

**BATH COUNTY SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2011**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**



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## INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Bath County School District  
Owingsville, 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 Bath County School District (the "District") as of June 30, 2011, 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; OMB Circular A-133, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract - General Audit Requirements* and *Appendix II to the Independent Auditor's Contract - State Audit Requirements*, and *Appendix III to the Independent Auditor's Contract - Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic 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 Bath County School District as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Special Revenue Fund 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 6, 2011, on our consideration of Bath 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 4 through 7 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 the appropriate operational, economic, or historical context. We have applied certain limited procedures, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency in management's responses to our inquiries, the basic financial statements, and 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 any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bath County School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedule of expenditures of federal awards contained on pages 42 and 43 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Bath County School District. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Kelley, Galloway & Company, PSC*

October 6, 2011

**BATH COUNTY SCHOOL DISTRICT  
OWINGSVILLE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
FOR THE YEAR ENDED JUNE 30, 2011**

As management of the Bath County School District ("the 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, 2011. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance for all funds of the District, excluding agency funds, was approximately \$4,489,765 and the ending balance was approximately \$4,363,794, a decrease of approximately \$125,971 for the year.
- The General Fund had \$13,152,009 in revenue, which consisted primarily of the State program (SEEK), and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$13,217,038 in General Fund expenditures.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District's total debt decreased by \$873,757 during the current fiscal year.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (government activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 8 and 9 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with

finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The primary proprietary fund is our food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10 through 20 of this report.

**Notes to the financial statements.** The notes provided 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 21 - 33 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by approximately \$10.9 million as of June 30, 2011.

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

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

### Net Assets for the period ending June 30, 2011

	2011	2010
Current Assets	\$ 4,972,262	\$ 5,311,189
Noncurrent Assets	22,563,332	22,844,632
Total Assets	<u>\$ 27,535,594</u>	<u>\$ 28,155,821</u>
Current Liabilities	\$ 1,453,973	\$ 2,234,054
Noncurrent Liabilities	15,176,639	15,981,286
Total Liabilities	<u>16,630,612</u>	<u>18,215,340</u>
Net Assets		
Investment in capital assets (net of debt)	6,582,046	5,356,804
Restricted	394,945	40,432
Unreserved Fund Balance	3,927,991	4,543,245
Total Net Assets	<u>10,904,982</u>	<u>9,940,481</u>
Total liabilities and net assets	<u>\$ 27,535,594</u>	<u>\$ 28,155,821</u>

- The change in current assets is mainly attributable to the use of current financing sources for purchases of capital assets in the amount of \$711,503.

## Comments on Budget Comparisons

- The District's total governmental revenues for the fiscal year ended June 30, 2011, net of interfund transfers were \$18,991,993, compared with \$18,835,488 in 2010. This increase is a result of an increase in tax receipts in the current year.
- After adjustments for contingency, the General fund budget compared to actual expenditures varied modestly from line item to line item with the ending actual balance being \$2.6 million less than budget or approximately 19.3%.
- The total cost of all programs and services for governmental activities was \$18,128,216, compared with \$17,961,757 in 2010. This increase is due to cost of living increases.

The following table presents a summary of all governmental activities and business-type activities revenues and expenses for the fiscal year ended June 30, 2011, with comparison to 2010.

	2011	2010
<b>Revenues:</b>		
Local Revenue Sources	\$ 2,784,614	\$ 3,077,378
State and Federal Revenue Sources	<u>17,649,815</u>	<u>17,618,104</u>
Total Revenues	<u>20,434,429</u>	<u>20,695,482</u>
<b>Expenses:</b>		
Instruction	10,313,682	10,545,691
Student Support Services	825,502	734,763
Instructional Support	1,007,318	832,919
District Administration	883,865	640,528
School Administration	1,040,280	1,082,249
Business and Other Support Services	288,100	267,027
Plant Operations	1,825,828	1,989,852
Student Transportation	1,390,450	928,653
Food Service Operations	1,234,720	1,163,319
Child Care Services	106,992	126,916
Community Services	318,740	307,290
Debt service	<u>234,451</u>	<u>632,785</u>
Total Expenses	<u>19,469,928</u>	<u>19,251,992</u>
Revenues in Excess of Expenses	<u>\$ 964,501</u>	<u>\$ 1,443,490</u>

## Governmental Funds Revenue

The majority of revenue was derived from state funding making up 66% and federal funding of 20% of total revenue. Local revenues make up 14% of total revenue (15% in 2010).

## District-Wide Support Allocation

District-wide support services expenditures were Transportation 7%, Maintenance & Operations 9%, and Business Functions 1%.

## Budgetary Implications

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with approximately \$750,000 in contingency (3.8%). The general fund cash balance for beginning the next fiscal year is \$3,683,564.

Results of the current fiscal year and recent historical trends for the District were taken into account when preparing the subsequent year budget. No significant changes in revenue or expense items are



foreseeable. The District's tax rates and tax base remain effectively the same. The District has assessed and considered underlying economical and funding factors at the federal, state, and local level and other non-financial areas including demographics, local economy and risk of loss of student population that may have a significant impact on the financial statements when preparing subsequent year budgets.

Questions regarding this report should be directed to the Superintendent or to the Finance Officer at (606) 674-6314.

**BATH COUNTY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,882,688	\$ 481,106	\$ 4,363,794
Receivables (net of allowances for uncollectibles):			
Taxes	74,881	-	74,881
Other	10,085	-	10,085
Intergovernmental - state	511,066	-	511,066
Intergovernmental - federal	3,202	-	3,202
Inventories	-	9,234	9,234
Capital assets, not being depreciated	518,317	-	518,317
Capital assets, being depreciated, net	21,536,970	508,045	22,045,015
Total assets	<u>26,537,209</u>	<u>998,385</u>	<u>27,535,594</u>
<b>Liabilities</b>			
Accounts payable	47,004	9,122	56,126
Deferred revenue	340,237	-	340,237
Portion due or payable within one year:			
Debt obligations	890,212	-	890,212
Interest payable	167,398	-	167,398
Noncurrent liabilities:			
Portion due or payable after one year:			
Debt obligations	15,091,074	-	15,091,074
Accrued sick leave	85,565	-	85,565
Total liabilities	<u>16,621,490</u>	<u>9,122</u>	<u>16,630,612</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	6,074,001	508,045	6,582,046
Restricted for:			
Capital projects	359,047	-	359,047
Other purposes	-	481,218	481,218
Unrestricted	3,482,671	-	3,482,671
Total net assets	<u>\$ 9,915,719</u>	<u>\$ 989,263</u>	<u>\$ 10,904,982</u>

The accompanying notes to financial statements are an integral part of this statement.

