

BATH COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS  
AND REPORT OF AUDIT

For the Year Ended June 30, 2008

BATH COUNTY SCHOOL DISTRICT

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BATH COUNTY SCHOOL DISTRICT

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# Chris Gooch

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## INDEPENDENT AUDITOR'S REPORT

State Committee For School District Audits  
Members of Bath County Board of Education  
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, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bath County School 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Electronic Submission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bath County School District as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2008, on our consideration of Bath County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 important for assessing the results of our audit.

The management's discussion and analysis on pages 3 through 8, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was 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 and other supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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. The combining and individual nonmajor fund financial statements, other supplemental information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in blue ink, appearing to read "Chris Gooch".

Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

October 28, 2008

BATH COUNTY SCHOOL DISTRICT  
OWINGSVILLE, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

As management of the Bath County School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. This information should be considered in conjunction with the accompanying financial statements and disclosure following this section.

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance, including activity funds, for the District was \$4,291,740. The ending cash balance, including activity funds, for the District was \$12,974,030. The ending balance includes \$9,335,887 restricted for construction fund expenditures.
- The Board of Education substantially completed addition/renovation projects at various school locations. Construction in progress through June 30, 2008 was \$7,207,578. Funds are derived from SFCC and local bond revenue sales and from SFCC and General Fund cash reserves.
- The District issued \$705,000 and \$8,975,000 in school revenue bonds related to the site acquisition, site preparation and construction for the new elementary school.
- The District participated in the Kentucky Interlocal School Transportation Association (KISTA) bond pool in the fiscal year ended for the purpose of acquiring two bus units. The total bond principal was \$159,075.
- Investment earnings including proceeds from the CC Chenault General Trust Fund totaled \$776,793 for the year ended June 30, 2008 and \$453,199 for the year ended June 30, 2007.
- The District paid on long-term debt principal for the year ended was \$817,583.
- Total general fund revenue was \$13,370,963 consisting primarily of state program (SEEK), property, utilities and motor vehicle taxes. Excluding general fund transfers, there were \$13,335,708 in general fund expenditures. These totals reflect on-behalf state payments in the amount of \$2,411,646.

**OVERVIEW OF FINANCIAL STATEMENTS**

The 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.

BATH COUNTY SCHOOL DISTRICT  
OWINGSVILLE, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2008

**Government-wide financial statements**

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

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

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

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

**Fund financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. Fiduciary funds include activity funds. Proprietary funds include the school food service, daycare and preschool funds. All other activities are reported under governmental funds.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

BATH COUNTY SCHOOL DISTRICT  
OWINGSVILLE, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2008

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position. As of June 30, 2008, assets exceeded liabilities by \$7,331,611.

The greatest 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 ongoing construction projects, where applicable), 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 years ended June 30, 2008 and 2007**

Following are comparisons of net assets:

	At June 30,	
	<u>2008</u>	<u>2007</u>
Current Assets	13,405,245	4,737,000
Noncurrent Assets	<u>14,352,858</u>	<u>13,260,243</u>
<u>Total Assets</u>	<u>27,758,103</u>	<u>17,997,243</u>
Current Liabilities	2,733,194	1,846,003
Noncurrent Liabilities	<u>17,693,298</u>	<u>9,110,213</u>
<u>Total Liabilities</u>	<u>20,426,492</u>	<u>10,956,216</u>
- Net Assets -		
Investment in Capital Assets (net of debt)	3,781,380	2,884,038
Restricted	41,678	354,667
Unreserved Fund Balance	<u>3,508,553</u>	<u>3,802,322</u>
<u>Total Net Assets</u>	<u>7,331,611</u>	<u>7,041,027</u>
<u>Total Liabilities and Net Assets</u>	<u>27,758,103</u>	<u>17,997,243</u>



BATH COUNTY SCHOOL DISTRICT  
OWINGSVILLE, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2008

- The increase in current assets is primarily due to an increase in capital project funds cash.
- Increase in non-current assets reflects net increase for two new school vehicle acquisitions and construction in progress for school renovations totaling \$964,240.
- Increase in non-current liabilities reflects \$9,839,075 in new bonds issued during the year.

**Comments on budget comparisons**

The following table presents a comparison of budget to actual for the general fund for the fiscal year ended June 30, 2008:

	<u>Budget 2008</u>	<u>Actual 2008</u>	<u>Variance I (D)</u>
Revenues:			
Local revenue sources	1,607,500	1,963,260	355,760
State revenue sources	8,804,484	11,345,962	2,541,478
Federal revenue	25,000	38,515	13,515
Other sources	<u>500</u>	<u>23,226</u>	<u>22,726</u>
<u>Total revenues</u>	<u>10,437,484</u>	<u>13,370,963</u>	<u>2,933,479</u>
Expenses:			
Instruction	7,201,930	8,058,520	856,590
Student support services	490,947	468,826	(22,121)
Instructional support	300,035	378,552	78,517
District administration	1,300,912	947,204	(353,708)
School administration	640,993	738,264	97,271
Business support services	250,586	209,339	(41,247)
Plant operations and management	1,652,341	1,546,213	(106,128)
Student transportation	1,064,890	973,584	(91,306)
Enterprise operations	17,957	15,206	(2,751)
Contingencies	<u>449,175</u>	<u>-</u>	<u>(449,175)</u>
<u>Total expenses</u>	<u>13,369,766</u>	<u>13,335,708</u>	<u>(34,058)</u>
<u>Excess (Deficiency) of Revenue over Expenses</u>	<u>(2,932,282)</u>	<u>35,255</u>	<u>2,967,537</u>

BATH COUNTY SCHOOL DISTRICT  
OWINGSVILLE, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2008

- Budgeted state revenue sources and budgeted expenses do not include state on-behalf payments for retirement, health insurance and other benefits in the amount of \$2,411,646.

The following table presents a comparison of statement of activities for the fiscal years ended June 30, 2008 and 2007:

	<u>For Year Ended June 30,</u> <u>2008</u>	<u>2007</u>
Revenues:		
Local revenue sources	3,298,829	3,086,160
State and federal revenue sources	<u>15,766,445</u>	<u>14,911,156</u>
<u>Total revenues</u>	<u>19,065,274</u>	<u>17,997,316</u>
Expenses:		
Instruction	10,578,670	9,750,224
Student support services	594,825	557,728
Instructional support	725,658	953,528
District administration	978,919	627,439
School administration	746,811	666,199
Business support services	217,704	220,868
Plant operations and management	1,584,229	1,460,553
Student transportation	1,107,948	1,050,810
Food services operation	1,090,458	956,063
Enterprise operation	15,206	13,605
Child care services	222,288	153,479
Community services	295,499	269,364
Interest on long-term debt	<u>616,475</u>	<u>380,776</u>
<u>Total expenses</u>	<u>18,774,690</u>	<u>17,060,636</u>
<u>Change in net assets</u>	<u>290,584</u>	<u>936,680</u>

- Instructional and other expenses reflect cost of living wage increases for classified and certified personnel.
- Increase in interest expense reflects an increase in accruals for current year new debt service issues.

BATH COUNTY SCHOOL DISTRICT  
OWINGSVILLE, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2008

**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 \$449,175 in contingency (3.36%).

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 years budgets.

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

BATH COUNTY SCHOOL DISTRICTSTATEMENT OF NET ASSETSAt June 30, 2008

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
<b>Assets:</b>			
- Current Assets -			
Cash and cash equivalents	12,568,535	277,679	12,846,214
Accounts receivable:			
Taxes - current	83,304	-	83,304
Taxes - delinquent	970	-	970
Other	54,333	-	54,333
Intergovernmental - State	8,358	19,590	27,948
Intergovernmental - indirect Federal	386,696	-	386,696
Inventories	-	5,780	5,780
	<u>13,102,196</u>	<u>303,049</u>	<u>13,405,245</u>
<b>Total current assets</b>			
- Noncurrent Assets -			
Capital assets	21,935,109	263,746	22,198,855
Less: accumulated depreciation	<u>(7,631,117)</u>	<u>(214,880)</u>	<u>(7,845,997)</u>
	<u>14,303,992</u>	<u>48,866</u>	<u>14,352,858</u>
<b>Total noncurrent assets</b>			
	<u>27,406,188</u>	<u>351,915</u>	<u>27,758,103</u>
<b>Total assets</b>			
<b>Liabilities:</b>			
- Current liabilities -			
Cash deficit balance	54,039	-	54,039
Accounts payable	559,306	495	559,801
Current portion of accumulated sick leave	39,463	-	39,463
Deferred revenues	379,824	-	379,824
Current portion of bond/lease obligations	1,021,310	-	1,021,310
Interest payable	678,757	-	678,757
	<u>2,732,699</u>	<u>495</u>	<u>2,733,194</u>
<b>Total current liabilities</b>			
- Noncurrent liabilities -			
Noncurrent portion of bond/lease obligations	17,693,298	-	17,693,298
	<u>17,693,298</u>	<u>-</u>	<u>17,693,298</u>
<b>Total noncurrent liabilities</b>			
	<u>20,425,997</u>	<u>495</u>	<u>20,426,492</u>
<b>Total liabilities</b>			
<b>Net assets:</b>			
Invested in capital assets, net of related debt	3,732,514	48,866	3,781,380
Restricted for:			
Sick leave	35,898	-	35,898
Inventories	-	5,780	5,780
Unrestricted	3,211,779	296,774	3,508,553
	<u>6,980,191</u>	<u>351,420</u>	<u>7,331,611</u>
<b>Total net assets</b>			
	<u>27,406,188</u>	<u>351,915</u>	<u>27,758,103</u>
<b>Total liabilities and net assets</b>			

See notes to financial statements.

