

RAISOR, ZAPP & WOODS, PSC

Certified Public Accountants

513 HIGHLAND AVENUE
P.O. BOX 354
CARROLLTON, KENTUCKY 41008
(502) 732-6655 FAX (502) 732-6161

May 10, 2012

Kentucky State Committee for School District Audits
Members of the Carroll County, Kentucky, Board of Education
Carrollton, Kentucky 41008

We are pleased to confirm our understanding of the services we are to provide Carroll County Board of Education for the year ended June 30, 2012. We will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements, of Carroll County Board of Education as of and for the year ended June 30, 2012. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Carroll County Board of Education's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to Carroll County Board of Education's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- Management's Discussion and Analysis
- Budgetary Comparison Schedules and Notes – General Fund and Major Special Revenue Funds

We have also been engaged to report on supplementary information other than RSI that accompanies Carroll County Board of Education's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole:

- Schedule of Expenditures of Federal Awards
- Notes to the Schedule of Expenditures of Federal Awards
- Combining Balance Sheet – Non-major Governmental Funds
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-major Governmental Funds

- Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Debt Service Funds
- Statement of Receipts, Disbursements and Fund Balances – Activity Funds
- Board Members and Administrative Personnel

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on –

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with Government Auditing Standards.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

The reports on internal control and compliance will each include a statement that the report is intended solely for the information and use of management, the body or individuals charged with governance, others within the entity, specific legislative or regulatory bodies, federal awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; the provisions of Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request, and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report, and will include tests of accounting records, a determination of major programs(s) in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express such opinions and to render the required reports. If our opinions on the financial statements or the Single Audit compliance opinions are other than unqualified (unmodified), we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards in accordance with the requirements of OMB Circular A-133. As part of the audit, we will assist with preparation of your financial statements, schedule of expenditures of federal awards, and related notes. You are responsible for making all management decisions and

Management Responsibilities (Continued)

performing all management functions relating to the financial statements, schedule of expenditures of federal awards, and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the written representation letter our assistance with preparation of the financial statements and schedule of expenditures of federal awards and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs are administered in compliance with compliance requirements. You are also responsible for the selection and application of accounting principles; for the fair presentation in the financial statements of the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Carroll County Board of Education and the respective changes in financial position and, where applicable, cash flows in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for ensuring that management is reliable and financial information is reliable and properly recorded. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Additionally, in accordance with requirements outlined by the Kentucky Department of Education, you will be required to certify to us, and the Kentucky Department of Education by submitting the Statement of Certification (with original signatures) that all audit adjustments have been entered into MUNIS and an annual financial report and balance sheet which are in agreement with the audit report will be transferred to the Kentucky Department of Education in conjunction with the audit report. A copy of the annual financial report and balance sheet will be provided to us at this time.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the board of education involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the board of education received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review at the beginning of audit fieldwork.

Management Responsibilities (Continued)

You are responsible for preparation of the schedule of expenditures of federal awards in conformity with OMB Circular A-133. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to [include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon OR make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon]. Your responsibilities include acknowledging to us in the written representation letter that (a) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with OMB Circular A-133; (b) that you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with OMB Circular A-133; (c) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (d) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

You are responsible for the preparation of the supplementary information which we have been engaged to report on conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to [include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon]. Your responsibilities include acknowledging to us in the written representation letter that (a) you are responsible for presentation of the supplementary information in accordance with GAAP; (b) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (c) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (d) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Audit Procedures – General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, Government Auditing Standards do not expect auditors to provide reasonable assurance of detecting abuse.

Audit Procedures – General (Continued)

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and Government Auditing Standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors of any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures – Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to Government Auditing Standards.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, Government Auditing Standards, and OMB Circular A-133.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Carroll County Board of Education's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the

Audit Procedures – Compliance (Continued)

objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to Government Auditing Standards.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the OMB Circular A-133 Compliance Supplement for the types of compliance requirements that could have a direct and material effect on each of Carroll County Board of Education's major programs. The purpose of these procedures will be to express an opinion on Carroll County Board of Education's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

The audit documentation for this engagement is the property of Raisor, Zapp and Woods, PSC and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to the Kentucky Department of Education or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Raisor, Zapp and Woods, PSC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release or for any additional period requested by the Kentucky Department of Education. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Jerilyn P. Zapp is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. Our fee for these services will be based on the actual time required to complete our assignment. Every effort will be made to keep our services to the minimum consistent with the requirements of the engagement. We estimate our fees for the audit of the fiscal year ending June 30, 2012 be \$33,585. This estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Engagement Administration, Fees, and Other (Continued)

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2011 peer review report accompanies this letter.

We appreciate the opportunity to be of service to Carroll County Board of Education and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,



RAISOR, ZAPP & WOODS, PSC

RESPONSE:

This letter correctly sets forth the understanding of Carroll County Board of Education.

