expenses in proprietary funds.

• ***Interfund Balances***

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

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.

• ***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

• ***Subsequent Events***

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through October 31, 2012, which was the date the financial statements were made available.

• ***New Accounting Pronouncements***

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, effective immediately for the provisions related to the use and reporting of the alternative measurement method, and effective for periods beginning after June 15, 2011, for the provisions related to the frequency and timing of measurements for actuarial valuations first used to report funded status information in OPEB plan financial statements. This statement addresses issues related to the use of the alternative measurement method and the frequency and timing of the measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The new requirements are not applicable to the District.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, effective for periods beginning after December 15, 2011, improves financial reporting by addressing issues related to service concession arrangements (SCA's), which are a type of public-private or public partnership. The new requirements are not applicable to the District.

Note 1: Summary of Significant Accounting Policies
(Continued)

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, effective for periods beginning after June 15, 2012, improves financial reporting by enhancing guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The new requirements are not applicable to the District.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, effective for periods beginning after December 15, 2011, incorporates in GASB's authoritative literature certain accounting and financial reporting guidance included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure, which do not conflict with or contradict GASB pronouncements. The District intends to implement the new requirements for the fiscal year 2012–13 financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, effective for periods beginning after December 15, 2011, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The District intends to implement the new requirements for the fiscal year 2012–13 financial statements.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment of GASB Statement No. 53*, effective for periods beginning after June 15, 2011, clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The new requirements are not applicable to the District.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012, improves financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to provide more consistent financial reporting. The District plans to implement the new requirements for the fiscal year 2013–14 financial statements.

Note 1: Summary of Significant Accounting Policies
(Continued)

GASB Statement No. 66, *Technical Corrections-2012: An Amendment of GASB Statements No. 10 and No. 62*, effective for periods beginning after December 15, 2012, resolves conflicting accounting and reporting guidance that could diminish consistent financial reporting and enhance the usefulness of financial reports. The District plans to implement the new requirements for the fiscal year 2013–14 financial statements.

GASB Statement No. 67, *Financial Reporting for Pension Plans: An Amendment of GASB Statement No. 25*, effective for fiscal years beginning after June 15, 2013, improves financial reporting by state and local governmental pension plans. The new requirements are not applicable to the District.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions: An Amendment of GASB Statement No. 27*, effective for fiscal years beginning after June 15, 2014, improves information provided by state and local governmental employers about financial support for pensions, which is provided by other entities. The District plans to implement the new requirements for the fiscal year 2014–2015. The effects of this statement on the District are unknown.

Note 2: Cash

• ***Deposits***

At June 30, 2012, the carrying amounts of the District's deposits were \$3,740,159 and the bank balances were \$4,333,110, which were covered by federal depository insurance or by collateral held by the bank's agent in the District's name.

The carrying amounts are reflected in the financial statements as follow:

<u>June 30,</u>	<u>2012</u>
Governmental funds	\$ 3,218,179
Proprietary fund	316,283
Fiduciary funds	205,697
	<u>\$ 3,740,159</u>

Note 2: Cash (Continued)

► *Custodial Credit Risk Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. However, the District is required by state statute that bank deposits must be collateralized. As of June 30, 2012, the District's bank balance of \$4,333,110 was not exposed to custodial credit risk.

Note 3: Capital Assets

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

June 30, 2012	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities:				
Capital assets that are not depreciated:				
Land	\$ 4,215,072	\$ -	\$ -	\$ 4,215,072
Construction in progress	6,796,783	2,808,354	9,605,137	-
Total non-depreciable historical cost	11,011,855	2,808,354	9,605,137	4,215,072
Capital assets that are depreciated:				
Land improvements	1,120,054	-	-	1,120,054
Buildings and improvements	22,425,334	9,601,144	176,486	31,849,992
Technology equipment	3,603,252	297,525	417,231	3,483,546
Vehicles	3,401,218	22,785	-	3,424,003
General	959,288	85,758	4,699	1,040,347
Total depreciable historical cost	31,509,146	10,007,212	598,416	40,917,942

Todd County School District
Notes to the Financial Statements (Continued)