BATH COUNTY SCHOOL DISTRICTSTATEMENT OF ACTIVITIESFor the Year Ended June 30, 2008

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	<u>Capital Grants &amp; Contributions</u>
<b>FUNCTIONS/PROGRAMS:</b>				
- Governmental Activities -				
Instruction	10,578,670	-	4,041,171	-
Support services:				
Student	594,825	-	157,323	-
Instructional staff	725,658	-	409,232	-
District administration	978,919	-	46,025	-
School administration	746,811	-	101,968	-
Business support	217,704	-	36,017	-
Plant operation & maintenance	1,584,229	-	102,636	-
Student transportation	1,107,948	-	114,037	-
Enterprise operations	15,206	-	-	-
Community services activities	295,499	-	294,389	-
Interest on long-term debt	616,475	-	-	-
	<u>17,461,944</u>	<u>-</u>	<u>5,302,798</u>	<u>-</u>
<b><u>Total governmental activities</u></b>				
- Business-type Activities -				
Food service	1,090,458	275,513	864,536	-
Child care	222,288	207,673	-	-
	<u>1,312,746</u>	<u>483,186</u>	<u>864,536</u>	<u>-</u>
<b><u>Total business-type activities</u></b>				
<b><u>Total primary government</u></b>	<u>18,774,690</u>	<u>483,186</u>	<u>6,167,334</u>	<u>-</u>

BATH COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES (continued)  
For the Year Ended June 30, 2008

	<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
	(6,537,499)	-	(6,537,499)
	(437,502)	-	(437,502)
	(316,426)	-	(316,426)
	(932,894)	-	(932,894)
	(644,843)	-	(644,843)
	(181,687)	-	(181,687)
	(1,481,593)	-	(1,481,593)
	(993,911)	-	(993,911)
	(15,206)	-	(15,206)
	(1,110)	-	(1,110)
	<u>(616,475)</u>	<u>-</u>	<u>(616,475)</u>
	<u>(12,159,146)</u>	<u>-</u>	<u>(12,159,146)</u>
	-	49,591	49,591
	<u>-</u>	<u>(14,615)</u>	<u>(14,615)</u>
	<u>-</u>	<u>34,976</u>	<u>34,976</u>
	<u>(12,159,146)</u>	<u>34,976</u>	<u>(12,124,170)</u>
<b>General revenues:</b>			
Taxes	1,932,727	-	1,932,727
Investment earnings	767,767	9,026	776,793
State and formula grants	9,599,111	-	9,599,111
Miscellaneous	<u>103,756</u>	<u>2,367</u>	<u>106,123</u>
<b><u>Total general revenues</u></b>	<u>12,403,361</u>	<u>11,393</u>	<u>12,414,754</u>
Change in net assets	244,215	46,369	290,584
Net assets - beginning of year	<u>6,735,976</u>	<u>305,051</u>	<u>7,041,027</u>
Net assets - end of year	<u>6,980,191</u>	<u>351,420</u>	<u>7,331,611</u>

See notes to financial statements.

BATH COUNTY SCHOOL DISTRICTBALANCE SHEET – GOVERNMENTAL FUNDSAt June 30, 2008

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Gov't Funds</u>	<u>Total Gov't Funds</u>
<b>Assets and resources:</b>				
Cash and cash equivalents	3,042,314	-	9,526,221	12,568,535
Accounts receivable:				
Taxes - current	83,304	-	-	83,304
Taxes - delinquent	970	-	-	970
Other	2,746	51,587	-	54,333
Intergovernmental - State	8,358	-	-	8,358
Intergovernmental - Indirect Federal	-	386,696	-	386,696
	<u>3,137,692</u>	<u>438,283</u>	<u>9,526,221</u>	<u>13,102,196</u>
<b>Liabilities and fund balances:</b>				
Cash deficit	-	54,039	-	54,039
Accounts payable	40,886	4,420	514,000	559,306
Current portion of accumulated sick leave	39,463	-	-	39,463
Deferred revenue	-	379,824	-	379,824
	<u>80,349</u>	<u>438,283</u>	<u>514,000</u>	<u>1,032,632</u>
<b>Fund balance</b>				
Reserved for sick leave	35,898	-	-	35,898
Reserved for SFCC escrow/construction	-	-	6,417	6,417
Undesignated fund balance	3,021,445	-	9,005,804	12,027,249
	<u>3,057,343</u>	<u>-</u>	<u>9,012,221</u>	<u>12,069,564</u>
<b>Total liabilities and fund balances</b>	<u>3,137,692</u>	<u>438,283</u>	<u>9,526,221</u>	<u>13,102,196</u>

See notes to financial statements.

BATH COUNTY SCHOOL DISTRICTRECONCILIATION OF THE BALANCE SHEET –  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETSAt June 30, 2008

Total fund balance per fund financial statements	12,033,666
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but are reported in the statement of net assets.	14,303,992
Certain liabilities (such as bonds payable and accrued interest on debt obligations) are not reported in this fund financial statement because they are not due and payable, but are presented in the statement of net assets.	(19,393,365)
Reserve for sick leave is not reported in the fund financial statements	<u>35,898</u>
Net assets for governmental activities	<u><u>6,980,191</u></u>

See notes to financial statements.



BATH COUNTY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDSFor the Year Ended June 30, 2008

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Gov't Funds</u>	<u>Total Gov't Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes	1,746,418	-	186,309	1,932,727
Earnings on investments	168,293	172,158	427,316	767,767
Other local revenue	48,549	55,207	-	103,756
Intergovernmental - state	11,345,962	980,353	793,211	13,119,526
Intergovernmental - indirect federal	38,515	1,720,642	-	1,759,157
Other revenue	23,226	-	-	23,226
	<u>13,370,963</u>	<u>2,928,360</u>	<u>1,406,836</u>	<u>17,706,159</u>
<b><u>Total revenues</u></b>				
<b>Expenditures:</b>				
Instructional	8,058,520	2,093,983	-	10,152,503
Student support services	468,826	103,570	-	572,396
Staff support services	378,552	337,321	-	715,873
District administration	947,204	3,512	-	950,716
School administration	738,264	135	-	738,399
Business support services	209,339	7,444	-	216,783
Plant operations and management	1,546,213	25,867	-	1,572,080
Student transportation	973,584	24,831	-	998,415
Enterprise operations	15,206	-	-	15,206
Community service activities	-	294,389	-	294,389
Facilities acquisition and construction	-	-	1,813,367	1,813,367
Debt service:				
Principal	-	-	653,512	653,512
Interest	-	-	319,075	319,075
	<u>13,335,708</u>	<u>2,891,052</u>	<u>2,785,954</u>	<u>19,012,714</u>
<b><u>Total expenditures</u></b>				
Excess (deficit) of revenues over expenditures	<u>35,255</u>	<u>37,308</u>	<u>(1,379,118)</u>	<u>(1,306,555)</u>
<b>Other financing sources (uses):</b>				
Bond proceeds	-	-	9,464,597	9,464,597
Operating transfers in	-	22,972	1,488,523	1,511,495
Operating transfers out	(146,092)	(60,280)	(1,305,123)	(1,511,495)
	<u>(146,092)</u>	<u>(37,308)</u>	<u>9,647,997</u>	<u>9,464,597</u>
<b><u>Total other financing sources (uses)</u></b>				
Excess (deficit) of revenue and other financing sources over expenditures/other financing uses	(110,837)	-	8,268,879	8,158,042
<b>Fund balance - July 1, 2007</b>	<u>3,132,282</u>	<u>-</u>	<u>743,342</u>	<u>3,875,624</u>
<b>Fund balance - June 30, 2008</b>	<u>3,021,445</u>	<u>-</u>	<u>9,012,221</u>	<u>12,033,666</u>

See notes to financial statements.

BATH COUNTY SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIESFor the Year Ended June 30, 2008

Net change in total fund balances per fund financial statements	8,158,042
Amounts reported for governmental activities in the statement of activities differences:	
Capital outlays are reported as expenditures in the fund financial statements because they use current financial resources, but are presented as assets in the statement of activities and depreciated over their estimated useful economic lives. The difference is the amount by which depreciation exceeds capital outlay for the year.	1,194,658
Bond proceeds are recognized in the fund financial statements as current year inflows and recognized as a liability for government- wide financial reporting.	(9,464,597)
Bond principal 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. Interest paid on debt service is reflected when paid on the fund financial statements	<u>356,112</u>
Change in net assets of governmental activities	<u><u>244,215</u></u>

See notes to financial statements.

BATH COUNTY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUNDFor the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues:</b>				
From local sources:				
Taxes	1,350,000	1,405,000	1,746,418	341,418
Earnings on investments	200,000	200,000	168,293	(31,707)
Other local revenue	2,500	2,500	48,549	46,049
Intergovernmental - state	9,235,246	8,804,484	11,345,962	2,541,478
Intergovernmental - indirect federal	25,000	25,000	38,515	13,515
Other revenue	500	500	23,226	22,726
	<u>10,813,246</u>	<u>10,437,484</u>	<u>13,370,963</u>	<u>2,933,479</u>
<b>Expenditures:</b>				
Instructional	7,104,131	7,201,930	8,058,520	(856,590)
Student support services	508,020	490,947	468,826	22,121
Staff support services	257,094	300,035	378,552	(78,517)
District administration	1,114,722	1,300,912	947,204	353,708
School administration	605,118	640,993	738,264	(97,271)
Business support services	250,586	250,586	209,339	41,247
Plant operations and management	1,646,791	1,652,341	1,546,213	106,128
Student transportation	1,079,656	1,064,890	973,584	91,306
Enterprise operations	15,355	17,957	15,206	2,751
Contingency	606,773	449,175	-	449,175
	<u>13,188,246</u>	<u>13,369,766</u>	<u>13,335,708</u>	<u>34,058</u>
Excess (deficit) of revenues over expenditures	<u>(2,375,000)</u>	<u>(2,932,282)</u>	<u>35,255</u>	<u>(2,967,537)</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	-	-
Operating transfers out	(125,000)	(200,000)	(146,092)	53,908
	<u>(125,000)</u>	<u>(200,000)</u>	<u>(146,092)</u>	<u>53,908</u>
Excess (deficit) of revenue and other financing sources over expenditures/other financing uses	<u>(2,500,000)</u>	<u>(3,132,282)</u>	<u>(110,837)</u>	<u>3,021,445</u>
<b>Fund balance, unreserved - July 1, 2007</b>	<u>2,500,000</u>	<u>3,132,282</u>	<u>3,132,282</u>	<u>-</u>
<b>Fund balance, unreserved - June 30, 2008</b>	<u>-</u>	<u>-</u>	<u>3,021,445</u>	<u>3,021,445</u>

See notes to financial statements.