BATH COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
Instruction	\$ 10,313,682	\$ -	\$ 2,747,353	\$ -	\$ (7,566,329)	\$ -	\$ (7,566,329)
Support services:							
Students	825,502	-	201,902	-	(623,600)	-	(623,600)
Instructional staff	1,007,318	-	687,404	-	(319,914)	-	(319,914)
District administration	883,865	-	5,986	-	(877,879)	-	(877,879)
School administration	1,040,280	-	-	-	(1,040,280)	-	(1,040,280)
Business and other support services	288,100	-	24,515	-	(263,585)	-	(263,585)
Operation and maintenance of plant	1,825,828	-	30,982	-	(1,794,846)	-	(1,794,846)
Student transportation	1,390,450	-	118,972	-	(1,271,478)	-	(1,271,478)
Community services	318,740	-	306,801	-	(11,939)	-	(11,939)
Debt service	234,451	-	63,780	1,293,188	1,122,517	-	1,122,517
Total governmental activities	18,128,216	-	4,187,695	1,293,188	(12,647,333)	-	(12,647,333)
Business-type activities:							
Food service	1,234,720	255,137	1,039,875	-	-	60,292	60,292
Child Care	106,992	92,804	44,627	-	-	30,439	30,439
Total business-type activities	1,341,712	347,941	1,084,502	-	-	90,731	90,731
Total primary government	\$ 19,469,928	\$ 347,941	\$ 5,272,197	\$ 1,293,188	\$ (12,647,333)	\$ 90,731	\$ (12,556,602)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 1,389,138	\$ -	\$ 1,389,138
Motor vehicle					229,849	-	229,849
Utilities					525,064	-	525,064
Intergovernmental revenues:							
State					11,084,430	-	11,084,430
Investment earnings					252,872	5,371	258,243
Gain on sale of assets					4,622	-	4,622
Other local revenues					29,757	-	29,757
Total general revenues and transfers					13,515,732	5,371	13,521,103
Change in net assets							
					868,399	96,102	964,501
Net assets, June 30, 2010							
					9,047,320	893,161	9,940,481
Net assets, June 30, 2011							
					\$ 9,915,719	\$ 989,263	\$ 10,904,982

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 3,683,564	\$ -	\$ 359,047	\$ 4,042,611
Receivables (net of allowances for uncollectibles):				
Property taxes	74,881	-	-	74,881
Other	10,085	-	-	10,085
Intergovernmental - state	-	511,066	-	511,066
Intergovernmental - federal	3,202	-	-	3,202
Total assets	<u>\$ 3,771,732</u>	<u>\$ 511,066</u>	<u>\$ 359,047</u>	<u>\$ 4,641,845</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 36,098	\$ 10,906	\$ -	\$ 47,004
Cash deficit balance	-	159,923	-	159,923
Deferred revenue	-	340,237	-	340,237
Total liabilities	<u>36,098</u>	<u>511,066</u>	<u>-</u>	<u>547,164</u>
<b>Fund balances:</b>				
Assigned	-	-	-	-
Restricted	35,898	-	359,047	394,945
Non-spendable	-	-	-	-
Unassigned	3,699,736	-	-	3,699,736
Committed	-	-	-	-
Total fund balances	<u>3,735,634</u>	<u>-</u>	<u>359,047</u>	<u>4,094,681</u>
Total liabilities and fund balances	<u>\$ 3,771,732</u>	<u>\$ 511,066</u>	<u>\$ 359,047</u>	<u>\$ 4,641,845</u>

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ASSETS  
JUNE 30, 2011**

Fund balances—total governmental funds	\$ 4,094,681
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	22,055,287
Certain other assets and liabilities are not available to pay current period expenditures and therefore are not reported in this fund.	(85,565)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(16,148,684)</u>
Net assets of governmental activities	<u><u>\$ 9,915,719</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes -				
Property	\$ 1,203,607	\$ -	\$ 185,531	\$ 1,389,138
Motor vehicles	229,849	-	-	229,849
Utilities	525,064	-	-	525,064
Tuition and fees	-	-	-	-
Interest income	50,099	202,773	-	252,872
Other local revenues	29,757	44,613	-	74,370
Intergovernmental - State	10,984,539	996,446	1,293,188	13,274,173
Intergovernmental - Indirect federal	27,548	3,146,636	-	3,174,184
Intergovernmental - Direct federal	72,343	-	-	72,343
Total revenues	<u>13,122,806</u>	<u>4,390,468</u>	<u>1,478,719</u>	<u>18,991,993</u>
Expenditures:				
Current:				
Instruction	7,420,682	2,994,349	-	10,415,031
Support services:				
Students	599,330	201,902	-	801,232
Instructional staff	286,136	687,404	-	973,540
District administration	834,009	5,986	-	839,995
School administration	1,034,710	-	-	1,034,710
Business and other support services	261,954	24,515	-	286,469
Operation and maintenance of plant	1,448,419	30,982	-	1,479,401
Student transportation	1,134,014	118,972	-	1,252,986
Community services	11,586	306,801	-	318,387
Facilities acquisition and construction	-	-	182,878	182,878
Debt service	186,198	63,780	1,323,617	1,573,595
Total expenditures	<u>13,217,038</u>	<u>4,434,691</u>	<u>1,506,495</u>	<u>19,158,224</u>
Excess (deficiency) of revenues over expenditures	<u>(94,232)</u>	<u>(44,223)</u>	<u>(27,776)</u>	<u>(166,231)</u>
Other financing sources (uses):				
Gain on sale of equipment	29,203	-	-	29,203
Transfers in	-	44,223	652,019	696,242
Transfers out	<u>(44,223)</u>	<u>-</u>	<u>(652,019)</u>	<u>(696,242)</u>
Total other financing sources and uses	<u>(15,020)</u>	<u>44,223</u>	<u>-</u>	<u>29,203</u>
Net change in fund balances	(109,252)	-	(27,776)	(137,028)
Fund balances, June 30, 2010	<u>3,844,886</u>	<u>-</u>	<u>386,823</u>	<u>4,231,709</u>
Fund balances, June 30, 2011	<u>\$ 3,735,634</u>	<u>\$ -</u>	<u>\$ 359,047</u>	<u>\$ 4,094,681</u>

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

Net change in fund balances—total governmental funds	\$	(137,028)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	711,503	
Adjustment to gain on disposal of assets	(24,581)	
Depreciation expense	<u>(935,074)</u>	(248,152)

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

Long-term portion of accrued sick leave		(85,565)
Interest payable		465,387

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the statement of net assets.