Note 3: Capital Assets *(Continued)*

June 30, 2012	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Less accumulated depreciation for:				
Land improvements	949,147	26,156	-	975,303
Buildings and improvements	8,149,094	620,908	176,487	8,593,515
Technology equipment	2,105,346	544,882	381,987	2,268,241
Vehicles	2,231,832	222,229	-	2,454,061
General	436,009	81,596	2,504	515,101
Total accumulated depreciation	13,871,428	1,495,771	560,978	14,806,221
Total depreciable historical cost, net	17,637,718	8,511,441	37,438	26,111,721
Governmental Activities, Capital Assets, Net	\$ 28,649,573	\$11,319,795	\$ 9,642,575	\$30,326,793
Business-Type Activities:				
Buildings and improvements	\$ 930,627	\$ -	\$ -	\$ 930,627
Technology equipment	14,088	-	1,048	13,040
General	360,802	4,858	7,533	358,127
Total depreciable historical cost	1,305,517	4,858	8,581	1,301,794
Less accumulated depreciation for:				
Buildings and improvements	485,715	34,716	-	520,431
Technology equipment	10,372	1,919	1,048	11,243
General	322,815	15,683	7,533	330,965
Total accumulated depreciation	818,902	52,318	8,581	862,639
Total depreciable historical cost, net	486,615	(47,460)	-	439,155
Business-Type Activities, Capital Assets, Net	\$ 486,615	\$ (47,460)	\$ -	\$ 439,155

Note 3: Capital Assets *(Continued)*

Depreciation expense was charged to governmental functions as follows:

June 30,	2012
Instruction	\$ 600,151
Support services:	
Student	225,671
Instructional staff	132,780
District administration	110,315
School administration	125,177
Business	5,138
Facilities operations	149,887
Student transportation	145,585
Other	1,067
Total Depreciation Expense	\$ 1,495,771

Note 4: General Long-Term Obligations

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

Issue Date	Proceeds	Rates
1999-B	\$ 890,000	4.100%–4.400%
2004	1,325,000	3.500%–4.500%
2005	2,835,000	2.650%–4.250%
2009	4,410,000	1.500%–3.000%
2010	8,435,000	.700%–5.750%
2010	1,675,000	2.000%–3.250%
2012	2,150,000	1.100%–2.250%
2005 KISTA	599,655	3.000%–3.625%
2008 KISTA	756,945	3.000%–3.750%

Note 4: General Long-Term Obligations *(Continued)*

On May 1, 2012, the District issued \$2,150,000 in Revenue Refunding Bonds with an average interest rate of 2.19% to advance refund \$2,020,000 of outstanding 2003 Series bonds with an average interest rate of 3.15%. The net proceeds of \$2,096,068 (after payment of \$53,932 in underwriting fees, insurance and other issuance costs) were transferred to an escrow agent to provide future debt service payments on the 2003 Series bonds. As a result, the advance refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$113,302. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2023 using the effective-interest method. The District completed the advance refunding to reduce its total debt service payments over the next 11 years by \$207,338 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$181,933.

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's government-wide financial statements. On June 30, 2012, \$2,020,000 of bonds outstanding are considered defeased.

The District, through the general fund, including utility taxes and the SEEK capital outlay funds, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Todd County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District has entered into "participation agreements" with the School Facility Construction Commission (SFCC). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements. In addition, the District has outstanding Build America General Obligation Bonds in which the U.S. Treasury will subsidize the District for 35% of the interest cost relating to the outstanding debt which is shown in the schedule below.

Todd County School District
Notes to the Financial Statements (Continued)

Note 4: General Long-Term Obligations *(Continued)*

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 and U.S. Treasury, at June 30, 2012 for debt service (principal and interest) are as follow:

Year	Todd County School District		School Facility Construction Commission		US Treasury Build America Bonds	Total Debt Service
	Principal	Interest	Principal	Interest	Interest	
2012–2013	\$ 989,916	\$ 575,886	\$ 139,012	\$ 59,611	\$ 149,737	\$ 1,914,162
2013–2014	1,006,241	548,880	140,704	55,564	148,988	1,900,377
2014–2015	1,043,696	517,864	137,788	51,422	147,976	1,898,746
2015–2016	1,015,865	486,978	121,217	47,604	146,712	1,818,376
2016–2017	1,035,929	459,429	124,900	43,919	145,189	1,809,366
2017–2018	1,064,519	429,523	128,958	39,865	143,355	1,806,220
2018–2019	1,013,513	396,533	121,487	35,574	141,355	1,708,462
2019–2020	913,951	374,893	86,049	31,727	139,433	1,546,053
2020–2021	945,477	347,115	89,523	28,252	137,540	1,547,907
2021–2022	991,824	317,381	93,176	24,599	135,482	1,562,462
2022–2023	1,012,929	293,103	97,071	20,704	133,249	1,557,056
2023–2024	1,070,921	252,622	94,079	16,585	124,771	1,558,978
2024–2025	1,116,748	214,116	98,252	12,397	109,717	1,551,230
2025–2026	1,153,360	173,392	81,640	8,389	93,820	1,510,601
2026–2027	792,734	138,897	22,266	5,946	77,992	1,037,835
2027–2028	816,490	110,890	23,510	4,701	62,241	1,017,832
2028–2029	850,145	81,224	24,855	3,355	45,543	1,005,122
2029–2030	878,689	49,772	26,311	1,900	27,822	984,494
2030–2031	910,120	16,808	19,880	571	9,358	956,737
	\$18,623,067	\$ 5,785,306	\$ 1,670,678	\$ 492,685	\$ 2,120,280	\$ 28,692,016

Todd County School District
Notes to the Financial Statements (Continued)

Note 4: General Long-Term Obligations *(Continued)*

Maturities of other debt are as follow for the fiscal years ending:

June 30,	
2013	\$ 441,936
2014	373,539
2015	76,751
2016	48,422
Thereafter	3,736
	\$ 944,384

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

June 30, 2012	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Amounts Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
General obligation debt	\$ 21,193,150	\$ 2,150,000	\$ (3,049,405)	\$ 20,293,745	\$ 1,128,928
Less deferred issuance discounts	(158,456)	(18,893)	34,397	(142,952)	-
Less deferred amount on refunded bonds	(156,539)	(113,302)	20,239	(249,602)	-
Total bonds and notes payable	20,878,155	2,017,805	(2,994,769)	19,901,191	1,128,928
Other liabilities:					
Compensated absences	414,130	53,643	(57,446)	410,327	91,224
Other	1,183,306	292,676	(531,598)	944,384	441,936
Total other liabilities	1,597,436	346,319	(589,044)	1,354,711	533,160
Total Long-Term Liabilities	\$ 22,475,591	\$ 2,364,124	\$ (3,583,813)	\$ 21,255,902	\$ 1,662,088

Note 5: Fund Balances

The Board follows GASB Statement Number 54. Under this statement, fund balance is separated into five categories, as follows:

Non-spendable fund balances are amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2012, the District had \$204,930 as restricted for capital projects in the construction fund, \$65,261 restricted in the non-major funds (\$65,261 restricted for capital projects and debt service) and \$45,143 restricted in the special revenue fund for grant programs.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments in the general fund at June 30, 2012: \$1,517,552 for technology programs.

Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2012 was \$5,828. Assigned fund balances also include (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

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

Note 5: Fund Balances *(Continued)*

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations using restricted funds first, followed by committed funds, assigned funds and then unassigned funds. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically rebudgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2012 in the governmental funds balance sheet.

Note 6: Pension Plans

• ***Plan Descriptions***

The Todd County School District participates in the Teachers' Retirement System of the State of Kentucky, a component unit of the Commonwealth of Kentucky (KTRS) and the County Employees Retirement System, a component unit of the Commonwealth of Kentucky (CERS), cost-sharing multiple-employer defined benefit plans. KTRS and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. KTRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The KTRS and CERS issue a publicly available financial report that includes financial statements and required supplementary information. KTRS' report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 or by calling (502) 573-3266. CERS' report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601-6124 or by calling (502) 564-5656.

• ***Funding Policy***

KTRS plan members are required to contribute 10.355% (10.855% for new hires effective July 1, 2008) of their covered salary. The CERS plan members are required to contribute 5.00% of their covered salary (6.00% for new hires effective July 1, 2008). The District is required to contribute to the CERS and the Commonwealth of Kentucky is required to contribute to the KTRS. The contribution rate is actuarially determined. The

Note 6: Pension Plans *(Continued)*

rate for KTRS is 13.605% (14.105% for new hires effective July 1, 2008) of annual covered payroll. The rate for CERS is 18.96%, 16.93% and 16.16% for the years ended June 30, 2012, 2011 and 2010, respectively, of annual covered payroll. The contribution requirements of the plan members, the District and Commonwealth of Kentucky are established and may be amended by the Plans' Board of Trustees. The District's contributions to CERS for the years ended June 30, 2012, 2011 and 2010 were \$585,482, \$528,398 and \$509,491, respectively, equal to the required contributions for each year.