BATH COUNTY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL – SPECIAL REVENUE FUNDFor the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
<b>Revenues:</b>				
From local sources:				
Earnings on investments	189,200	189,200	172,158	(17,042)
Other local revenue	-	(64,801)	55,207	120,008
Intergovernmental - state	747,588	801,271	980,353	179,082
Intergovernmental - indirect federal	<u>1,399,294</u>	<u>1,430,901</u>	<u>1,720,642</u>	<u>289,741</u>
<b><u>Total revenues</u></b>	<u>2,336,082</u>	<u>2,356,571</u>	<u>2,928,360</u>	<u>571,789</u>
<b>Expenditures:</b>				
Instructional	1,448,087	1,600,947	2,093,983	(493,036)
Student support services	123,388	108,809	103,570	5,239
Staff support services	362,717	349,475	337,321	12,154
District administration	-	(12,112)	3,512	(15,624)
School administration	-	-	135	(135)
Business support services	10,039	10,618	7,444	3,174
Plant operations and management	49,332	27,711	25,867	1,844
Student transportation	31,771	34,009	24,831	9,178
Community service activities	<u>253,420</u>	<u>240,498</u>	<u>294,389</u>	<u>(53,891)</u>
<b><u>Total expenditures</u></b>	<u>2,278,754</u>	<u>2,359,955</u>	<u>2,891,052</u>	<u>(531,097)</u>
Excess (deficit) of revenues over expenditures	<u>57,328</u>	<u>(3,384)</u>	<u>37,308</u>	<u>(40,692)</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	4,752	63,664	22,972	(40,692)
Operating transfers out	<u>(62,080)</u>	<u>(60,280)</u>	<u>(60,280)</u>	<u>-</u>
<b><u>Total other financing sources (uses)</u></b>	<u>(57,328)</u>	<u>3,384</u>	<u>(37,308)</u>	<u>(40,692)</u>
Excess (deficit) of revenue and other financing sources over expenditures/other financing uses	-	-	-	-
<b>Fund balance - July 1, 2007</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance - June 30, 2008</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

See notes to financial statements.

## BATH COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS – PROPRIETARY FUNDSAt June 30, 2008

	Food Service <u>Fund</u>	Other Proprietary <u>Funds</u>	<u>Total</u>
<b>Assets:</b>			
- Current Assets -			
Cash and cash equivalents	261,267	16,412	277,679
Accounts receivable:			
Intergovernmental - State	18,779	811	19,590
Inventories	<u>5,780</u>	<u>-</u>	<u>5,780</u>
<u>Total current assets</u>	<u>285,826</u>	<u>17,223</u>	<u>303,049</u>
- Noncurrent Assets -			
Capital assets	263,746	-	263,746
Less: accumulated depreciation	<u>(214,880)</u>	<u>-</u>	<u>(214,880)</u>
<u>Total noncurrent assets</u>	<u>48,866</u>	<u>-</u>	<u>48,866</u>
<u>Total assets</u>	<u>334,692</u>	<u>17,223</u>	<u>351,915</u>
<b>Liabilities:</b>			
- Current Liabilities -			
Accounts payable	<u>337</u>	<u>158</u>	<u>495</u>
<u>Total current liabilities</u>	<u>337</u>	<u>158</u>	<u>495</u>
<b>Net assets:</b>			
Investments in capital assets	48,866	-	48,866
Reserved for inventories	5,780	-	5,780
Unreserved	<u>279,709</u>	<u>17,065</u>	<u>296,774</u>
<u>Total net assets</u>	<u>334,355</u>	<u>17,065</u>	<u>351,420</u>
<u>Total liabilities and net assets</u>	<u>334,692</u>	<u>17,223</u>	<u>351,915</u>

See notes to financial statements.

BATH COUNTY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS – PROPRIETARY FUNDSFor the Year Ended June 30, 2008

	<u>Food service Fund</u>	<u>Other Proprietary Funds</u>	<u>Total</u>
<b>Operating revenues:</b>			
Lunchroom sales	214,376	-	214,376
Tuition from individuals	-	117,436	117,436
Revenues from local sources	86	-	86
Revenues from state sources	<u>61,051</u>	<u>90,237</u>	<u>151,288</u>
<u>Total operating revenues</u>	<u>275,513</u>	<u>207,673</u>	<u>483,186</u>
<b>Operating expense:</b>			
Salaries and wages	496,486	200,363	696,849
Contract services	22,229	3,692	25,921
Materials and supplies	556,114	16,825	572,939
Depreciation	15,104	-	15,104
Other operating expenses	<u>525</u>	<u>1,408</u>	<u>1,933</u>
<u>Total operating expenses</u>	<u>1,090,458</u>	<u>222,288</u>	<u>1,312,746</u>
<u>Operating income (loss)</u>	<u>(814,945)</u>	<u>(14,615)</u>	<u>(829,560)</u>
<b>Nonoperating Revenue/(Expense):</b>			
Federal grants	849,688	-	849,688
State grants	14,848	-	14,848
Other gains (losses)	2,367	-	2,367
Interest income	<u>9,026</u>	<u>-</u>	<u>9,026</u>
<u>Total nonoperating revenue/(expense)</u>	<u>875,929</u>	<u>-</u>	<u>875,929</u>
<u>Net income (loss)</u>	60,984	(14,615)	46,369
Net assets, July 1, 2007	<u>273,371</u>	<u>31,680</u>	<u>305,051</u>
Net assets, June 30, 2008	<u>334,355</u>	<u>17,065</u>	<u>351,420</u>

See notes to financial statements.

BATH COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

For the Year Ended June 30, 2008

	Food service Fund	Other Proprietary Funds	Total
<b>Cash flows from operating activities:</b>			
Cash received from:			
Lunchroom sales	275,703	-	275,703
Tuition from individuals	-	210,451	210,451
Cash paid to/for:			
Employees	(496,486)	(200,363)	(696,849)
Supplies/Contractual	(578,570)	(20,379)	(598,949)
Other activities	(525)	(1,408)	(1,933)
	<u>(799,878)</u>	<u>(11,699)</u>	<u>(811,577)</u>
<b>Cash flows from capital and related financing activities:</b>			
Purchases/disposal of equipment	<u>(2,019)</u>	<u>-</u>	<u>(2,019)</u>
<b>Cash flows from investing activities:</b>			
Interest income	<u>9,026</u>	<u>-</u>	<u>9,026</u>
<b>Cash flows from financing activities:</b>			
Federal grants	848,994	-	848,994
State grants	<u>14,848</u>	<u>-</u>	<u>14,848</u>
	<u>863,842</u>	<u>-</u>	<u>863,842</u>
Net increase (decrease) in cash	70,971	(11,699)	59,272
Cash, beginning of year	<u>190,296</u>	<u>28,111</u>	<u>218,407</u>
Cash, end of year	<u>261,267</u>	<u>16,412</u>	<u>277,679</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operations:</b>			
Operating income (loss)	(814,945)	(14,615)	(829,560)
Adjustments to reconcile operating income to cash provided (used) by operating activities:			
Depreciation	15,104	-	15,104
Changes in current assets/liabilities			
Receivables	190	2,778	2,968
Accounts payable	(227)	138	(89)
	<u>(799,878)</u>	<u>(11,699)</u>	<u>(811,577)</u>

Noncash transactions include on behalf payments of \$61,051 for the School Food Service Program and \$57,377 for the Child Care Program.

See notes to financial statements.

BATH COUNTY SCHOOL DISTRICTSTATEMENT OF FIDUCIARY NET ASSETS – ACTIVITY FUNDSAt June 30, 2008**Assets:**

Cash and cash equivalents	181,855
Accounts receivable	<u>278</u>

<u>Total assets</u>	<u>182,133</u>
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**Liabilities:**

Accounts payable	3,576
Due to individual student activity account funds	<u>178,557</u>

<u>Total liabilities</u>	<u>182,133</u>
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**Net assets:**

Unreserved	<u>-</u>
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<u>Total liabilities and net assets</u>	<u>182,133</u>
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See notes to financial statements.



BATH COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTSJune 30, 2008NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Bath County School District 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.

BATH COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2008NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Basis of Presentation

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

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

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

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

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

BATH COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2008NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

using GASB standards as well as standards issued by the FASB through November 1989 and that do not conflict with GASB Standards. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations.

The District has the following funds:

I. Governmental Fund Types

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

BATH COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2008NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

II. Proprietary Funds (Enterprise Funds)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). No amounts have been recorded for in-kind contribution of commodities from the USDA. The School Food Service Fund is a major fund.

The Childcare fund and Preschool fund accounts for revenues and expenditures related to daycare services and preschool activities.

III. Fiduciary Fund Types (includes agency and trust funds)

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

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, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the

BATH COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2008NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Basis of Accounting (continued)

fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource 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.

Expenses/Expenditures – 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 change in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

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

The property tax rates assessed for the year ended June 30, 2008, to finance the General Fund operations were \$.352 per \$100 valuation for real property, \$.352 per \$100 valuation for business personal property and \$.400 per \$100 valuation for motor vehicles.

BATH COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2008NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Property Taxes (continued)

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

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 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.

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

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

BATH COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2008NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)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.

Compensated absence liabilities are recorded based on balances for classified and certified employees with twenty-seven or more years of experience at June 30, 2008.

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. The District has set aside a board authorized reserve in the amount of \$35,898 for accumulated sick leave.

Budgetary Process

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

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

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

Cash and Cash Equivalents

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

BATH COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2008NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)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, 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

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

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.



BATH COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2008NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)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.

Interfund Activity

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

NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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.

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the bank balance of the District's cash and cash equivalents was \$14,490,976. Of the total cash balance, \$106,955 was covered by Federal depository insurance, the balance was covered by a collateral agreement and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

The funds of the District are deposited and invested under the terms of a contract, contents of which are set out in the bond of depositors for public school funds. 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.