		<u>873,757</u>
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Change in net assets of governmental activities	\$	<u><u>868,399</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011**

	Food Service Fund	Other Proprietary Funds	Total Proprietary Funds
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 445,484	\$ 35,622	\$ 481,106
Receivables (net of allowances for uncollectibles)			
Intergovernmental - federal	-	-	-
Inventories	9,234	-	9,234
Total current assets	<u>454,718</u>	<u>35,622</u>	<u>490,340</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	508,045	-	508,045
Total noncurrent assets	<u>508,045</u>	<u>-</u>	<u>508,045</u>
Total assets	<u>\$ 962,763</u>	<u>\$ 35,622</u>	<u>\$ 998,385</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 9,006	\$ 116	\$ 9,122
Total current liabilities	<u>9,006</u>	<u>116</u>	<u>9,122</u>
Total liabilities	<u>9,006</u>	<u>116</u>	<u>9,122</u>
<b>Net Assets</b>			
Non-spendable for inventories	9,234	-	9,234
Invested in capital assets, net of related debt	508,045	-	490,340
Restricted	436,478	35,506	471,984
Total net assets	<u>953,757</u>	<u>35,506</u>	<u>971,558</u>
Total liabilities and net assets	<u>\$ 962,763</u>	<u>\$ 35,622</u>	<u>\$ 980,680</u>

The accompanying notes to financial statements are an integral part of this statement.



**BATH COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Food Service Fund	Other Proprietary Funds	Total Proprietary Funds
Operating revenues:			
Lunchroom sales	\$ 255,137	\$ -	\$ 255,137
Tuition from individuals	-	92,804	92,804
Revenue from local sources	69	29,427	29,496
Revenue from state sources	89,831	15,200	105,031
Total operating revenues	<u>345,037</u>	<u>137,431</u>	<u>482,468</u>
Operating expenses:			
Salaries and wages	378,163	63,989	442,152
Employee benefits	178,902	30,288	209,190
Materials and supplies	631,160	9,632	640,792
Depreciation	33,148	-	33,148
Other operating expenses	13,347	3,083	16,430
Total operating expenses	<u>1,234,720</u>	<u>106,992</u>	<u>1,341,712</u>
Operating income (loss)	<u>(889,683)</u>	<u>30,439</u>	<u>(859,244)</u>
Nonoperating revenues :			
Federal grants	893,166	-	893,166
Investment income	5,371	-	5,371
Donated commodities	43,842	-	43,842
State grants	12,967	-	12,967
Total nonoperating revenue	<u>955,346</u>	<u>-</u>	<u>955,346</u>
Increase in net assets	65,663	30,439	96,102
Net assets, June 30, 2010	<u>888,094</u>	<u>5,067</u>	<u>893,161</u>
Net assets, June 30, 2011	<u>\$ 953,757</u>	<u>\$ 35,506</u>	<u>\$ 989,263</u>

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	Food Service Fund	Other Proprietary Funds	Total Proprietary Funds
Cash flows from operating activities:			
Cash received from:			
Lunchroom sales	\$ 255,137	\$ -	\$ 255,137
Tuition	-	92,804	92,804
Other revenues	89,900	44,627	134,527
Cash paid to/for:			
Payments to suppliers and providers of goods and services	(590,737)	(9,766)	(600,503)
Payments to employees	(557,065)	(94,277)	(651,342)
Other payments	(13,347)	(3,083)	(16,430)
Net cash used for operating activities	<u>(816,112)</u>	<u>30,305</u>	<u>(785,807)</u>
Cash flows from noncapital financing activities:			
Government grants	<u>977,969</u>	<u>-</u>	<u>977,969</u>
Net cash provided by noncapital and related financing activities	<u>977,969</u>	<u>-</u>	<u>977,969</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used for capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest received on investments	<u>5,371</u>	<u>-</u>	<u>5,371</u>
Net cash provided by investing activities	<u>5,371</u>	<u>-</u>	<u>5,371</u>
Net increase in cash and cash equivalents	167,228	30,305	197,533
Cash and cash equivalents, June 30, 2010	<u>278,256</u>	<u>5,317</u>	<u>283,573</u>
Cash and cash equivalents, June 30, 2011	<u>\$ 445,484</u>	<u>\$ 35,622</u>	<u>\$ 481,106</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating income (loss)	\$ (889,683)	\$ 30,439	\$ (859,244)
Adjustments to reconcile operating income (loss) to net cash used for operating activities:			
Depreciation	33,148	-	33,148
Donated commodities	43,842	-	43,842
Change in assets and liabilities:			
Inventory	(4,700)	-	(4,700)
Accounts payable	<u>1,281</u>	<u>(134)</u>	<u>1,147</u>
Net cash provided by (used for) operating activities	<u>\$ (816,112)</u>	<u>\$ 30,305</u>	<u>\$ (785,807)</u>
Non-cash items:			
Donated commodities	\$ 43,842	\$ -	\$ 43,842
On-behalf payments	89,831	15,200	105,031

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011**

	Trust Funds	Activity Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 500	\$ 179,442
Accounts receivable	-	2,055
Total assets	<u>500</u>	<u>181,497</u>
<b>Liabilities</b>		
Accounts payable	-	3,266
Interfund payable	-	-
Due to students	-	178,231
Total liabilities	<u>-</u>	<u>181,497</u>
<b>Net assets held in trust</b>	<u>\$ 500</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	Trust Funds
Additions -	
Interest income	\$ -
Other local revenues	1,500
Intergovernmental - State	-
	<u>1,500</u>
Deductions -	
Operating expenses	-
Benefits paid	2,000
	<u>2,000</u>
Change in net assets	(500)
Net assets, June 30, 2010	<u>1,000</u>
Net assets, June 30, 2011	<u><u>\$ 500</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Taxes -				
Property	\$ 870,000	\$ 880,000	\$ 1,203,607	\$ 323,607
Motor vehicles	185,000	200,000	229,849	29,849
Utilities	475,000	500,000	525,064	25,064
Tuition and fees	-	-	-	-
Interest income	15,000	50,000	50,099	99
Other local revenues	1,500	1,500	29,757	28,257
Intergovernmental - State	8,891,397	8,298,137	8,224,753	(73,384)
Intergovernmental - Indirect federal	-	-	27,548	27,548
Intergovernmental - Direct federal	10,000	30,000	72,343	42,343
Total revenues	<u>10,447,897</u>	<u>9,959,637</u>	<u>10,363,020</u>	<u>403,383</u>
Expenditures:				
Current:				
Instruction	6,786,911	6,524,186	5,503,144	1,021,042
Support services:				
Students	490,857	448,694	599,330	(150,636)
Instructional staff	270,704	281,535	286,136	(4,601)
District administration	1,175,496	1,193,139	724,338	468,801
School administration	842,228	830,100	1,034,710	(204,610)
Business and other support services	225,227	247,503	261,954	(14,451)
Operation and maintenance of plant	1,588,911	1,835,700	1,335,309	500,391
Student transportation	1,200,556	1,261,064	1,131,931	129,133
Community services	18,688	18,724	11,586	7,138
Debt service	275,000	300,000	186,198	113,802
Contingency	523,819	778,479	-	778,479
Total expenditures	<u>13,398,397</u>	<u>13,719,124</u>	<u>11,074,636</u>	<u>2,644,488</u>
Excess (deficiency) of revenues over expenditures	<u>(2,950,500)</u>	<u>(3,759,487)</u>	<u>(711,616)</u>	<u>3,047,871</u>
Other financing sources (uses):				
Gain on sale of equipment	500	500	29,203	28,703
Transfers in	-	-	-	-
Transfers out	(50,000)	(50,000)	(44,223)	5,777
Total other financing sources and uses	<u>(49,500)</u>	<u>(49,500)</u>	<u>(15,020)</u>	<u>34,480</u>
Net change in fund balances	(3,000,000)	(3,808,987)	(726,636)	3,082,351
Fund balances, June 30, 2010	<u>3,000,000</u>	<u>3,808,987</u>	<u>2,114,036</u>	<u>(1,694,951)</u>
Fund balances, June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,387,400</u>	<u>\$ 1,387,400</u>
Adjustments to Generally Accepted Accounting Principles -				
Intergovernmental State Revenue			\$ 2,759,786	
On-behalf payments:				
Instruction			(1,917,538)	
Support services:				
Student support			(119,257)	
Instructional staff support			(75,077)	
District administration			(109,671)	
School administration			(259,645)	
Business and other support services			(49,178)	
Operation and maintenance of plant			(113,110)	
Student transportation			(114,227)	
Community services			(2,083)	
Fund balance, June 30, 2011 (GAAP basis)			<u>\$ 1,387,400</u>	