For the year ended June 30, 2012, the Commonwealth contributed \$1,014,006 to the KTRS for the benefit of the District's participating employees. The District's contributions to the KTRS for the year ended June 30, 2012 were \$196,295

The amount recognized for revenues and expenditures/expenses for on-behalf payments relating to fringe benefits, insurance and retirement benefits for the year ended June 30, 2012 was \$3,234,371 for the governmental funds and \$100,756 for proprietary funds.

• **Medical Insurance Plan**

Plan Description — In addition to the pension benefits described above, Kentucky Revised Statute 161.675 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 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.

Funding Policy — In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Those who became members before July 1, 2008 contribute 1.25% of salary to the plan. Member contributions are 1.75% of salary for those who became members after

Note 6: Pension Plans *(Continued)*

July 1, 2008. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 0.5% of members' salary for the 2011–2012 fiscal year.

• ***Deferred Compensation Plans***

The District offers its employees to defer compensation in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permit them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities in the financial statements.

Note 7: 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.

Note 8: Litigation

The District is a defendant in several lawsuits arising in the normal course of business. In the aggregate, these claims seek monetary damages. To the extent the outcome of such litigation has been determined to result in probable loss to the District, such loss will be accrued in the accompanying financial statements. Litigation where loss to the District is reasonably possible has not been accrued; therefore, the District's management and counsel estimate no such loss at this time.

Note 9: Insurance and Related Activities

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

Note 10: 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 are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) 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 member on a pro rata basis.

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

Note 11: Excess Expenditures Over Appropriations

The District has no funds with a deficit fund balance. However, the following funds had excess current year expenditures over current year appropriated revenues:

Fund	Amount
General	\$ 451,188
Special revenue	51,654
Construction	2,762,542

Note 12: Fund Transfers

Fund transfers for the year ended June 30, 2012 consist of the following:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	Matching	\$ 36,096
Operating	General	Debt Service	Debt Service	278,926
Operating	FSPK	Debt Service	Debt Service	1,258,037
Operating	SEEK	General	Fund Expenditures	186,081

Required Supplementary Information

Todd County School District
Budgetary Comparison Schedule for the General Fund

Year Ended June 30, 2012	Budgeted Amounts		Actual (Budgetary Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
Revenues				
Local and intermediate sources	\$ 2,776,600	\$ 2,810,804	\$ 2,982,600	\$ 171,796
State programs	9,470,719	9,307,631	9,300,567	(7,064)
Federal programs	30,000	30,000	33,797	3,797
Total revenues	12,277,319	12,148,435	12,316,964	168,529
Expenditures				
Current:				
Instruction	6,311,076	6,296,052	6,192,359	103,693
Support services:				
Student	797,587	796,587	785,800	10,787
Instructional staff	686,598	694,713	671,637	23,076
District administration	766,424	732,424	736,008	(3,584)
School administration	1,098,266	1,104,467	1,103,637	830
Business	415,645	415,645	308,466	107,179
Plant operations and maintenance	1,543,697	1,468,252	1,546,036	(77,784)
Student transportation	1,501,011	1,494,011	1,275,213	218,798
Other	1,214,415	1,214,415	20,055	1,194,360
Debt service	117,675	117,675	-	117,675
Total expenditures	14,452,394	14,334,241	12,639,211	1,695,030

Excess (Deficiency) of Revenues over Expenditures	(2,175,075)	(2,185,806)	(322,247)	1,863,559
Other Financing Sources (Uses)				
Operating transfers – net	131,500	141,081	(128,941)	(270,022)
Total other financing sources (uses)	131,500	141,081	(128,941)	(270,022)
Net Change in Fund Balance	(2,043,575)	(2,044,725)	(451,188)	1,593,537
Fund Balance – Beginning of Year	2,043,575	2,044,725	3,562,278	1,517,553
Fund Balance – End of Year	\$ -	\$ -	\$ 3,111,090	\$ 3,111,090

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Inflows/revenues:

 Actual amounts (budgetary basis) \$ 12,316,964

Differences — budget to GAAP:

 On-behalf payments recorded under GAAP basis not included in budgeted amounts 3,234,371