BATH COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2008NOTE C – CASH AND CASH EQUIVALENTS (continued)

Custodial credit risk is the risk that in event of bank failure the deposits may not be returned or that the District may not recover collateral securities. The District requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District does not retain any long-term investments. Concentrations of credit risk are the risk of loss attributed to the magnitude of the District's investments in a single issuer. All of the organization's cash is held at a local financial institution. Foreign currency risk is the risk of changes in exchange rates affecting foreign investments. The District does not hold any foreign investments.

Cash and cash equivalents at June 30, 2008 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Central Bancshares, Inc.		
Checking Account	14,469,021	12,952,286
Certificate of Deposit	15,000	15,000
The Citizens Bank		
Checking Account	<u>6,955</u>	<u>6,744</u>
<u>Total</u>	<u>14,490,976</u>	<u>12,974,030</u>

Composition per financial statements:

Proprietary funds	277,679
Agency funds	<u>181,855</u>
	<u>12,974,030</u>

NOTE D – LEASE OBLIGATIONS AND BONDED DEBT

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
1996	185,000	5.00% - 5.70%
1997	2,785,000	3.90% - 4.70%
1998	2,195,000	4.00% - 4.25%
2001	515,000	2.60% - 4.25%

BATH COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2008NOTE D – LEASE OBLIGATIONS AND BONDED DEBT (continued)

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
2003	955,000	1.10% - 2.00%
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%

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 1988, 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.

During the current fiscal year the Board issued \$705,000 in School District Finance Corporation School Building Revenue Bonds, Series 2008, to finance the site package for the new Bath County Elementary School. \$678,850 of this amount was deposited into the District construction fund account. The balance of the debt service was used for various underwriter and bond fees except for \$2,092 of accrued interest deposited to the Bond fund. The debt service is scheduled to be fully paid by the State Facilities Construction Commission under its urgent needs program.

During the current fiscal year, the Board issued \$8,975,000 in School District Finance Corporation School Building Revenue Bonds, Second Series 2008, to finance the construction for the new Bath County Elementary School. \$8,771,604.75 of this amount was deposited into the District construction fund account. The balance of the debt service was used for various underwriter and bond fees except for \$18,383 deposited to the Bond fund. The debt service is to be shared by SFCC and local sources.

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

BATH COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2008NOTE D – LEASE OBLIGATIONS AND BONDED DEBT (continued)

obligations of the District, including amounts to be paid by the Commission, at June 30, 2008, for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
	<u>Board</u>	<u>KSFCC</u>	<u>Board</u>	<u>KSFCC</u>	
2008 - 09	477,245	544,065	358,211	320,546	1,700,067
2009 - 10	495,600	450,162	342,976	317,290	1,606,028
2010 - 11	493,788	366,847	324,665	304,751	1,490,051
2011 - 12	503,729	375,311	306,522	293,507	1,479,069
2012 - 13	458,765	395,912	289,117	281,535	1,425,329
2013 - 14	452,121	407,277	272,246	268,278	1,399,922
2014 - 15	457,915	419,321	255,544	254,261	1,387,041
2015 - 16	467,912	432,350	238,405	239,385	1,378,052
2016 - 17	474,772	431,075	220,490	223,607	1,349,944
2017 - 18	469,819	450,622	202,063	207,880	1,330,384
2018 - 19	469,141	460,859	183,652	191,321	1,304,973
2019 - 20	488,130	456,870	165,967	174,095	1,285,062
2020 - 21	506,545	478,455	146,742	156,640	1,288,382
2021 - 22	530,433	494,567	126,834	138,148	1,289,982
2022 - 23	551,923	513,077	105,726	118,857	1,289,583
2023 - 24	573,875	531,125	83,505	98,530	1,287,035
2024 - 25	596,858	488,142	59,892	77,361	1,222,253
2025 - 26	621,106	493,894	34,903	58,296	1,208,199
2026 - 27	224,100	480,900	18,239	39,461	762,700
2027 - 28	231,865	498,135	9,275	20,075	759,350
<u>Totals</u>	<u>9,545,642</u>	<u>9,168,966</u>	<u>3,744,974</u>	<u>3,783,824</u>	<u>26,243,406</u>

Following are changes in long-term debt:

	<u>Balance,</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance,</u> <u>June 30, 2008</u>
September 1996 Issue	110,000	-	(10,000)	100,000
December 1997 Issue	910,000	-	(265,000)	645,000
September 1998 Issue	1,255,000	-	(155,000)	1,100,000
KISTA November 2001	280,000	-	(50,000)	230,000
February 2003 Series	200,000	-	(200,000)	-
April 2003 KISTA Series	140,669	-	(23,132)	117,537
June 2004 Series	755,000	-	(30,000)	725,000
January 2004 KISTA Series	84,835	-	(11,784)	73,051

BATH COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2008NOTE D – LEASE OBLIGATIONS AND BONDED DEBT (continued)

	Balance, <u>July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance, <u>June 30, 2008</u>
August 2005 Series	5,630,000	-	(40,000)	5,590,000
January 2006 KISTA Series	118,874	-	(14,230)	104,644
September 2006 KISTA Series	208,738	-	(18,437)	190,301
January 2008 Series	-	705,000	-	705,000
KISTA 2008 Series	-	159,075	-	159,075
May 2008 Issue	-	8,975,000	-	8,975,000
	<u>9,693,116</u>	<u>9,839,075</u>	<u>(817,583)</u>	<u>18,714,608</u>

The District's participation in the KISTA New Market Tax Credit Program, also known as the Central Kentucky Equipment Acquisition Program (KTEAP), allowed each school to acquire computer equipment. In order to participate, the District entered into a technology equipment lease agreement with the Central Kentucky Educational Cooperative, Inc. requiring semiannual payments of \$33,525.80 beginning May 15, 2007. The total cost for the District is \$335,258. Following is a schedule for the capital lease arrangement:

## Capital Lease Obligation

<u>Year</u>	<u>Amount</u>
2008-09	67,052
2009-10	67,051
2010-11	67,051
2011-12	<u>33,526</u>
Total	<u>234,680</u>

Changes in capital lease obligations are as follows:

Balance, <u>7/1/2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance, <u>6/30/2008</u>
<u>301,732</u>	<u>-</u>	<u>(67,052)</u>	<u>234,680</u>

The District participated in the Kentucky Interlocal School Transportation Association (KISTA) bond pool in the fiscal year ended for the purpose of acquiring two bus units. The total bond principal was \$159,075.

## BATH COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE E – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

	Balance <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2008</u>
<u>Governmental Activities</u>				
Land	283,317	-	-	283,317
Land improvements	908,665	-	-	908,665
Buildings and improvements	9,390,678	281,318	-	9,671,996
Technology equipment	1,097,644	169,397	173,912	1,093,129
Vehicles	1,975,779	153,382	-	2,129,161
General equipment	585,388	58,388	2,513	641,263
Construction in progress	<u>6,243,338</u>	<u>964,240</u>	-	<u>7,207,578</u>
<u>Totals at historical cost</u>	<u>20,484,809</u>	<u>1,626,725</u>	<u>176,425</u>	<u>21,935,109</u>
Less: accumulated depreciation				
Land and improvements	629,298	33,926	-	663,224
Buildings and improvements	4,175,563	201,815	-	4,377,378
Vehicles	1,455,061	107,460	-	1,562,521
Technology equipment	727,548	146,865	182,124	692,289
General equipment	<u>296,680</u>	<u>39,971</u>	<u>946</u>	<u>335,705</u>
<u>Total accumulated depreciation</u>	<u>7,284,150</u>	<u>530,037</u>	<u>183,070</u>	<u>7,631,117</u>
Governmental Activities				
<u>Capital Assets - Net</u>	<u>13,200,659</u>	<u>1,096,688</u>	<u>(6,645)</u>	<u>14,303,992</u>
	Balance <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2008</u>
<u>Business-Type Activities</u>				
Food service and equipment	256,621	996	-	257,617
Technology equipment	<u>5,537</u>	<u>3,390</u>	<u>2,798</u>	<u>6,129</u>
<u>Totals at historical cost</u>	<u>262,158</u>	<u>4,386</u>	<u>2,798</u>	<u>263,746</u>
Less: accumulated depreciation				
Food service and equipment	197,825	14,683	-	212,508
Technology equipment	<u>4,749</u>	<u>421</u>	<u>2,798</u>	<u>2,372</u>
<u>Total accumulated depreciation</u>	<u>202,574</u>	<u>15,104</u>	<u>2,798</u>	<u>214,880</u>
Business-Type Activities				
<u>Capital Assets - Net</u>	<u>58,978</u>	<u>(10,718)</u>	<u>-</u>	<u>48,866</u>

BATH COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2008NOTE E – CAPITAL ASSETS (continued)

Depreciation expense was allocated to governmental functions as follows:

Instructional	337,495
Student support service	22,429
Instructional staff support	9,785
District administration	28,203
School administration	8,412
Business support services	921
Plant operations and management	12,149
Student transportation	109,533
Community service activities	<u>1,110</u>
 Total Depreciation Expense	
- Governmental Functions	<u>530,037</u>

NOTE F – COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for equipment provide the minimum future rental payments as of June 30, 2008, as follows:

Year ending June 30:	
2009	60,364
2010	60,364
2011	<u>-</u>
 Total Minimum Rentals	<u>120,728</u>

NOTE G – RETIREMENT PLANS

Kentucky Teachers Retirement System:

**Pension Plan**

*Plan Description* – 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 and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by Kentucky Department of Education (KDE).

BATH COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2008**NOTE G – RETIREMENT PLANS (continued)**

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

*Funding Policy* – Contribution rates are established by KRS. Members are required to contribute 9.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries. The federal program for any salaries paid by that program pays the matching contributions.

**Medical Insurance Plan**

*Plan Description* – In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide post-retirement healthcare benefits to eligible members and dependents. The KTRS Medical insurance benefits is a cost-sharing multiple employer defined benefits plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

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

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

The Bath County Public School District's total payroll for the year was \$10,446,266. The payroll for employees covered under KTRS was \$7,873,569. For the year ended June 30, 2008, the Commonwealth contributed \$917,353 to KTRS for the benefit of participating employees. The School District's contributions to KTRS for the year ending June 30, 2008 were \$114,478, which represents those employees covered by federal programs. Employees contributions for KTRS were \$775,940.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer, public employers retirement system. Funding for the plan is provided through payroll



BATH COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2008NOTE G – RETIREMENT PLANS (continued)

withholdings of 5.00% and a district contribution of 16.17% of the employee's total compensation subject to contributions. Total payroll for employee's covered under CERS was \$2,418,117.