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest income	\$ 191,700	\$ 188,029	\$ 202,773	\$ 14,744
Other local revenues	-	70,994	44,613	(26,381)
Intergovernmental - State	953,139	1,068,318	996,446	(71,872)
Intergovernmental - Indirect federal	1,770,423	3,175,141	3,146,636	(28,505)
Intergovernmental - Direct federal	-	-	-	-
Total revenues	<u>2,915,262</u>	<u>4,502,482</u>	<u>4,390,468</u>	<u>(112,014)</u>
Expenditures:				
Current:				
Instruction	2,003,420	2,982,512	2,994,349	(11,837)
Support services:				
Students	155,516	241,400	201,902	39,498
Instructional staff	387,657	487,757	687,404	(199,647)
District administration	-	-	5,986	(5,986)
School administration	-	-	-	-
Business and other support services	26,477	23,731	24,515	(784)
Operation and maintenance of plant	39,820	39,898	30,982	8,916
Student transportation	53,346	145,808	118,972	26,836
Community services	244,103	193,426	306,801	(113,375)
Debt service	126,522	63,780	63,780	-
Total expenditures	<u>3,036,861</u>	<u>4,178,312</u>	<u>4,434,691</u>	<u>(256,379)</u>
Excess (deficiency) of revenues over expenditures	<u>(121,599)</u>	<u>324,170</u>	<u>(44,223)</u>	<u>(368,393)</u>
Other financing sources (uses):				
Transfers in	121,599	50,000	44,223	(5,777)
Transfers out	-	-	-	-
Total other financing sources and uses	<u>121,599</u>	<u>50,000</u>	<u>44,223</u>	<u>(5,777)</u>
Net change in fund balances	-	374,170	-	(374,170)
Fund balances, June 30, 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2011	<u>\$ -</u>	<u>\$ 374,170</u>	<u>\$ -</u>	<u>\$ (374,170)</u>

The accompanying notes to financial statements are an integral part of this statement.

**BATH COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**(1) REPORTING ENTITY**

The Bath County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public, elementary, and secondary school education within the jurisdiction of Bath County School District ("District"). The District receives funding from local, state and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards 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 Board, for financial reporting purposes, includes all of the funds and account groups relevant to the operation of the Bath 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.

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. Copies of this organization's financial statements may be obtained from the Superintendent or the District's Finance Officer Jo Brewer at 405 West Main Street, Owingsville, Kentucky 40360.

Bath County Board of Education Finance Corporation - On November 29, 1988, the Bath County, Kentucky, Board of Education resolved to authorize the establishment of the Bath County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Bath County Board of Education also comprise the Corporations' Board of Directors.

The financial statements of the following entity are not included in the accompanying financial statements.

C.C. Chenault Memorial Trust

The Trust was created to establish agricultural programs for the District. The District receives a quarterly payment from the trust for its agricultural programs. The Trust maintains separate accounting records and is not governed or managed by the District.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS**

Basis of Presentation

The accounting policies of the Bath County School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements-provide information about the primary government (the District). The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions, except where allowable for certain grant programs. 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, including internally dedicated resources and all taxes, are reported as general revenues, 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-provide information about the District's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

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

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund,



and any fund balances are considered as resources available for use. This is a major fund of the District.

- (B) The Special Revenue Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the State as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
  - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
  - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- D. Debt Service Funds  
The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

## II. Proprietary Fund Types (Enterprise Fund)

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

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

## III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

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

The Trust Fund is a scholarship fund. The principal and interest earned may be used for scholarships to Bath County High School students.

### 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.

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

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

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

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue.

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

### Property Taxes

Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2011, to finance the General Fund operations were \$.372 per \$100 valuation for real property, \$.372 per \$100 valuation for business personal property and \$.462 per \$100 valuation for motor vehicles. The assessed value of property upon which the levy for the 2011 fiscal year was based, was \$336,617,688.

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

### 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 one thousand dollars (\$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 assets life are not capitalized.

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

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

### 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.

### Accumulated Unpaid Sick Leave Benefits

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

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported in the fund financial statements, but is reflected in the statement of net assets. The District has set aside a reserve in the amount of \$35,898 for accumulated sick leave as permitted by KRS.

### Budgetary Process

**Budgetary Basis of Accounting:** The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is that on-behalf payments made by the state for the District are not budgeted. See note (13) for these amounts which were not known by the District at the time the budget was adopted.

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

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

### Cash and Cash Equivalents

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

### Inventories

Supplies and materials are charged to expenditures when purchased.

### Accrued Liabilities and Long-Term Obligations

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

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

### Fund Balance Reserves

Beginning with fiscal year 2011, the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a

government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance-amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance-amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance-amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint;
- Assigned fund balance-amounts the District intends to use for a specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority;
- Unassigned fund balance-amounts that are available for any purpose; unassigned amounts are reported only in the General Fund.

#### Net Assets

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

#### Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

#### Interfund Activity

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

### **(3) ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's 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 basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### (4) CASH AND CASH EQUIVALENTS

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$4,543,736 and the related bank balances totaled \$6,275,174. Of the total cash balance, \$433,172 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK) Fund, Education Building Fund, Special Revenue (Grant) Funds, Bond and Interest Redemption Fund, School Food Service Funds, and School Activity Funds.