Total Revenues as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances — Governmental Funds

\$ 15,551,335

Outflows/expenditures:

 Actual amounts (budgetary basis) \$ 12,639,211

Differences — budget to GAAP:

 On-behalf payments recorded under GAAP basis not included in budgeted amounts 3,234,371

Total Expenditures as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances — Governmental Funds

\$ 15,873,582

Todd County School District
Budgetary Comparison Schedule for the Special Revenue Fund

Year Ended June 30, 2012	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
Revenues				
Local and intermediate sources	\$ -	\$ 98	\$ 1,741	\$ 1,643
State programs	1,290,063	1,300,184	1,293,927	(6,257)
Federal programs	1,788,801	1,846,870	1,838,846	(8,024)
Total revenues	3,078,864	3,147,152	3,134,514	(12,638)
Expenditures				
Current:				
Instruction	2,040,997	2,070,493	2,050,079	20,414
Support services:				
Student	49,165	42,080	48,849	(6,769)
Instructional staff	609,434	589,506	693,357	(103,851)
School administration	-	-	596	(596)
Plant operations and maintenance	1,250	1,250	1,321	(71)
Student transportation	231,910	243,410	238,754	4,656
Other	191,108	189,307	189,308	(1)
Total expenditures	3,123,864	3,136,046	3,222,264	(86,218)
Excess (Deficiency) of Revenues over Expenditures	(45,000)	11,106	(87,750)	(98,856)

Other Financing Sources (Uses)				
Operating transfers	45,000	21,658	36,096	14,438
Total other financing sources (uses)	45,000	21,658	36,096	14,438
Net Change in Fund Balance	-	32,764	(51,654)	(84,418)
Fund Balance – Beginning of Year	-	-	96,797	96,797
Fund Balance – End of Year	\$ -	\$ 32,764	\$ 45,143	\$ 12,379

Supplementary Information

Todd County School District
Combining Balance Sheet
Non-Major Governmental Funds

June 30, 2012	SEEK Fund	FSPK Fund	Debt Service Fund	Total Other Governmental Funds
Assets				
Cash	\$ -	\$ 62,506	\$ 2,755	\$ 65,261
Total Assets	\$ -	\$ 62,506	\$ 2,755	\$ 65,261
Fund Balances				
Restricted	\$ -	\$ 62,506	\$ 2,755	\$ 65,261
Total Fund Balances	\$ -	\$ 62,506	\$ 2,755	\$ 65,261

Todd County School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds

Year Ended June 30, 2012	SEEK Fund	FSPK Fund	Debt Service Fund	Total Other Governmental Funds
Revenues				
From local sources:				
Taxes:				
Property	\$ -	\$ 524,530	\$ -	\$ 524,530
Earnings on investments	-	-	1,766	1,766
Intergovernmental – state	186,081	796,013	196,164	1,178,258
Intergovernmental – federal	-	-	150,157	150,157
Total revenues	186,081	1,320,543	348,087	1,854,711
Expenditures				
Debt service:				
Principal	-	-	1,029,405	1,029,405
Interest	-	-	853,879	853,879
Bond issuance cost	-	-	34,050	34,050
Total expenditures	-	-	1,917,334	1,917,334
Excess (Deficiency) of Revenues over Expenditures	186,081	1,320,543	(1,569,247)	(62,623)
Other Financing Sources (Uses)				
Proceeds of advance refunding bonds – net of discount	-	-	2,131,107	2,131,107
Payment to advance refunded bond escrow agent	-	-	(2,096,068)	(2,096,068)
Operating transfers – in	-	-	1,536,963	1,536,963
Operating transfers – out	(186,081)	(1,258,037)	-	(1,444,118)
Total other financing sources (uses)	(186,081)	(1,258,037)	1,572,002	127,884
Net Change in Fund Balances	-	62,506	2,755	65,261
Fund Balances – Beginning of Year	-	-	-	-
Fund Balances — End of Year	\$ -	\$ 62,506	\$ 2,755	\$ 65,261

Todd County School District
Combining Statement of Assets and Liabilities
All School Activity Funds