The contribution requirement for CERS for the year ended June 30, 2008 was \$511,915 which consisted of \$319,010 from the District and \$120,905 from the employees.

Following is a summary of contributions paid by the District on-behalf of the employees for the past three years:

Year Ended	Teacher's Retirement		County
<u>June 30,</u>	<u>District</u>	<u>State</u>	<u>Retirement</u>
2008	114,478	917,353	391,010
2007	94,583	823,472	312,476
2006	85,538	803,677	253,011

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

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

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following table presents certain information regarding the plans' status as a whole, derived from actuarial valuations performed as of the dates indicated:

	KTRS	CERS
	<u>as of June 30, 2007</u>	<u>as of June 30, 2007</u>
	(in millions of dollars)	(in millions of dollars)
Actuarial accrued liabilities	21,255.0	8,868.2
Actuarial value of assets	<u>15,285.0</u>	<u>7,107.1</u>
Unfunded (overfunded) actuarial accrued liabilities	<u>5,970.0</u>	<u>1,761.1</u>

Historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2007 comprehensive annual financial reports.

BATH COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2008NOTE G – RETIREMENT PLANS (continued)

As the Board is only one of several employers participating in the plan, it is not practical to determine the Board's portion of the unfunded past service cost or the vested benefits of the Board's portion of the plan assets.

NOTE H – COMMITMENTS

A revised BG-1 reflected a proposed plan for elementary school construction at an estimated cost of \$10,991,924. The most significant portion of the cost is to be financed by state and local bond proceeds.

NOTE I – CONTINGENCIES

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

NOTE J – INSURANCE AND RELATED ACTIVITIES

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

NOTE K – LITIGATION

The District is subject to legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate a material effect on the combined financial statements as a result of threatened, pending or ongoing litigation.

NOTE L – RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District pays an annual premium for worker's compensation, errors, omissions, general liability, and property insurance to minimize its risk.

BATH COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2008NOTE L – RISK MANAGEMENT (continued)

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE M – DEFICIT OPERATING/FUND BALANCES

The following funds had deficit balances at June 30, 2008:

None

The following funds had expenditures in excess of revenues at June 30, 2008:

Bath County Middle School Activity Fund	117
Bethel Elementary	34
General Fund	110,837

NOTE N – COBRA

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

NOTE O – TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Capital Outlay	Debt Service	Bond principal and interest	29,601
Capital Outlay	Construction	Building additions & renovation	431,234
FSPK	Debt Service	Bond principal and interest	538,597
FSPK	Construction	Building additions & renovation	305,691
Special Revenue	Debt Service	Bond principal and interest	60,280
General Fund	Debt Service	Bond principal and interest	123,120
General Fund	Special Revenue	KETS Grant Match	22,972
		<u>Total</u>	<u>1,511,495</u>

NOTE P – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2008 were \$-0-.

BATH COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2008NOTE Q – ANNUAL FINANCIAL REPORT DIFFERENCES

The following is a reconciliation of the June 30, 2008, fund balances/retained earnings reported by the Board to the Kentucky Department of Education with that shown in the accompanying fund financial statements:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Enterprise Funds</u>
Fund Balance/Retained Earnings as reported to the Department of Education	3,060,051	-	9,092,272	283,748
Adjustment to Fund Balance/Retained Earnings				
(1) To reclassify cash	(28,844)	-	28,844	-
(2) To record additional accounts receivable	34,259	-	-	18,696
(4) To record additional accounts payable	<u>(8,123)</u>	<u>-</u>	<u>(108,895)</u>	<u>(332)</u>
Fund Balance/Retained Earnings per fund financial statements at June 30, 2008	<u>3,057,343</u>	<u>-</u>	<u>9,012,221</u>	<u>302,112</u>

NOTE R – ON-BEHALF PAYMENTS

The following payments made by the state on behalf of employees of the District and for the benefit of the District are recognized in the government-wide financial statements as additional revenue and expenditures for the year ended June 30, 2008:

Kentucky Teacher's Retirement System	917,353
Health Insurance	1,630,784
Life Insurance	6,420
Administrative Fees	17,325
Health Reimbursement Account	77,000
Less: Federal Reimbursement	(130,371)
Vocational Education	<u>11,563</u>
Total	<u>2,530,074</u>
General Fund	2,411,646
Food Service Fund	61,051
Child Care Fund	<u>57,377</u>
Total	<u>2,530,074</u>

BATH COUNTY SCHOOL DISTRICTCOMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDSAt June 30, 2008

	<u>SEEK Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Construction Fund</u>	<u>Debt Service Funds</u>	<u>Total</u>
<b>Asset and resources:</b>					
Cash and cash equivalents	<u>151,649</u>	<u>38,685</u>	<u>9,335,887</u>	<u>-</u>	<u>9,526,221</u>
<b>Liabilities and fund balances:</b>					
- Liabilities -					
Accounts payable	<u>-</u>	<u>-</u>	<u>514,000</u>	<u>-</u>	<u>514,000</u>
- Fund balances -					
Reserved for SFCC Escrow	-	-	-	-	-
Reserved for Future Construction	-	-	6,417	-	6,417
Unreserved fund balance	<u>151,649</u>	<u>38,685</u>	<u>8,815,470</u>	<u>-</u>	<u>9,005,804</u>
<b>Total fund balances</b>	<u>151,649</u>	<u>38,685</u>	<u>8,821,887</u>	<u>-</u>	<u>9,012,221</u>
<b>Total liabilities and fund balances</b>	<u>151,649</u>	<u>38,685</u>	<u>9,335,887</u>	<u>-</u>	<u>9,526,221</u>

BATH COUNTY SCHOOL DISTRICTCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDSFor the Year Ended June 30, 2008

	SEEK Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Funds	Total
<b>Revenues:</b>					
From local sources:					
General real property tax	-	186,309	-	-	186,309
Interest earnings on investments	-	-	427,316	-	427,316
Intergovernmental - State	181,250	390,973	-	220,988	793,211
	<u>181,250</u>	<u>390,973</u>	<u>-</u>	<u>220,988</u>	<u>793,211</u>
<b><u>Total revenues</u></b>	<u>181,250</u>	<u>577,282</u>	<u>427,316</u>	<u>220,988</u>	<u>1,406,836</u>
<b>Expenditures:</b>					
New building construction	-	-	1,459,239	-	1,459,239
Building renovations and additions	-	-	354,128	-	354,128
Debt service:					
Principal	-	-	-	653,512	653,512
Interest	-	-	-	319,075	319,075
	<u>-</u>	<u>-</u>	<u>1,813,367</u>	<u>972,587</u>	<u>2,785,954</u>
<b><u>Total expenditures</u></b>	<u>-</u>	<u>-</u>	<u>1,813,367</u>	<u>972,587</u>	<u>2,785,954</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>181,250</u>	<u>577,282</u>	<u>(1,386,051)</u>	<u>(751,599)</u>	<u>(1,379,118)</u>
Other financing sources (uses):					
Bond Proceeds	-	-	9,464,597	-	9,464,597
Operating transfers in	-	-	736,924	751,599	1,488,523
Operating transfers out	(460,835)	(844,288)	-	-	(1,305,123)
	<u>(460,835)</u>	<u>(844,288)</u>	<u>10,201,521</u>	<u>751,599</u>	<u>9,647,997</u>
<b><u>Total other financing sources (uses)</u></b>	<u>(460,835)</u>	<u>(844,288)</u>	<u>10,201,521</u>	<u>751,599</u>	<u>9,647,997</u>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<u>(279,585)</u>	<u>(267,006)</u>	<u>8,815,470</u>	<u>-</u>	<u>-</u>
Fund balance, July 1, 2007	<u>431,234</u>	<u>305,691</u>	<u>6,417</u>	<u>-</u>	<u>743,342</u>
Fund balance, June 30, 2008	<u>151,649</u>	<u>38,685</u>	<u>8,821,887</u>	<u>-</u>	<u>9,012,221</u>

BATH COUNTY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCEBATH COUNTY HIGH SCHOOL ACTIVITY FUNDFor the Year Ended June 30, 2008

<u>Fund Accounts</u>	<u>Revenues</u>	<u>Expenditures</u>	Excess (Deficit) of <u>Revenues over Expenditures</u>	<u>Fund Balance July 1, 2007</u>	<u>Fund Balance June 30, 2008</u>
General	20,284	19,908	376	8,747	9,123
Picture fund	4,490	4,490	-	-	-
Academic fund	-	50	(50)	150	100
Walmart teacher program	-	1,000	(1,000)	1,000	-
Guidance	1,465	2,203	(738)	1,374	636
Graduation academy	500	500	-	-	-
Talented and gifted	560	560	-	-	-
Senior trip	59,516	59,471	44	-	44
Faculty	2,618	1,962	656	654	1,310
Beta club	5,748	4,544	1,205	2,223	3,428
Coed "Y" club	-	354	(354)	354	(0)
FBLA	1,277	1,314	(37)	374	337
FCCLA	3,041	2,555	486	467	953
FFA	9,252	9,279	(27)	2,580	2,553
Future educators of America	-	373	(373)	373	0
Junior beta club	-	-	-	-	-
Library club	1,822	1,355	467	15	482
Spirit club	-	-	-	99	99
TSA club	-	410	(410)	924	514
Drivers ed	475	424	51	57	108
FCA	104	-	104	15	119
Ag. mechanics	6,391	6,120	271	3,087	3,358
Agr. science	2,098	391	1,707	329	2,036
Art	-	-	-	115	115
Band	-	-	-	1	1
Biology	-	283	(283)	282	(1)
Chorus	50	-	50	56	106
Dance team	-	-	-	-	-
Horticulture	17,598	14,551	3,047	15,231	18,278
Journalism	5,551	4,173	1,378	5,204	6,582
Spanish club	458	355	103	468	571
Woods	-	-	-	242	242
Consumer sciences	823	782	41	1	42
Humanities	946	975	(29)	29	(0)
Athletics	73,007	66,988	6,020	17,497	23,517
Athletics baseball	2,730	2,735	(5)	587	582
Athletics boys basketball	1,000	1,261	(261)	806	545
Cheerleaders	5,532	4,231	1,301	89	1,389
Boys cross country	150	265	(115)	146	31
Football	2,600	3,171	(571)	706	135
Girls cross country	150	80	70	226	296
Athletics girls basketball	1,000	1,304	(304)	585	281

This fund maintains accounts separate from MUNIS at June 30, 2008.