By: _____

Title: _____

Date: _____

Reed & Co. of Mayfield, PSC - Certified Public Accountants

101 North Seventh Street • Suite 4 • P.O. Box 468 • Mayfield, Kentucky 42066 • Phone (270)247-5303 • Fax (270)247-5327

SYSTEM REVIEW REPORT

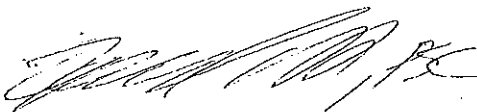
June 2, 2011

To the Owners of Raisor, Zapp & Woods, PSC
And the Peer Review Committee of the Kentucky Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Raisor, Zapp & Woods, PSC (the firm) in effect for the year ended March 31, 2011. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of Raisor, Zapp & Woods, PSC in effect for the year ended March 31, 2011 has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency (ies)* or *fail*. Raisor, Zapp & Woods, PSC has received a peer review rating of *pass*.



Reed & Co. of Mayfield, PSC



Audit Acceptance Statement

State Committee for School District Audits

Frankfort, Kentucky

The Carroll County Board of Education requests the financial accounts of the Board be audited for FY 2011-2012 in accordance with the procedures adopted by the State Committee for School District Audits. The Board has chosen the firm of:

Auditor: Raisor, Zapp & Woods, PSC Phone #: 502-732-6655

Address: P.O. Box 354 Fax #: 502-732-6161

Address: Carrollton, KY 41008 Email: taxes@rzwcpas.com

The cost of the audit is: \$33,585

If there is an increase in the audit cost from last year, please provide an explanation:

- Increase attributable to "B" programs anticipated to be audited as "major"
- Compliance requirements
- Construction projects and leasing activities

SUBMITTED, _____, 2012 _____

Board of Education

Chairman

Secretary

TWO (2) original signed statements are due to KDE by close of business on May 28, 2012.

Please send to:

Division of District Support
Kentucky Department of Education
500 Mero Street, CPT 15th Floor
Frankfort, KY 40601

INDEPENDENT AUDITOR'S CONTRACT

To provide for a school district audit in compliance with KRS 156.255, 156.265, 156.275, 156.285, 156.295, and 156.480, this agreement is made and entered into this _____ day of _____, 2012, between the Carroll County Board of Education ("BOARD"), and Raisor, Zapp & Woods, PSC, ("ACCOUNTANT"), who is a Certified Public Accountant or a Public Accountant registered with the Kentucky State Board of Accountancy.

I. DUTIES OF ACCOUNTANT

- A. ACCOUNTANT shall render an opinion on the financial statements of BOARD for fiscal year 2011-2012. The scope and nature of the audit shall be in accordance with **Appendix I** to this Independent Auditor's Contract - General Audit Requirements and **Appendix II** to this Independent Auditor's Contract - State Audit Requirements. These audit procedures are incorporated as a part of this agreement.
- B. ACCOUNTANT shall address the audit report and written comments to BOARD and to the State Committee for School District Audits (COMMITTEE).
- C. ACCOUNTANT shall deliver the audit report in accordance with Section VII.A. DELIVERY OF AUDIT REPORT. If the audit report cannot be timely submitted, the ACCOUNTANT shall submit an Audit Extension Request in accordance with Section VI.A. AUDIT EXTENSION REQUEST.

II. DUTIES OF BOARD

- A. BOARD shall make available to ACCOUNTANT no later than August 2, 2012 all books, accounts, reports, vouchers, correspondence files, records, money, and property under its control which may be requested by ACCOUNTANT in the course of performance of the audit.

III. AUTHORITY OF COMMITTEE

- A. COMMITTEE and the Kentucky Department of Education (KDE) may examine work papers of ACCOUNTANT and may perform quality control reviews of the audit procedures utilized during the course of the audit;
- B. COMMITTEE and BOARD may prohibit the use of any subcontractor by ACCOUNTANT. During the term of the contract, no subcontractor shall be used without the prior written approval of COMMITTEE and BOARD; and
- C. If tendered by October 1, 2012 by ACCOUNTANT, COMMITTEE will consider the Audit Extension Request submitted by ACCOUNTANT providing the explanation as to why the audit cannot be completed by the due date and, solely at its discretion, may allow for the audit to be submitted without penalty to KDE after November 15, 2012, if the COMMITTEE determines the delay is unavoidable and is due to factors beyond the control of ACCOUNTANT.

IV. COMPENSATION

- A. ACCOUNTANT shall be paid an amount agreed upon between the ACCOUNTANT and BOARD which is incorporated herein for the successful completion of the work defined by this agreement.
- B. Final payment is predicated upon completion of the work as described in Section I. DUTIES OF ACCOUNTANT and delivery of documentation as described in Section VII. DELIVERY OF AUDIT REPORT.
- C. Compensation to ACCOUNTANT for any increase or decrease of audit scope by authority of Section V. SUPPLEMENTAL AGREEMENTS of this contract must be **defined in said agreements and approved by COMMITTEE if said increase or decrease exceeds \$1,000 or 10% of the audit fee, whichever is less.**
- D. ACCOUNTANT shall submit to BOARD an invoice for payment which shall be signed by ACCOUNTANT and contain adequate supporting documentation such as: **detail of hours**

worked by each auditor classification (e.g., partner, manager, supervisor, senior, staff, etc.) in major audit areas or supervisory/administrative functions.