Year Ended June 30, 2012	Cash July 1, 2011	Receipts	Disbursements	Cash June 30, 2012	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2012
Todd County Central High School	\$ 79,927	\$ 277,167	\$ 269,759	\$ 87,335	\$ -	\$ -	\$ 87,335
Todd County Middle School	50,123	117,933	107,190	60,866	1,010	-	61,876
North Todd Elementary School	17,005	71,630	58,320	30,315	-	-	30,315
South Todd Elementary School	21,810	33,785	29,937	25,658	-	-	25,658
Total	\$ 168,865	\$ 500,515	\$ 465,206	\$ 204,174	\$ 1,010	\$ -	\$ 205,184

Todd County School District
Statement of Assets and Liabilities
All Activity Funds
Todd County Central High School

Year Ended June 30, 2012	Cash July 1, 2011	Receipts	Disbursements	Cash June 30, 2012	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2012
General Fund	\$ 3,880	\$ 14,233	\$ 8,935	\$ 9,178	\$ -	\$ -	\$ 9,178
Athletic Fund	17,816	72,933	71,004	19,745	-	-	19,745
Athletics – Track	-	500	500	-	-	-	-
Game Concessions	2,301	19,533	15,564	6,270	-	-	6,270
Ag/Greenhouse	4,678	3,401	3,964	4,115	-	-	4,115
Drama	216	6,161	4,889	1,488	-	-	1,488
Family/Consumer Science	443	319	287	475	-	-	475
Academic Team	315	450	207	558	-	-	558
ART–Kelly	47	-	47	-	-	-	-
Band Account	188	3,478	3,191	475	-	-	475
Student Rewards	4,676	4,798	1,650	7,824	-	-	7,824
Graduation	100	-	100	-	-	-	-
PE Fund	44	-	-	44	-	-	44
Golf	382	1,083	1,391	74	-	-	74
FBLA	1,477	775	578	1,674	-	-	1,674
Class of 2002	50	-	50	-	-	-	-
FFA Club	11,280	50,541	49,693	12,128	-	-	12,128
GT Class	108	-	-	108	-	-	108
Beta Club	2,243	1,342	907	2,678	-	-	2,678
Joe Gray Memorial Fund	525	1,000	1,525	-	-	-	-
Student Council Club	4,245	5,286	4,197	5,334	-	-	5,334
CCLA Club	619	1,182	1,283	518	-	-	518
Spanish Club	64	207	212	59	-	-	59

FFA Monsanto Scholarships	2,500	-	2,500	-	-	-	-
TCHS Spirit Store	-	2,957	1,629	1,328	-	-	1,328
Yearbook Fund	3,702	19,176	19,462	3,416	-	-	3,416
Class of 2013	-	14,731	12,865	1,866	-	-	1,866
Library Fund	440	190	225	405	-	-	405
We Care Club	347	0	202	145	-	-	145
TC Pep Club	204	285	81	408	-	-	408
1 st Priority Club	-	240	-	240	-	-	240
Dance Team	509	7,846	7,605	750	-	-	750
Student YMCA Club	86	-	86	-	-	-	-
HOSA Club	-	920	484	436	-	-	436
Cheerleader Fund	8,957	26,041	33,749	1,249	-	-	1,249
Future Educators of America	-	200	-	200	-	-	200
National Honor Society	68	545	593	20	-	-	20
Faculty Lounge	442	1,468	1,088	822	-	-	822
Class of 2006	92	-	92	-	-	-	-
Girls' Basketball	315	1,010	1,325	-	-	-	-
Young Eagles	25	-	25	-	-	-	-
FCA	831	-	-	831	-	-	831
Class of 2003	483	-	483	-	-	-	-
Class of 2005	182	-	182	-	-	-	-
Scholarships	600	3,275	3,000	875	-	-	875
Young Republicans	155	-	155	-	-	-	-
YSC	47	872	596	323	-	-	323
Class of 2009	345	-	345	-	-	-	-
2011 Parents/Project Graduation	-	8,042	8,042	-	-	-	-
Class of 2010	1,592	-	1,592	-	-	-	-
Science Club	240	-	240	-	-	-	-
Girls Hardwood Club	25	2,658	1,407	1,276	-	-	1,276
Class of 2012	2,043	9,091	11,134	-	-	-	-
Inter-fund Transfers	-	(9,602)	(9,602)	-	-	-	-
	\$ 79,927	\$ 277,167	\$ 269,759	\$ 87,335	\$ -	\$ -	\$ 87,335