BATH COUNTY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCEBATH COUNTY HIGH SCHOOL ACTIVITY FUND (CONTINUED)For the Year Ended June 30, 2008

<u>Fund Accounts</u>	<u>Revenues</u>	<u>Expenditures</u>	Excess (Deficit) of Revenues over <u>Expenditures</u>	<u>Fund Balance July 1, 2007</u>	<u>Fund Balance June 30, 2008</u>
Physical Education	-	30	(30)	30	-
Girls softball	-	304	(304)	348	44
Boys golf	300	394	(94)	273	179
Girls golf	300	350	(50)	188	138
Tennis	33	329	(296)	315	19
Boys soccer	1,900	1,816	84	9	93
Girls soccer	1,900	1,663	237	281	518
Track	300	180	120	70	190
Girls volleyball	300	294	6	83	89
Junior class	33,137	31,034	2,103	2,406	4,509
Sophomore class	9,344	14,236	(4,891)	6,547	1,656
Senior class	8,638	5,361	3,276	14	3,290
Freshman class	4,689	7,001	(2,313)	2,313	0
Youth service center	16	72	(56)	434	378
YSC-CI fun	-	300	(300)	314	14
Certificate of deposit	11	-	11	-	11
	<u>292,103</u>	<u>281,781</u>	<u>10,322</u>	<u>78,720</u>	<u>89,042</u>
Less: Interfund transfers	<u>(37,039)</u>	<u>(37,039)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>255,064</u>	<u>244,742</u>	<u>10,322</u>	<u>78,720</u>	<u>89,042</u>

This fund maintains accounts separate from MUNIS at June 30, 2008.



BATH COUNTY SCHOOL DISTRICTCOMBINING STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCEMIDDLE AND ELEMENTARY SCHOOL ACTIVITY FUNDSFor the Year Ended June 30, 2008

	<u>Bath County Middle School</u>	<u>Bethel Elementary</u>	<u>Owingsville Elementary</u>	<u>Salt Lick Elementary</u>	<u>Total (Memorandum Only)</u>
<u>REVENUES:</u>					
Activity funds	68,771	13,978	42,321	18,335	143,405
<u>EXPENDITURES:</u>					
Activity funds	<u>68,888</u>	<u>14,012</u>	<u>42,241</u>	<u>17,353</u>	<u>142,494</u>
Excess or (deficiency) of revenues over <u>expenditures</u>	(117)	(34)	80	982	912
Fund Balance, July 1, 2007	<u>24,958</u>	<u>6,535</u>	<u>26,854</u>	<u>15,256</u>	<u>73,603</u>
Fund Balance, June 30, 2008	<u><u>24,841</u></u>	<u><u>6,501</u></u>	<u><u>26,934</u></u>	<u><u>16,238</u></u>	<u><u>74,515</u></u>

These funds maintain accounts separate from MUNIS at June 30, 2008.

BATH COUNTY SCHOOL DISTRICTSCHEDULE OF INDIVIDUAL DEBT SERVICE REQUIREMENTSAt June 30, 2008

Below are minimum obligations for each individual issue:

<u>School Year</u>	<b>April 2003 (KISTA)</b>		<b>September 1996 Issue</b>	
	<u>Principal</u>	<u>Interest</u>	<u>KSFCC</u>	
			<u>Principal</u>	<u>Interest</u>
2008 - 09	23,757	4,259	10,000	5,670
2009 - 10	24,383	3,517	10,000	5,110
2010 - 11	25,258	2,663	10,000	4,550
2011 - 12	21,632	1,716	10,000	3,990
2012 - 13	22,507	877	15,000	3,420
2013 - 14	-	-	15,000	2,565
2014 - 15	-	-	15,000	1,710
2015 - 16	-	-	15,000	855
<b><u>Totals</u></b>	<b><u>117,537</u></b>	<b><u>13,032</u></b>	<b><u>100,000</u></b>	<b><u>27,870</u></b>

<u>School Year</u>	<b>December 1997 Issue</b>			
	<u>KSFCC</u>		<u>District</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008 - 09	181,445	8,555	173,555	13,329
2009 - 10	92,261	2,168	197,739	4,647
<b><u>Totals</u></b>	<b><u>273,706</u></b>	<b><u>10,723</u></b>	<b><u>371,294</u></b>	<b><u>17,976</u></b>

<u>School Year</u>	<b>September 1998 Issue</b>			
	<u>KSFCC</u>		<u>District</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008 - 09	7,257	8,983	157,743	32,817
2009 - 10	19,837	8,441	150,163	26,659
2010 - 11	15,966	7,725	179,034	20,075
2011 - 12	20,561	6,982	39,439	15,681
2012 - 13	23,391	6,075	41,609	14,009
2013 - 14	18,611	5,208	46,389	12,194
2014 - 15	21,532	4,380	48,468	10,238
2015 - 16	22,062	3,468	47,938	8,220
2016 - 17	22,216	2,527	52,784	6,079
2017 - 18	26,175	1,498	53,825	3,814
2018 - 19	22,175	471	62,825	1,335
<b><u>Totals</u></b>	<b><u>219,783</u></b>	<b><u>55,758</u></b>	<b><u>880,217</u></b>	<b><u>151,121</u></b>

BATH COUNTY SCHOOL DISTRICTSCHEDULE OF INDIVIDUAL DEBT SERVICE REQUIREMENTS (CONTINUED)At June 30, 2008

Below are minimum obligations for each individual issue:

<u>School Year</u>	<b>KISTA November 2001</b>		<u>School Year</u>	<b>June 2004 Issue</b>	
	<u>Remarketing Issue</u>			<u>KSFCC</u>	
	<u>District</u>			<u>Principal</u>	<u>Interest</u>
2008 - 09	55,000	8,282	2008 - 09	35,000	32,485
2009 - 10	55,000	6,110	2009 - 10	35,000	31,278
2010 - 11	60,000	3,780	2010 - 11	35,000	30,070
2011 - 12	<u>60,000</u>	<u>1,275</u>	2011 - 12	35,000	28,670
			2012 - 13	40,000	27,270
<b>Totals</b>	<u>230,000</u>	<u>19,447</u>	2013 - 14	40,000	25,670
			2014 - 15	40,000	24,070
<u>School Year</u>	<b>January 2004 (KISTA)</b>		2015 - 16	45,000	22,230
	<u>Principal</u>	<u>Interest</u>	2016 - 17	45,000	20,160
2008 - 09	12,097	2,229	2017 - 18	45,000	18,090
2009 - 10	12,410	1,926	2018 - 19	50,000	16,020
2010 - 11	12,723	1,585	2019 - 20	50,000	13,720
2011 - 12	13,140	1,203	2020 - 21	55,000	11,270
2012 - 13	11,158	783	2021 - 22	55,000	8,575
2013 - 14	<u>11,523</u>	<u>403</u>	2022 - 23	60,000	5,880
			2023 - 24	<u>60,000</u>	<u>2,940</u>
<b>Totals</b>	<u>73,051</u>	<u>8,129</u>		<u>725,000</u>	<u>318,398</u>

BATH COUNTY SCHOOL DISTRICTSCHEDULE OF INDIVIDUAL DEBT SERVICE REQUIREMENTS (CONTINUED)At June 30, 2008

Below are minimum obligations for each individual issue:

School Year	<b>August 2005 Issue</b>			
	<b>KSFCC</b>		<b>District</b>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008 - 09	32,773	23,255	2,227	197,423
2009 - 10	22,888	22,337	2,112	197,351
2010 - 11	29,576	21,405	95,424	195,527
2011 - 12	26,785	20,348	243,215	189,178
2012 - 13	22,203	19,430	252,797	179,878
2013 - 14	30,389	18,444	259,611	170,270
2014 - 15	31,041	17,292	268,959	160,359
2015 - 16	29,525	16,149	280,475	149,987
2016 - 17	33,500	14,943	291,500	139,047
2017 - 18	33,875	13,637	306,125	127,466
2018 - 19	32,242	12,340	307,758	115,418
2019 - 20	38,857	10,927	336,143	102,617
2020 - 21	38,454	9,380	351,546	88,863
2021 - 22	42,058	7,769	362,942	74,574
2022 - 23	42,342	6,081	382,658	59,662
2023 - 24	46,486	4,276	398,514	43,789
2024 - 25	43,886	2,385	411,114	26,840
2025 - 26	<u>34,168</u>	<u>725</u>	<u>425,832</u>	<u>9,049</u>
Totals	<u>611,048</u>	<u>241,123</u>	<u>4,978,952</u>	<u>2,227,298</u>
School Year	<b>January 2006 (KISTA)</b>		<b>September 2006 (KISTA)</b>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008 - 09	12,150	3,776	22,099	6,929
2009 - 10	12,588	3,376	19,131	6,155
2010 - 11	13,026	2,952	19,952	5,486
2011 - 12	13,464	2,496	20,710	4,787
2012 - 13	13,901	2,024	21,530	4,037
2013 - 14	14,394	1,520	22,414	3,256
2014 - 15	12,314	980	23,298	2,444
2015 - 16	12,807	511	20,205	1,570
2016 - 17	<u>-</u>	<u>-</u>	<u>20,962</u>	<u>812</u>
Totals	<u>104,644</u>	<u>17,635</u>	<u>190,301</u>	<u>35,476</u>

BATH COUNTY SCHOOL DISTRICTSCHEDULE OF INDIVIDUAL DEBT SERVICE REQUIREMENTS (CONTINUED)At June 30, 2008

Below are minimum obligations for each individual issue:

School Year	<b>May 2008 Issue</b>				<b>January 2008 Series</b>	
	<u>KSFCC</u>		<u>District</u>		<u>KSFCC</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008 - 09	252,590	213,471	2,410	83,280	25,000	28,127
2009 - 10	245,176	220,886	4,824	88,383	25,000	27,070
2010 - 11	251,305	214,756	73,695	88,262	25,000	26,245
2011 - 12	257,965	208,097	77,035	86,310	25,000	25,420
2012 - 13	265,318	200,745	79,682	84,115	30,000	24,595
2013 - 14	273,277	192,786	81,723	81,724	30,000	23,605
2014 - 15	281,748	184,314	88,252	79,190	30,000	22,495
2015 - 16	290,763	175,298	89,237	76,366	30,000	21,385
2016 - 17	300,359	165,702	94,641	73,422	30,000	20,275
2017 - 18	310,572	155,490	94,428	70,204	35,000	19,165
2018 - 19	321,442	144,620	98,558	66,899	35,000	17,870
2019 - 20	333,013	133,048	151,987	63,350	35,000	16,400
2020 - 21	345,001	121,060	154,999	57,879	40,000	14,930
2021 - 22	357,509	108,554	167,491	52,260	40,000	13,250
2022 - 23	370,735	95,326	169,265	46,064	40,000	11,570
2023 - 24	384,639	81,424	175,361	39,716	40,000	9,890
2024 - 25	399,256	66,806	185,744	33,052	45,000	8,170
2025 - 26	414,726	51,336	195,274	25,854	45,000	6,235
2026 - 27	430,900	35,161	224,100	18,239	50,000	4,300
2007 - 28	448,135	17,925	231,865	9,275	50,000	2,150
<b>Totals</b>	<b>6,534,429</b>	<b>2,786,805</b>	<b>2,440,571</b>	<b>1,223,844</b>	<b>705,000</b>	<b>343,147</b>
School Year	<b>(KISTA) 2008 Series</b>					
	<u>Principal</u>	<u>Interest</u>				
2008 - 09	16,207	5,887				
2009 - 10	17,250	4,852				
2010 - 11	14,676	4,335				
2011 - 12	15,094	3,876				
2012 - 13	15,581	3,393				
2013 - 14	16,067	2,879				
2014 - 15	16,624	2,333				
2015 - 16	17,250	1,751				
2016 - 17	14,885	1,130				
2017 - 18	15,441	579				
<b>Totals</b>	<b>159,075</b>	<b>31,015</b>				

BATH COUNTY SCHOOL DISTRICTSCHEDULE OF EXPENDITURES OF FEDERAL AWARDSFor the Year Ended June 30, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program Award Amount</u>	<u>Program Expenditures</u>
<u>U. S. Department of Agriculture</u>				
Passed through State Department of Education:				
Child Nutrition Cluster				
School Breakfast Program	* 10.553	N/A	N/A	296,777
School Lunch Program	* 10.555	N/A	N/A	534,215
Child and Adult Care Food Program	* 10.558	N/A	N/A	8,481
Summer Food Service Program for Children	* 10.559	N/A	N/A	18,085
Passed through State Department of Agriculture:				
Food Donation (non-cash assistance)	10.550	N/A	N/A	<u>65,052</u>
<u>Total U.S. Department of Agriculture</u>				<u><b>922,610</b></u>
<u>U. S. Department of Commerce</u>				
-Direct-				
Environmental Education	11.420	2707	9030	<u><b>58</b></u>
<u>U. S. Department of Education</u>				
Passed through State Department of Education:				
Title I	* 84.010	3106	632,335	16
	* 84.010	3107	546,304	184,432
	* 84.010	3108	532,529	332,536
Title I School Improvement	* 84.010	3208	19,203	14,368
Title I Professional Development	* 84.010	3107D	88,776	41,487
	* 84.010	3108D	64,215	39,230
Title I Parental Involvement	* 84.010	3107M	6,453	3,558
	* 84.010	3108M	6,347	3,403
Title I PD for District Improvement	* 84.010	3108T	31,656	<u>9,224</u>
				<u><b>628,254</b></u>
Migrant	84.011	3116	66,000	500
	84.011	3117	59,696	<u>43,978</u>
				<u><b>44,478</b></u>
Even Start Family Literacy	84.213	3237	75,000	8,007
	84.213	3238	100,000	<u>91,265</u>
				<u><b>99,272</b></u>
Title V	84.298	3347	3,700	893
	84.298	3348	3,684	<u>3,637</u>
				<u><b>4,530</b></u>

BATH COUNTY SCHOOL DISTRICTSCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)For the Year Ended June 30, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program Award Amount</u>	<u>Program Expenditures</u>
- Special Education Cluster -				
IDEA - B Basic	* 84.027	3377	403,987	23,856
	* 84.027	3378	409,553	398,098
IDEA - B Preschool	* 84.173	3438	31,825	<u>30,713</u>
				<b>452,667</b>
Vocational Education	84.048	3487	25,957	985
	84.048	3488	27,264	27,264
	84.048	3487A	882	882
				<u>29,131</u>
Title VI - Rural & Low Income	84.358	3507	57,386	12,427
	84.358	3507	59,384	<u>55,784</u>
				<b>68,211</b>
Gear Up (Collaborative Teaching Grant)	84.334A	3798G	12,086	<u>12,086</u>
Teacher Quality	84.367	4017	150,870	13,168
	84.367	4018	150,011	<u>143,694</u>
				<b>156,862</b>
Title IV	84.186	4066	15,567	876
	84.186	4067	11,886	7,074
	84.186	4068	11,936	<u>4,281</u>
				<b>12,231</b>
Education Technology	84.318	4256	12,280	30
	84.318	4257	6,472	452
	84.318	4258	6,346	<u>2,758</u>
				<b>3,240</b>
Reading First	84.358A	5087R	170,000	<u>159,681</u>
Passed through Workforce Cabinet:				
Adult Ed - Development Funds	84.002	3658S	8,437	8,437
Adult Education	84.002	3738	29,873	29,873
Adult Ed - Family Literacy	84.002	3738S	2,011	<u>1,994</u>
				<b>40,304</b>
<u>Total Department of Education</u>				<u><b>1,710,947</b></u>
<u>National Science Foundation</u>				
Passed through State Department of Education:				
Appalachian Math and Science	47.076	4217A	26,826	1,029
	47.076	4218B	37,003	<u>13,885</u>
<u>Total National Science Foundation</u>				<u><b>14,914</b></u>

BATH COUNTY SCHOOL DISTRICTSCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)For the Year Ended June 30, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program Award Amount</u>	<u>Program Expenditures</u>
<u>U.S. Department of Health and Human Services</u>				
Passed through State Department of Education:				
Temporary Assistance for Needy Families				
Job Readiness Activities	93.558	3818	3,641	<u>3,641</u>
<u>Appalachian Regional Commission</u>				
Passed through State Department of Education:				
Appalachian Higher Education Network	23.011	6886	5,000	49
	23.011	6887	5,000	<u>358</u>
<u>Total Appalachian Regional Commission</u>				<u>407</u>
<u>Corporation for National &amp; Community Service</u>				
Passed through State Department of Education:				
Service Learning Project	94.004	6755	3,000	122
	94.004	6757	3,400	1,428
	94.004	6758	4,300	<u>1,128</u>
<u>Total Corporation for National &amp; Community Service</u>				<u>2,678</u>
<u>Total Federal Awards Expended</u>				<u>2,655,255</u>

\* - Indicates major programs

**NOTE A**

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

**NOTE B**

Non-monetary assistance is reported in the schedule at the fair value of the food donations disbursed. The District no longer maintains a separate commodities inventory due to changes in program regulations.



## Chris Gooch

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### 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*

State Committee for School District Audits  
Members of Bath County Board of Education  
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 Bath County School District as of and for the year ended June 30, 2008 which collectively comprise the Bath County School District's basic financial statements and have issued our report thereon dated October 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Electronic Submission.

#### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Bath County School District's ability to initiate, authorize, record, process, or report financial data

reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Bath County School District's financial statements that is more than inconsequential will not be prevented or detected by the Bath County School District's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting: 2008-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Bath County School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bath County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to management of Bath County School District, in a separate letter dated October 28, 2008. In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract – State Audit Requirements.

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



Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

October 28, 2008

## Chris Gooch

Certified Public Accountant  
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### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

#### Compliance

We have audited the compliance of Bath County School District, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Bath County School 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 Bath County School District's management. Our responsibility is to express an opinion on Bath County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 Bath County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bath County School District's compliance with those requirements.

In our opinion, Bath County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. however, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2008-1.

### Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-1 to be significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

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

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

A handwritten signature in blue ink, appearing to read "Chris Gooch". The signature is fluid and cursive, with the first name "Chris" and last name "Gooch" clearly distinguishable.

Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

October 28, 2008

BATH COUNTY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2008

- FINDINGS RELATED TO THE FINANCIAL STATEMENTS -

**2007-1:**

Condition: We noted several gift cards and awards were distributed to personnel and to students for various incentive programs. However, a written record of the purpose or a signed statement of the recipient was not maintained.

Criteria: The District should maintain documentary evidence of the purpose and personnel/student receiving incentive awards.

Cause: Written records were not maintained.

Effect: Controls are less effective regarding this type transaction. There is an enhanced risk that a fraudulent transaction could occur without written documentation.

Recommendation: The District should maintain documentary evidence of the purpose and personnel/student receiving incentive awards.

District Response: The District will develop procedures establishing documentary evidence for the purpose and require signature from the personnel/students receiving the benefits.

Current Year Audit Comment: The District established procedures establishing documentary evidence and requirement of signature from personnel/students receiving benefits.

**2007-2:**

Condition: We noted sales tax paid on various purchase items including payments made to Hewlett-Packard totaling \$755.88.

Criteria: As an entity exempt from sales tax on purchased items, the District should not pay sales tax.

Cause: The District is not monitoring invoices in an effective manner before payment is disbursed.

Effect: The District has used funds to pay sale tax for which it is exempt.

Recommendation: The District should enhance its monitoring procedures for disbursements transactions before payment is made to ensure sales tax is not included.