Breakdown per financial statements:

Governmental funds	\$ 3,882,688
Proprietary funds	481,106
Trust and Agency funds	179,942
	<u>\$ 4,543,736</u>

#### (5) BONDED DEBT AND LEASE OBLIGATIONS

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

Issue Date	Proceeds	Rates
1996	\$ 185,000	5.00% – 5.70%
1998	2,195,000	4.00% – 4.25%
2001	515,000	2.60% – 4.25%
2003	955,000	1.10% – 3.15%
2004	850,000	2.00% – 5.00%
2004	123,315	1.00% – 3.15%
2006	132,173	3.30% – 4.00%
2005	5,665,000	3.00% – 4.25%
2006	208,738	3.50% – 3.875%
2008	705,000	3.30% – 4.30%
2008	159,075	2.40% – 4.00%
2008	8,975,000	2.30% – 4.00%
2009	120,186	2.00% – 3.90%

The District through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Bath County Fiscal Court and the School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

In 1996, 1998, 2004, 2005, and 2008, the District entered into “participation agreements” with the School Facility construction Commission. 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 bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2011, for debt service (principal and interest) are as follows:

Year	Kentucky School Facilities Construction Commission		Bath County School District		Total
	Principal	Interest	Principal	Interest	
2012	\$ 375,311	\$ 293,507	\$ 514,901	\$ 309,563	\$ 1,493,282
2013	395,912	281,535	470,203	291,878	1,439,528
2014	407,277	268,278	463,869	274,694	1,414,118
2015	419,321	254,261	470,062	257,639	1,401,283
2016	432,350	239,385	480,414	240,124	1,392,273
2017-2021	2,277,881	953,543	2,443,785	921,521	6,596,730
2022-2026	2,520,805	491,192	2,874,195	410,860	6,297,052
2027-2029	979,035	59,536	455,965	27,514	1,522,050
	<u>\$7,807,892</u>	<u>\$2,841,237</u>	<u>\$ 8,173,394</u>	<u>\$ 2,733,793</u>	<u>\$ 21,556,316</u>

Following are changes in long-term debt:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011
September 1996 issue	\$ 80,000	\$ -	\$ 10,000	\$ 70,000
September 1998 issue	765,000	-	195,000	570,000
November 2001 KISTA	120,000	-	60,000	60,000
April 2003 KISTA	69,397	-	25,258	44,139
June 2004 KISTA	655,000	-	35,000	620,000
January 2004	48,544	-	12,723	35,821
August 2005 series	5,530,000	-	125,000	5,405,000
January 2006 KISTA	79,906	-	13,026	66,880
September 2006 KISTA	149,071	-	19,952	129,119
January 2008 series	655,000	-	25,000	630,000
January 2008 KISTA	125,618	-	14,676	110,942
May 2008 series	8,470,000	-	325,000	8,145,000
January 2009 series	107,507	-	13,122	94,385
Accumulated unpaid sick leave benefits	-	85,565	-	85,565
Totals	<u>\$ 16,855,043</u>	<u>\$ 85,565</u>	<u>\$ 873,757</u>	<u>\$ 16,066,851</u>

## (6) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<b>Governmental Activities</b>				
Land	\$ 518,317	\$ -	\$ -	\$ 518,317
Land improvements	949,651	-	-	949,651
Buildings and improvements	25,415,345	406,000	-	25,821,345
Technology equipment	1,243,002	322,658	144,075	1,421,585
General equipment	720,929	12,253	-	733,182

Vehicles	2,459,406	293,428	-	2,752,834
Construction in progress	322,836	-	322,836	-
Totals	<u>31,629,486</u>	<u>1,034,339</u>	<u>466,911</u>	<u>32,196,914</u>

Less: accumulated depreciation				
Land improvements	726,288	28,777	-	755,065
Buildings and improvements	5,661,064	529,931	-	6,190,995
Technology equipment	843,743	188,142	119,494	912,391
General equipment	413,048	41,774	-	454,822
Vehicles	1,681,904	146,450	-	1,828,354
Total accumulated depreciation	<u>9,326,047</u>	<u>935,074</u>	<u>119,494</u>	<u>10,141,627</u>

Governmental Activities				
Capital Assets - Net	<u>\$ 22,303,439</u>	<u>\$ 99,265</u>	<u>\$ 347,417</u>	<u>\$ 22,055,287</u>

Business-Type Activities				
Buildings and improvements	\$ 308,000	\$ -	\$ -	\$ 308,000
Food service and equipment	489,518	-	52	489,466
Technology equipment	6,915	-	-	6,915
	<u>804,433</u>	<u>-</u>	<u>52</u>	<u>804,381</u>

Less: accumulated depreciation				
Food service equipment	12,833	6,160	-	18,993
Food service and equipment	246,225	26,259	52	272,432
Technology equipment	4,076	835	-	4,911
	<u>263,134</u>	<u>33,254</u>	<u>52</u>	<u>296,336</u>

Business-Type Activities				
Capital Assets - Net	<u>\$ 541,299</u>	<u>\$ (33,254)</u>	<u>\$ -</u>	<u>\$ 508,045</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 339,404
Student support services	24,270
Instructional staff support services	33,778
District administration	43,870
School administration	5,570
Business support services	1,631
Plant operation & maintenance	346,427
Student transportation	137,464
Community service activities	353
Adult education	2,307
	<u>\$ 935,074</u>

## (7) COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for equipment provide the minimum future rental payments as of June 30, 2011, as follows:

Year ending June 30,	
2012	\$ 64,175
2013	53,479
Total minimum rentals	<u>\$ 117,654</u>

## (8) RETIREMENT PLANS

### A. Kentucky Teachers Retirement System:

The Bath County School District contributes to the Teachers Retirement System of Kentucky ("KTRS"), a cost sharing, multiple-employer defined benefit pension plan.



KTRS administers retirement and disability annuities, and death and survivor benefits to employees of the public school systems and other public educational agencies in Kentucky.

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

Contribution rates are established by KRS. Members are required to contribute 10.105% of their salaries to KTRS. Members hired after July 1, 2008, contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky contributes matching contributions at the rate of 13.105% and 14.105% for employees hired after July 1, 2008. The Federal program that pays for salaries also pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by the Kentucky Department of Education (KDE).

The District's total payroll for the year was \$10,866,382. The payroll for employees covered under KTRS was \$8,391,459. For the year ended June 30, 2011, the Commonwealth of Kentucky contributed \$945,927 to KTRS for the benefit of the District's participating employees. The District's contributions to KTRS for the year ending June 30, 2011, were \$175,528 which represents those employees covered by Federal programs.

B. County Employee's Retirement System:

The District contributes to the County Employee's Retirement System ("CERS"), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly. It covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the CERS. CERS provides for retirement, disability, and death benefits to plan members. Cost of living adjustments are provided at the discretion of the State legislature.

The CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646.

Plan members are required to contribute 5% of their annual creditable compensation, and the District is required to contribute 16.93% of the employee's total compensation. Plan members hired after July 1, 2008 contribute an additional 1% towards health insurance. The contribution requirements of CERS members and the District are established and may be amended by the CERS Board of Trustees. The District's total payroll for the year was \$10,866,382. The payroll for employees covered under CERS was \$2,474,923. The District's contributions to CERS for the year ending June 30, 2011, 2010, and 2009 were \$419,003, \$390,434, and \$324,285, respectively, equal to the required contributions for the year.

## **(8) 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 is covered through the purchase of commercial insurance. The District had purchased certain policies, which are retrospective rated, which includes worker's compensation insurance.