Todd County School District

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Child Nutrition Cluster			
Passed-Through State Department of Education:			
School Breakfast Program	10.553	7760005 12	\$ 222,302
National School Lunch Program	10.555	7750002 12	618,932
National School Summer Meals Program	10.559	7740023 11	13,768
Passed-Through State Department of Agriculture:			
Food Distribution Program – non-cash	10.555	057502	73,290
Total U.S. Department of Agriculture			928,292
U.S. Department of Energy			
Passed-Through Green River Region Educational Cooperative:			
ARRA – “SEMP” School Energy Managers Project	81.041	5692	2,394
Total U.S. Department of Energy			2,394
U.S. Department of Education			
Passed-Through State Department of Education:			
ARRA Education Jobs Fund	84.410	EJOB00 10	77,061
Title I – Part A Cluster			
Title I – 2011	84.010	3100002 10	148,510
Title I – 2012	84.010	3100002 11	608,003
Title I – School Improvement Funds – 2012	84.010	3100202 11	11,724
Subtotal			768,237
Migrant Education – 2011	84.011	3110002 10	54,453
Migrant Education – 2012	84.011	3110002 11	34,493
Subtotal			88,946
Special Education Cluster			
IDEA – Part B Special Education – 2011	84.027	3810002 10	6,420
IDEA – Part B Special Education – 2012	84.027	3810002 11	460,562
IDEA – Part B Preschool – 2011	84.173	3800002 10	30,785
IDEA – Part B Preschool – 2012	84.173	3800002 11	44,054
ARRA – IDEA – Basic Preschool	84.392	4800002 09	387
ARRA – IDEA – Basic Special Education	84.391	4810002 09	30,370
Subtotal			572,578

Year Ended June 30, 2012

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures	
English Language Acquisition Grants – 2011	84.365	3300002 10	3,099	
English Language Acquisition Grants – 2012	84.365	3300002 11	5,788	
Subtotal				8,887
Vocational Education – 2010	84.048	4621032 09	956	
Vocational Education – 2011	84.048	4621132 10	1,312	
Vocational Education – 2012	84.048	4621232 11	17,549	
Subtotal				19,817
Education Technology State Grant Cluster				
Title II – Education Technology – 2010	84.318	3210002 09	99	
Title II – Education Technology – 2011	84.318	3210002 10	2,468	
ARRA – Title II-A – Education Technology	84.386	4210002 09	882	
ARRA – Title II-A Education Technology Competitive	84.386	4210002 09	13,269	
Subtotal				16,718
Title II – Teacher Quality – 2011	84.367	3230002 10	1,479	
Title II – Teacher Quality – 2012	84.367	3230002 11	114,298	
Subtotal				115,777
Title VI – Rural Education Achievement – 2011	84.358	3140002 10	2,061	
Title VI – Rural Education Achievement – 2012	84.358	3140002 11	29,199	
Subtotal				31,260
Passed-Through Green River Region Educational Cooperative:				
Gear-Up Program (GRREC)	84.334	6972		81,170
Passed-Through State Workforce Cabinet:				
Adult Education – Federal Basic – 2012	84.002	3732	45,291	
Adult Education – Professional/Staff Development	84.002	3732S	1,647	
Recruitment, Retention and Results	84.002	3651	9,063	
Subtotal				56,001
Total U.S. Department of Education				1,836,452
Total Expenditures of Federal Awards				\$ 2,767,138

Note 1: Basis of Presentation

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

Note 2: Summary of Significant Accounting Policies

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

Non-monetary assistance is reported in the schedule of fair value of the goods received.

Note 3: Subrecipients

There were no subrecipients during the fiscal year.

Todd County School District
Summary Schedule of Prior Year Audit Findings

None

**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Kentucky State Committee for School District Audits
Members of the Board of Education
Todd County School District
Elkton, 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 Todd County School District as of and for the year ended June 30, 2012, which collectively comprise Todd County School District's basic financial statements and have issued our report thereon dated October 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the *Independent Auditors' Contract—General Audit Requirements*, Appendix II of the *Independent Auditors' Contract—State Audit Requirements*, Appendix III of the *Independent Auditors' Contract—Audit Extension Request* and Appendix IV of the *Independent Auditors' Contract—Instructions for the 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 the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of the 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 the 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 weakness, as defined above.

● Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no significant instances of material non-compliance of specific state statutes or regulations identified in Appendix II of the *Independent Auditors' Contract—State Audit Requirements*.