BATH COUNTY SCHOOL DISTRICTSUMMARY SCHEDULE OF PRIOR AUDIT FINDINGSFor the Year Ended June 30, 2008- FINDINGS RELATED TO THE FINANCIAL STATEMENTS -**2007-2:**

District Response: The District will enhance its monitoring procedures for disbursement transactions before payment is made to ensure sales tax is not included. The District has and will recover costs related to sales tax paid as noted in the current year audit.

Current Year Audit Comment: We noted no significant transactions occurring during the current year audit for which the District paid sales tax. The District recovered costs related to the above-referenced prior year sales tax.

**2007-3:**

Condition: We noted the following transactions without sufficient corroborating underlying documentation as to its purpose:

<b>Check Number</b>	<b>Check Date</b>	<b>Vendor</b>	<b>Amount</b>
29628	8/24/06	<b>Platinum Plus for Business</b>	
		United Airlines	785.95
		Root-a-bakers	111.24
		Golfgalaxy.com	49.37
		Books a Million	27.33
		Party City	12.30
		Lexington Marriott	790.62
30193	11/17/06	<b>Platinum Plus for Business</b>	
		Barnes and Noble	341.70
		Whayne Supply co.	1,225.94
		Embassy Suites	292.62
		Resources for Better Living	62.00
		McDonalds	4.88
		Cracker Barrel	22.43
		Panera Bread Company	7.17
		Rafferty's	62.50
		Wal-Mart	10.59
30694	2/15/07	<b>Platinum Plus for Business</b>	
		Delta Air	554.97

BATH COUNTY SCHOOL DISTRICTSUMMARY SCHEDULE OF PRIOR AUDIT FINDINGSFor the Year Ended June 30, 2008- FINDINGS RELATED TO THE FINANCIAL STATEMENTS -**2007-3:**

Criteria: All disbursement transactions should be supported by adequate supporting documentation before payment is made. Purchase orders should be secured on individual credit card transactions.

Cause: The District did not effectively monitor disbursement transactions and secure adequate supporting documentation before payment was made.

Effect: Costs may be for unallowable purposes. There are enhanced risks that transactions may be occurring for fraudulent purposes without adequate supporting documentation.

Recommendation: The District should ensure all disbursement transactions are supported by adequate documentation before payment is made through enhanced monitoring procedures. Purchase orders should be secured on individual credit card transactions.

District Response: The District will establish more effective monitoring procedures for its disbursement transactions to ensure adequate supporting documentation is secured before payment is made.

Current Year Audit Comment: The District has enhanced its monitoring procedures for its disbursement transactions ensuring adequate supporting documentation is secured before payment is made.

**2007-4:**

Condition: Travel related expense of \$19.84 was charged and paid by the District Reading First Program relating to disallowed in-room movies and beverages.

Criteria: The type cost charged and paid by the District Reading First Program is not an allowable cost of the program.

Cause: The District did not effectively review invoices for disallowed costs before making the disbursement transaction.

Effect: The cost is not for an allowable purpose.

Recommendation: The District should enhance its policies and procedures to ensure monitoring is adequate to allow for review of allowable and unallowable costs before payment is made.



BATH COUNTY SCHOOL DISTRICTSUMMARY SCHEDULE OF PRIOR AUDIT FINDINGSFor the Year Ended June 30, 2008- FINDINGS RELATED TO THE FINANCIAL STATEMENTS -**2007-4:**

District Response: The District will enhance its policies and procedures to ensure adequate monitoring to allow for review of allowable and unallowable costs before payment is made. District personnel have reimbursed the program for the disallowed cost.

Current Year Audit Comment: The District has enhanced its monitoring procedures for its disbursement transactions ensuring costs are for allowable and authorized purposes before payment is made.

- FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS -**2007-5:**

Condition: We noted the following transactions without sufficient corroborating underlying documentation as to its purpose:

Check Number	Check Date	Vendor	Amount
31236	5/22/07	<b>Business Card</b> Galt House - IDEA-B	650.70

Criteria: All disbursement transactions should be supported by adequate supporting documentation before payment is made. Purchase orders should be secured on individual credit card transactions.

Cause: The District did not effectively monitor disbursement transactions and secure adequate supporting documentation before payment was made.

Effect: Costs may be for unallowable purposes. There are enhanced risks that transactions may be occurring for fraudulent purposes without adequate supporting documentation.

Recommendation: The District should ensure all disbursement transactions are supported by adequate documentation before payment is made through enhanced monitoring procedures. Purchase orders should be secured on individual credit card transactions.

District Response: The District will establish more effective monitoring procedures for its disbursement transactions to ensure adequate supporting documentation is secured before payment is made.

BATH COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2008

- FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS -

**2007-5:**

Current Year Audit Comment:	The District has enhanced its monitoring procedures for its disbursement transactions ensuring adequate supporting documentation is secured before payment is made.
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BATH COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2008

- SUMMARY OF AUDIT RESULTS –

1. We have issued an unqualified opinion on the financial statements.
2. One significant deficiency in internal control was disclosed by the audit of the financial statements.
3. No material noncompliance was disclosed in our audit of the financial statements.
4. One significant deficiency in internal control was disclosed by the audit in internal control over major programs.
5. We have issued an unqualified opinion on compliance for major programs.
6. The audit disclosed audit findings which we were required to report under Section .510(a) of A-133.
7. Bath County School District had the following major programs:

U. S. Department of Education  
 Passed through State Department of Education  
 Title I  
 CFDA number 84.010  
 - Special Education Cluster -  
 IDEA-B Basic  
 IDEA-B Preschool  
 CFDA numbers 84.027 and 84.173

U.S. Department of Agriculture  
 Passed through State Department of Education  
 -Child Nutrition Cluster -  
 School Lunch and Breakfast Programs, Summer Food  
 Service Program for Children  
 CFDA numbers 10.553, 10.555, and 10.559  
 Child and Adult Care Food Program  
 CFDA number 10.558

8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The auditee qualified as a low-risk auditee.

BATH COUNTY SCHOOL DISTRICTSCHEDULE OF FINDINGS AND QUESTIONED COSTSFor the Year Ended June 30, 2008- FINDINGS RELATED TO THE FINANCIAL STATEMENTS –**2008-1** Comparing established bid prices to actual invoices

Condition:	We noted that some Earthgrains billing invoices, (the District distributor for school food service bread products), exceeded approved bid prices. A subsequent follow-up by the District food served director and the company confirmed the discrepancy resulting in a \$7,237.68 balance owed the District.
Criteria:	Detail invoices should be checked against approved bid prices to ensure no overages are occurring.
Cause:	District personnel were not effectively monitoring controls regarding review of approved bid prices against detail invoices.
Effect:	Overpayments have occurred and reports submitted to state oversight authorities may contain erroneous information.
Recommendation:	The District should ensure it effectively monitors controls regarding review of approved bid prices to ensure overpayment (or underpayment) is not occurring.
Management's Response:	The District will enhance its controls regarding review of invoices against approved bid prices. The District will seek reimbursement of the overpayment.

- FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS –

U.S. Department of Agriculture – CFDA 10.553 &amp; 10.555

**2008-1** School Lunch and Breakfast Program – Year ended June 30, 2008

Condition and Criteria:	We noted that some Earthgrains billing invoices, (the District distributor for school food service bread products), exceeded approved bid prices. A subsequent follow-up by the District food served director and the company confirmed the discrepancy resulting in a \$7,237.68 balance owed the District.
Effect:	Overpayments have occurred and reports submitted to state oversight authorities may contain erroneous information.

BATH COUNTY SCHOOL DISTRICTSCHEDULE OF FINDINGS AND QUESTIONED COSTSFor the Year Ended June 30, 2008

- Cause: District personnel were not effectively monitoring controls regarding review of approved bid prices against detail invoices.
- Items Tested: A sample of invoices for two vendors were selected and prices were compared to bid listings.
- Recommendation: The District should ensure it effectively monitors controls regarding review of approved bid prices to ensure overpayment (or underpayment) is not occurring and seek reimbursement for the overage.
- Grantee's Response: The District will enhance its controls regarding review of invoices against approved bid prices. The District will seek reimbursement of the overpayment.

**Chris Gooch**

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Bath County Board of Education  
and Management  
Owingsville, Kentucky

In planning and performing our audit of the financial statements of Bath County School District for the year ended June 30, 2008, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operation efficiency. The memorandum that accompanies this letter summarized our comments and suggestions regarding those matters. A separate report dated October 28, 2008, contains our report on reportable conditions and material weaknesses in the District's internal control structure. This letter does not affect our report dated October 28, 2008, on the financial statements of the Bath County Board School District.

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

Respectfully,

A handwritten signature in blue ink, appearing to read "Chris Gooch".

Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

October 28, 2008

BATH COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
For the Year Ended June 30, 2008

**Review of Prior Year Comment**

1. Electronic bank activities monitoring

Condition:	No written policies are in effect for the District's electronic banking activities.
Criteria:	Written policies and procedures allow more effective monitoring of on-line banking transactions.
Cause:	The District has not established policies and procedures for its electronic banking activities.
Effect:	Without written policies and established monitoring procedures, risks are higher that unauthorized transactions may occur.
Recommendation:	The District should establish policies and procedures for its electronic banking activities.
Management's Response:	The District will establish written policies and procedures related to its electronic banking activities.
Current year Auditor Comment:	The District has established written policies and procedures related to its electronic banking activities.

**Current Year Comments**

1. Establishing written procedures regarding use of credit cards at the activity fund level

Condition:	No written policies and procedures were on file to support the issuance for retail credit cards for each activity fund location.
Criteria:	Written policies and procedures on a District-wide basis for the maintenance and control of credit card usage should be in place.
Cause:	No District-wide procedures for credit card usage at the activity fund level has been established.
Effect:	Without written procedures, the risk of effective oversight is decreased and the risk for a material financial statement discrepancy is increased.
Recommendation:	The District should establish written controls on a District-wide basis for effective monitoring of credit card usage at the activity fund level.

BATH COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
For the Year Ended June 30, 2008

**Current Year Comments**

Management's Response:	The District will establish written controls on a District-wide basis for effective monitoring of credit card usage at the activity fund level.
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