V. SUPPLEMENTAL AGREEMENTS

- A. The scope of the audit may be increased or decreased by written supplemental agreement of BOARD and ACCOUNTANT if the reasons for the increase or decrease have first been reported in writing by ACCOUNTANT to COMMITTEE. The audit fee may be adjusted for the increase or decrease in the scope of the audit in accordance with Section IV.C. COMPENSATION.

VI. AUDIT EXTENSION REQUEST

- A. If the audit cannot be completed by November 15, 2012, due to factors beyond the control of ACCOUNTANT, ACCOUNTANT shall electronically submit an Audit Extension Request form, fully completed by both ACCOUNTANT and the district, to KDE by October 1, 2012. The form is provided in **Appendix III** Audit Extension Request.

VII. DELIVERY OF AUDIT REPORT

- A. ACCOUNTANT agrees to begin the audit of accounts of BOARD on or about August 2, 2012 or 15 days from execution date of this contract, whichever is later, and further agrees to complete and deliver a signed paper copy of the audit report to BOARD, two signed paper copies to COMMITTEE in care of KDE, and an electronic copy to KDE in accordance with **Appendix IV** Instructions for Submission of the Audit Report on or before November 15, 2012, or at a later date approved by the COMMITTEE. All electronic and paper copies of the audit report must be at KDE for it to be considered filed timely. If the audit report has not been received by KDE by November 15, 2012 or by the later date approved by the COMMITTEE, the audit will be considered late and penalties as outlined in Section VIII. PENALTIES shall be imposed at the discretion of COMMITTEE.

VIII. PENALTIES

- A. There shall be a 10% reduction of the audit fee if any one or more of the following occur: (1) the audit report is not submitted in accordance with VII.A. DELIVERY OF AUDIT REPORT; or (2) the audit report does not contain the information shown in **Appendix I** General Audit Requirements, Sections 7 and 9.
- B. ACCOUNTANT may be ineligible to conduct a school district audit for the upcoming fiscal year if any one or more of the stipulations in section A occur.
- C. COMMITTEE may waive penalties for delays caused by circumstances beyond the control of ACCOUNTANT.

IX. EFFECTIVE DATE

- A. This agreement, between the ACCOUNTANT and the BOARD, shall not become effective until the COMMITTEE has approved the audit contract.

X. TERMINATION

- A. The BOARD shall have the right to terminate and cancel this contract at any time without cause upon 30 days written notice served on the ACCOUNTANT by registered or certified mail. The BOARD shall have the right to terminate and cancel this contract for cause upon 5 days written notice served on the ACCOUNTANT by registered or certified mail.

- B. If cause exists to terminate and the BOARD does not terminate, the COMMITTEE may terminate and cancel this contract for cause upon 5 days written notice served on the ACCOUNTANT by registered or certified mail.
- C. "Cause" includes, but is not limited to:
 1. failure to commence work within 15 days of execution of the contract or August 2, 2012, whichever is later;
 2. previous history of extension requests by the same ACCOUNTANT for the same district;
 3. failure to submit the audit by November 15, 2012;
 4. failure to communicate to KDE in a timely manner problems encountered in conducting the audit.

Cause shall not include any factor wholly the fault of the BOARD.

XI. CONFLICTS OF INTEREST

- A. ACCOUNTANT represents and warrants that (a) ACCOUNTANT is legally able to enter into contracts with BOARD, (b) the performance of this agreement would not violate any conflict of interest statutes, and (c) that ACCOUNTANT has no personal interest in the financial affairs of BOARD or any of its officers or employees.

AGREED TO BY:

<p>_____</p> <p style="text-align: center;">BOARD OF EDUCATION</p> <p>BY: _____</p> <p style="text-align: center;">SCHOOL BOARD CHAIRMAN</p> <p>_____</p> <p style="text-align: center;">SECRETARY</p>	<p style="text-align: center;"><i>Jerilyn Zapp CPA</i></p> <p style="text-align: center;">_____ ACCOUNTANT</p> <p>BY: <u>Raisor, Zapp & Woods, PSC</u></p> <p style="text-align: center;">FIRM</p> <p style="text-align: center;">_____ Jerilyn Zapp, CPA</p> <p style="text-align: center;">PARTNER</p>
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STATE COMMITTEE FOR SCHOOL DISTRICT AUDITS

BY: _____

STATE COMMITTEE CHAIRMAN

TWO (2) original signed audit contracts are due to KDE by close of business on May 28, 2012.
Please send to:

Division of District Support
Kentucky Department of Education
500 Mero Street, CPT 15th Floor
Frankfort, KY 40601