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 22ND. day of MAY 2012, between the SCIENCE HILL INDEPENDENT Board of Education ("BOARD"), and BARRY DAULTON, CPA, ("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:

SCIENCE HILL INDEPENDENT	BARRY D DAULTON
BOARD OF EDUCATION	**ACCOUNTANT**
BY: [signature]	**BY:** BARRY D DAULTON, CPA, PSC
SCHOOL BOARD CHAIRMAN	**FIRM**
Rick Walker	[signature], CPA
SECRETARY	**PARTNER**

STATE COMMITTEE FOR SCHOOL DISTRICT AUDITS

BY: [signature]

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

RECEIVED
JUN 2012
ODSS

Audit Acceptance Statement

State Committee for School District Audits
Frankfort, Kentucky

The SCIENCE HILL INDEPENDENT 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: BARRY DAULTON, CPA **Phone #:** 606-679-9344
Address: P. O. BOX 1424 **Fax #:** (606)679-5545
Address: SOMERSET, KY 42502 **Email:** bddcpa@newwavecomm.net

The cost of the audit is: $10,000.00

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

SUBMITTED, MAY 22, 2012 _____
Board of Education
SCIENCE HILL INDEPENDENT Chairman
Rick Walker 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

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BDW
6-1-12