## **(9) CONTINGENCIES**

The District receives funding from Federal and State government agencies. These funds are to be used for designated purposes only. For Government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements.

The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

## **(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.

## **(11) COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. It is managements' opinion that the District is in compliance with the COBRA requirements.

**(12) TRANSFER OF FUNDS**

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special Revenue	Technology Match	\$ 44,223
Operating	Capital Outlay	Debt Service	Debt Service	23,248
Operating	Building (FSPK)	Debt Service	Debt Service	628,771

**(13) ON-BEHALF PAYMENTS**

For the year ended June 30, 2011, total payments of \$2,860,448 were made by the Commonwealth of Kentucky on behalf of the District for life insurance, health insurance, and KTRS matching and administrative fees, and vocational education. These payments were recognized as on-behalf payments and are recorded in the appropriate revenue and expense account on the Statement of Activities and the Government Funds Statement of Revenue, Expenditures and Changes in Fund Balance. The On-Behalf payments are not budgeted in the Statement of Revenues, Expenditures, and Changes in Fund balance - Budget and Actual.

On-behalf payments at June 30, 2011 consisted of the following:

Teacher Retirement	\$ 945,927
Health & Life Insurance	1,918,889

## **SUPPLEMENTARY INFORMATION**

**BATH COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	SEEK Funds	FSPK Fund	Construction Fund	Debt Service Funds	Total Non-Major Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 227,503	\$ 15,703	\$ 115,841	\$ -	\$ 359,047
Accounts receivable	-	-	-	-	-
Total assets	<u>\$ 227,503</u>	<u>\$ 15,703</u>	<u>\$ 115,841</u>	<u>\$ -</u>	<u>\$ 359,047</u>
<b>LIABILITIES AND FUND BALANCE:</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Assigned	-	-	-	-	-
Restricted	227,503	15,703	115,841	-	359,047
Total fund balance	<u>227,503</u>	<u>15,703</u>	<u>115,841</u>	<u>-</u>	<u>359,047</u>
Total liabilities and fund balances	<u>\$ 227,503</u>	<u>\$ 15,703</u>	<u>\$ 115,841</u>	<u>\$ -</u>	<u>\$ 359,047</u>

**BATH COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	SEEK Funds	FSPK Fund	Construction Fund	Debt Service Funds	Total Non-Major Governmental Funds
REVENUES:					
From local sources -					
Property taxes	\$ -	\$185,531	\$ -	\$ -	\$ 185,531
Earnings on investments	-	-	-	-	-
Intergovernmental - State	178,350	443,240	-	671,598	1,293,188
Total revenues	<u>178,350</u>	<u>628,771</u>	<u>-</u>	<u>671,598</u>	<u>1,478,719</u>
EXPENDITURES:					
Current -					
Facilities acquisition and construction	63,191	-	119,687	-	182,878
Debt service	-	-	-	1,323,617	1,323,617
Total expenditures	<u>63,191</u>	<u>-</u>	<u>119,687</u>	<u>1,323,617</u>	<u>1,506,495</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>115,159</u>	<u>628,771</u>	<u>(119,687)</u>	<u>(652,019)</u>	<u>(27,776)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	-	-	652,019	652,019
Operating transfers out	(23,248)	(628,771)	-	-	(652,019)
Total other financing sources (uses)	<u>(23,248)</u>	<u>(628,771)</u>	<u>-</u>	<u>652,019</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	91,911	-	(119,687)	-	(27,776)
FUND BALANCE JUNE 30, 2010	<u>135,592</u>	<u>15,703</u>	<u>235,528</u>	<u>-</u>	<u>386,823</u>
FUND BALANCE JUNE 30, 2011	<u>\$ 227,503</u>	<u>\$ 15,703</u>	<u>\$ 115,841</u>	<u>\$ -</u>	<u>\$ 359,047</u>

**BATH COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF NET ASSETS  
NON-MAJOR PROPRIETARY FUNDS  
JUNE 30, 2011**

	Child Care Fund	Preschool Fund	Total Other Proprietary Funds
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 24,481	\$ 11,141	\$ 35,622
Accounts receivable	-	-	-
Total assets	<u>\$ 24,481</u>	<u>\$ 11,141</u>	<u>\$ 35,622</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Accounts payable	\$ 116	\$ -	\$ 116
Total liabilities	<u>116</u>	<u>-</u>	<u>116</u>
Net Assets:			
Assigned	-	-	-
Restricted	<u>24,365</u>	<u>11,141</u>	<u>35,506</u>
Total net assets	<u>24,365</u>	<u>11,141</u>	<u>35,506</u>
Total liabilities and net assets	<u>\$ 24,481</u>	<u>\$ 11,141</u>	<u>\$ 35,622</u>

**BATH COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
NON-MAJOR PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	Child Care Fund	Preschool Funds	Total Other Proprietary Funds
Operating revenues:			
Tuition from individuals	\$ 82,814	\$ 9,990	\$ 92,804
Revenue from local sources	29,427	-	29,427
Revenue from state sources	15,200	-	15,200
Total operating revenues	<u>127,441</u>	<u>9,990</u>	<u>137,431</u>
Operating expenses:			
Salaries and wages	63,989	-	63,989
Employee benefits	30,288	-	30,288
Materials and supplies	8,227	1,405	9,632
Other operating expenses	572	2,511	3,083
Total operating expenses	<u>103,076</u>	<u>3,916</u>	<u>106,992</u>
Operating income	<u>24,365</u>	<u>6,074</u>	<u>30,439</u>
Nonoperating revenues :			
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Total nonoperating revenue	<u>-</u>	<u>-</u>	<u>-</u>
Increase in net assets	24,365	6,074	30,439
Net assets, June 30, 2010	<u>-</u>	<u>5,067</u>	<u>5,067</u>
Net assets, June 30, 2011	<u>\$ 24,365</u>	<u>\$ 11,141</u>	<u>\$ 35,506</u>