We noted certain matters that we reported to management of the District in a separate letter dated October 31, 2012.

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

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Bowling Green, Kentucky
October 31, 2012

**Independent Auditors' Report on Compliance with Requirements
that Could Have a Direct and Material Effect on Each Major Program
and on Internal Control over Compliance in Accordance with OMB
Circular A-133**

Kentucky State Committee for School District Audits
Members of the Board of Education
Todd County School District
Elkton, Kentucky

● **Compliance**

We have audited Todd County School District's (the "District") 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 the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of the District's 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the *Independent Auditors' Contract—General Audit Requirements*, Appendix II of the *Independent Auditors' Contract—State Audit Requirements*, Appendix III of the *Independent Auditors' Contract—Audit Extension Request* and Appendix IV of the *Independent Auditors' 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 non-compliance 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, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

- **Internal Control Over Compliance**

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 requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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, non-compliance 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 non-compliance 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 members of the Todd County Board of Education, Kentucky State Committee for School District Audits, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, LLC

Section I — Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified
that are not considered to be material
weakness(es)? ☐ Yes ☒ None reported

Non-compliance material to financial
statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified
that are not considered to be material
weakness(es)? ☐ Yes ☒ None reported

Type of auditors' report issued on
compliance for major programs: unqualified

Any audit findings disclosed that are required
to be reported in accordance with section
510(a) of Circular A-133? ☐ Yes ☒ No

Todd County School District
Schedule of Findings and Questioned Costs

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553 / 10.555 / 10.559	Child Nutrition Cluster
84.367	Improving Teacher Quality

Dollar threshold used to distinguish
between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Section II — Financial Statement Findings

None reported.

Section III — Federal Award Findings and Questioned Costs

None reported.

Management Letter

Kentucky State Committee for School District Audits
Members of the Board of Education
Todd County School District
Elkton, Kentucky

In planning and performing our audit of the financial statements of Todd County School District (the "District") for the year ended June 30, 2012, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated October 31, 2012 contains our report on the District's internal control. This letter does not affect our report dated October 31, 2012 on the financial statements of the District.

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

Carr, Riggs & Ingram, LLC

Carr, Riggs & Ingram, LLC
Russellville, Kentucky
October 31, 2012

- **District**

- ▶ During our testing of construction cost, we noted repairs to a chiller and boiler at the middle school were paid from construction funds. Construction fund monies are only to be used for new construction or renovations, not repairs. Repairs are the responsibility of the general fund or the SEEK capital outlay fund only with state approval. We recommend construction funds in the future only be used for the restricted purpose of the fund.

- **Food Service**

- ▶ In our procedures for inventory, we noted the pricing of inventory items did not agree to supporting vendor invoices. We recommend the individual inventory prices on the inventory sheets be reviewed and updated monthly to ensure accurate inventory prices are used in valuing inventory.

**TODD COUNTY SCHOOL DISTRICT
ELKTON, KENTUCKY
MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2012**

October 31, 2012

Carr, Riggs & Ingram, LLC
167 South Main Street
Russellville, KY 42276

Dear Sirs:

Regarding the comments noted during the June 30, 2012 audit of our financial statements, we have the following responses.

Todd County Board of Education (District)

Condition and Criteria: We noted repairs to a chiller and boiler at the middle school were paid from construction funds.

Auditor Recommendation: We recommend construction funds in the future only be used for the restricted purpose of the fund.

Management Response: We are in the process of obtaining approval from KDE for the abovementioned expenditures. In the future, all construction funds will be used for the restricted purpose of the fund or KDE approval for the use of the funds will be obtained before any expenditures are made.

Food service

Condition and Criteria: In our procedures for inventory, we noted the pricing of inventory items did not agree to supporting vendor invoices.

Auditor Recommendation: We recommend the individual inventory prices on the inventory sheets be reviewed and updated monthly to ensure accurate inventory prices are used in valuing inventory.

Management Response: We make every effort to update individual prices when valuing inventory. In this instance, an old form was inadvertently used. In the future the Food Service Director will review inventory sheets to ensure the latest and most currently priced sheets are used.

I would like to take this opportunity to thank you for the suggestions for improving our internal controls. The school district is always open to suggestions for improvement especially in the area of internal control and safeguarding the assets of the school district.

Sincerely,

Makka Wheeler, Finance Officer