**BATH COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR DEBT SERVICE FUNDS  
JUNE 30, 2011**

	1996 Bond Fund	1998 Bond Fund	2004 Bond Fund	2005 Bond Fund	1/2008 Bond Fund	5/2008 Bond Fund	Totals Debt Service Fund
<b>ASSETS:</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE:</b>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:							
Restricted	-	-	-	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BATH COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	1996	1998	2004	2005	1/2008	5/2008	Totals
	Bond Fund	Bond Fund	Bond Fund	Bond Fund	Bond Fund	Bond Fund	Debt Service Fund
<b>REVENUES:</b>							
Intergovernmental - State	\$ 14,550	\$ 23,691	\$ 65,070	\$ 50,981	\$ 51,245	\$ 466,061	\$ 671,598
Interest income	-	-	-	-	-	-	-
Total revenues	<u>14,550</u>	<u>23,691</u>	<u>65,070</u>	<u>50,981</u>	<u>51,245</u>	<u>466,061</u>	<u>671,598</u>
<b>EXPENDITURES:</b>							
Debt service	14,550	222,800	65,070	341,933	51,245	628,019	1,323,617
Total expenditures	<u>14,550</u>	<u>222,800</u>	<u>65,070</u>	<u>341,933</u>	<u>51,245</u>	<u>628,019</u>	<u>1,323,617</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>-</u>	<u>(199,109)</u>	<u>-</u>	<u>(290,952)</u>	<u>-</u>	<u>(161,958)</u>	<u>(652,019)</u>
<b>OTHER FINANCING SOURCES (USES):</b>							
Operating transfers in	-	199,109	-	290,952	-	161,958	652,019
Total other financing sources (uses)	<u>-</u>	<u>199,109</u>	<u>-</u>	<u>290,952</u>	<u>-</u>	<u>161,958</u>	<u>652,019</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE JUNE 30, 2010</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE JUNE 30, 2011</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BATH COUNTY SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**SCHOOL ACTIVITY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Cash Balance June 30, 2010	Receipts	Disbursements	Cash Balance June 30, 2011	Accounts Receivable	Accounts Payable	Deposits Held in Custody for Students June 30, 2011
Bath County High School	\$ 101,952	\$ 207,379	\$ 217,254	\$ 92,077	\$ -	\$ -	\$ 92,077
Bath County Middle School	30,860	87,066	90,132	27,794	-	-	27,794
Owingsville Elementary	32,715	40,578	37,505	35,788	55	3,066	32,777
Crossroads Elementary	28,224	48,077	52,518	23,783	2,000	200	25,583
	\$ 193,751	\$ 383,100	\$ 397,409	\$ 179,442	\$ 2,055	\$ 3,266	\$ 178,231

**BATH COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
SCHOOL ACTIVITY FUNDS  
BATH COUNTY HIGH SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2011**

	Cash Balance June 30, 2010	Receipts	Disburse- ment	Cash Balance June 30, 2011	Accounts Receivable (Accounts Payable)	Deposits Held in Custody for Students June 30, 2011
General	\$ 8,586	\$ 13,589	\$ 13,242	\$ 8,933	\$ -	\$ 8,933
Picture fund	-	3,104	3,104	-	-	-
Academic team	100	-	-	100	-	100
Guidance	1,076	1,073	1,244	905	-	905
Special Fundraiser	-	396	396	-	-	-
Talented and gifted	158	2,739	2,244	653	-	653
Senior trip	596	35,568	35,502	662	-	662
Special event	-	698	643	55	-	55
Field trip	-	299	299	-	-	-
Faculty	424	2,463	1,102	1,785	-	1,785
Beta Club	4,322	3,265	4,163	3,424	-	3,424
Bookstore	171	151	182	140	-	140
FBLA	1,220	5,110	5,157	1,173	-	1,173
FCCLA	120	5,053	4,935	238	-	238
FFA	677	1,553	1,398	832	-	832
FEA	-	207	180	27	-	27
Library Club	81	1,607	1,445	243	-	243
TSA	1,031	-	310	721	-	721
AG-Mechanics	3,083	850	2,658	1,275	-	1,275
AG-Science	4,086	927	2,133	2,880	-	2,880
Art	165	-	-	165	-	165
Band	55	-	-	55	-	55
Hort	21,707	15,535	19,225	18,017	-	18,017
Journalism	19,295	2,570	8,133	13,732	-	13,732
Spanish	468	-	-	468	-	468
Health/Science	-	681	646	35	-	35
Humanities	-	1,613	960	653	-	653
Consumer Science	48	742	674	116	-	116
Athletics	14,370	51,437	57,853	7,954	-	7,954
Baseball	266	1,051	500	817	-	817
Boys basketball	372	1,500	1,576	296	-	296
Cheerleaders	485	3,142	2,668	959	-	959
Boys Cross Country	272	1,290	625	937	-	937
Football	736	2,900	2,982	654	-	654
Girls Cross Country	744	1,290	682	1,352	-	1,352
Girls Basketball	517	1,500	1,411	606	-	606
Girls Softball	19	500	260	259	-	259
Girls Track	627	984	465	1,146	-	1,146
Boys Golf	248	1,000	673	575	-	575
Girls Golf	825	1,000	-	1,825	-	1,825
Tennis	529	-	529	-	-	-
Boys Soccer	131	1,100	483	748	-	748
Girls Soccer	95	1,825	1,346	574	-	574
Boys Track	627	500	436	691	-	691
Girls Volleyball	469	1,554	513	1,510	-	1,510
Junior Class	4,087	15,753	19,840	-	-	-
Sophomore Class	4,876	5,158	4,280	5,754	-	5,754
Senior Class	1,351	9,306	3,446	7,211	-	7,211
Freshman Class	2,572	3,267	5,839	-	-	-
Youth Service Center	245	1,528	851	922	-	922
YSC-CI Fund	1	-	1	-	-	-
Job Coach Program	8	-	8	-	-	-
Certificate of deposit	11	1	12	-	-	-
	<u>\$ 101,952</u>	<u>\$ 207,379</u>	<u>\$ 217,254</u>	<u>\$ 92,077</u>	<u>\$ -</u>	<u>\$ 92,077</u>

**BATH COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
U.S. Department of Education				
Passed through State Department of Education:				
Title I Grants to Local Educational Agencies	84.010	3100202-09	\$ 879,557	\$ 269,280
Title I Grants to Local Educational Agencies	84.010	3100202-10	1,014,491	719,980
ARRA - Title I Grants to Local Educational Agencies	84.389	4100002-09	701,576	115,151
				<u>1,104,411</u>
Even Start Family Literacy	84.213	3160002-10	161,000	150,277
Even Start Family Literacy	84.213	3160002-09	110,000	4,001
				<u>154,278</u>
Edu Jobs	84.410	EJOB00-10	481,396	131,346
ARRA - BOSS - Educational Technology State Grants	84.386	4210002-09	21,465	19,575
Educational Technology State Grants	84.318	3210002-09	8,167	2,783
Educational Technology State Grants	84.318	3210002-10	3,382	1,538
				<u>23,896</u>
Special Education Cluster (IDEA):				
Special Education Grants to States - IDEA, Part B	84.027	3810002-10	429,244	340,771
Special Education Grants to States - IDEA, Part B	84.027	3810002-09	427,921	49,288
Special Education Preschool Grants	84.173	3800002-10	30,004	30,004
Special Education Preschool Grants	84.173	3800002-09	30,002	433
ARRA - Special Education - IDEA B	84.392	4810002-09	471,774	268,435
ARRA - Special Education - Preschool	84.391	4810002-09	31,730	13,537
				<u>702,468</u>
Reading First State Grants	84.357	3150002-08	83,111	24,853
ARRA - Hybrid Bus	81.086	9310002-09	59,314	59,314
Title VI - Rural & Low Income	84.358	3140002-10	52,149	43,332
Improving Teacher Quality State Grants	84.367	3230002-10	163,037	160,683
Improving Teacher Quality State Grants	84.367	3230002-09	160,873	38
				<u>160,721</u>
ARRA - State Fiscal Stabilization	84.394	S39400-09/17L1	657,395	657,395
Vocational Education Basic Grants to States	84.048	4621132-11	33,977	33,977
Vocational Education Basic Grants to States	84.048	4621132-10	31,267	500
				<u>34,477</u>
Safe and Drug-Free Schools and Communities State Grants	84.186	3410002-09	10,816	850
ARRA - Education for Homeless Children and Youth	84.387	4990002-09	3,000	1,226
Total pass-through State Department of Education				<u>3,098,567</u>
Pass-through Workforce Cabinet:				
Adult Education	84	3,731	43,374	42,747
Adult Education - Family Literacy	84	3,651	10,000	3,743
				<u>46,490</u>
Total U.S. Department of Education				<u>3,145,057</u>

**BATH COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
<u>Appalachian Regional Commission</u>				
Pass-through State Department of Education:				
Appalachian Higher Education Network	23.011	6,880	5,000	1,715
Total Appalachian Regional Commission				<u>1,715</u>
<u>Corporation for National &amp; Community Service</u>				
Pass-through State of Department of Education:				
Service Learning Project	94.004	6,750	3,860	1,181
Service Learning Project	94.004	6,751	5,000	1,006
Total Corporation for National & Community Service				<u>2,187</u>
<u>U.S. Department of Agriculture</u>				
Pass-through State Department of Education:				
Child Nutrition Cluster:				
Cash Assistance:				
National School Lunch Program	10.555	7750002-11	-	474,217
National School Lunch Program	10.555	7750002-10	-	183,620
Summer Food Service Program for Children	10.559	7690024-10	-	1,338
Summer Food Service Program for Children	10.559	7740023-10	-	12,920
Child and Adult Care Food Program	10.558	7800016-11	-	129
Child and Adult Care Food Program	10.558	7800016-10	-	145
Child and Adult Care Food Program	10.558	7790021-10	-	2,688
Child and Adult Care Food Program	10.558	7790021-11	-	3,633
School Breakfast Program	10.553	7760005-11	-	232,656
School Breakfast Program	10.553	7760005-10	-	61,865
Cash Assistance Subtotal				<u>973,211</u>
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	011-0100	-	43,842
				<u>1,017,053</u>
Pass-through Bath County Fiscal Court:				
Schools and Roads Grants to States	10.665	FUND 1-4700	-	27,548
Total U.S. Department of Agriculture				<u>1,044,601</u>
Total Federal Assistance				<u>\$ 4,193,560</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Bath County School District under programs of the federal government for the year ended June 30, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Government, and Non-Profit Organizations. Because the schedule presents only a selected portion of operations of the Bath County School District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

**NOTE B - 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 and Local Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**NOTE C - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2011, the organization had total inventory of \$9,234.



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

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Bath County School District  
Owingsville, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bath County School District (the "District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 6, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract - General Audit Requirements* and *Appendix II to the Independent Auditor's Contract - State Audit Requirements* and *Appendix III to the Independent Auditor's Contract - Electronic Submission*.

**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 financial statements will not be prevented, or detected and corrected on a timely basis.

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Appendix II of the *Independent Auditors' Contract-State Audit Requirements*, and Appendix III to the *Independent Auditor's Contract - Electronic Submission*.

We noted certain matters that we reported to management of the District in a separate letter dated October 6, 2011.

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

*Kelly, Dalloway & Company, PSC*  
October 6, 2011





Kelley,  
Galloway &  
Company, PSC

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

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Bath County School District  
Owingsville, Kentucky

Compliance

We have audited the compliance of the Bath County School District (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of 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; OMB Circular A-133, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract - General Audit Requirements* and *Appendix II to the Independent Auditor's Contract - State Audit Requirements* and *Appendix III to the Independent Auditor's Contract - Electronic Submission*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bath County School 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, 2011.

**Internal Control Over Compliance**

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

over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

*Kelley, Gallows & Company, PSC*

October 6, 2011

**BATH COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**(A) SUMMARY OF AUDIT RESULTS**

Type of Auditor's report issued: Unqualified

Internal Control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes   x   no

Significant deficiency(ies) identified  
that are not considered to  
material weaknesses? \_\_\_\_\_ yes   x   none reported

Noncompliance material to the financial  
statements noted? \_\_\_\_\_ yes   x   no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes   x   no

Significant deficiency(ies) identified  
that are not considered to be material  
weakness(es). \_\_\_\_\_ yes   x   none reported

Type of audit auditor's 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   x   no

The District had the following major programs with CFDA numbers in parentheses for the year  
ended June 30, 2011:

Title I (84.010 and 84.389)  
Child Nutrition Cluster (10.553, 10.555, 10.558, and 10.559)  
Special Education Cluster (IDEA) (84.027, 84.173, 84.391, and 84.392)  
ARRA - State Fiscal Stabilization (84.394)

Dollar threshold to distinguish between Type A  
and Type B Programs: \$   300,000  

The District qualified as a low risk auditee   x   yes \_\_\_\_\_ no

**(B) FINDINGS RELATED TO FINANCIAL STATEMENTS IN ACCORDANCE WITH  
GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS**

None noted in the current year.

**(C) FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS**

There were no findings in the current year.

**BATH COUNTY SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

There were no findings in the prior year.

**BATH COUNTY SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2011**

No corrective action plan needed in the current year.



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Kentucky State Committee for School District Audits  
Members of the Board of Education  
Bath County School District  
Owingsville, Kentucky

In planning and performing our audit of the financial statements of Bath County School District (the "District") as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of matters that are an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding this matter. This letter does not affect our report October 6, 2011, on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions 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.

*Kelley, Galloway & Company, PSC*

October 6, 2011

**BATH COUNTY SCHOOL DISTRICT**  
**MANAGEMENT LETTER POINTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**2011-1 Bath County Middle School**

Statement of Condition: We noted that Monthly and Annual Financial Report were not being prepared on a timely basis. In addition, the bank statements had not been reconciled since October, 2010 and as a result certain deposits did not get posted to the accounting system in a timely manner.

Criteria for Condition: Bank reconciliations should be prepared within 30 days of month-end and agreed to the Monthly and Annual Financial Reports to ensure that all transactions have been properly recorded.

Cause of Condition: The school secretary was unable to reconcile one month due to a software issue and then got behind. However, the school secretary should have requested help from her supervisor or District support immediately.

Effect of the Condition: Monthly and Annual Financial Reports were not available on a timely basis.

Recommendation of the Condition: We recommend that more care be taken to ensure that bank accounts be reconciled on a timely basis and that Monthly and Annual Financial Reports be prepared on a timely basis.

Management Response: A change in the bookkeeper position was made and the District plans to provide extensive training and support to ensure compliance in the future.

Status of Prior Year Management Points

The prior year conditions have been implemented and corrected. The Superintendent is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.