

**Edmonson County  
School District**

**Financial Statements**

**June 30, 2012**



Edmonson County School District  
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June 30, 2012

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## Independent Auditors' Report

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Edmonson County School District  
Brownsville, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Edmonson County School District (the "District") as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the *Independent Auditors' Contract—General Audit Requirements*, Appendix II of the *Independent Auditors' Contract—State Audit Requirements*, Appendix III of the *Independent Auditors' Contract—Audit Extension Request* and Appendix IV of the *Independent Auditors' Contract—Instructions for Submission of the Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2012 on our consideration of Edmonson County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 through 22 and 63 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining and individual non-major fund financial statements and other information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual non-major fund financial statements and other information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

# **Required Supplementary Information**

## **Management's Discussion and Analysis**

**EDMONSON COUNTY BOARD OF EDUCATION  
BROWNSVILLE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2012**

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

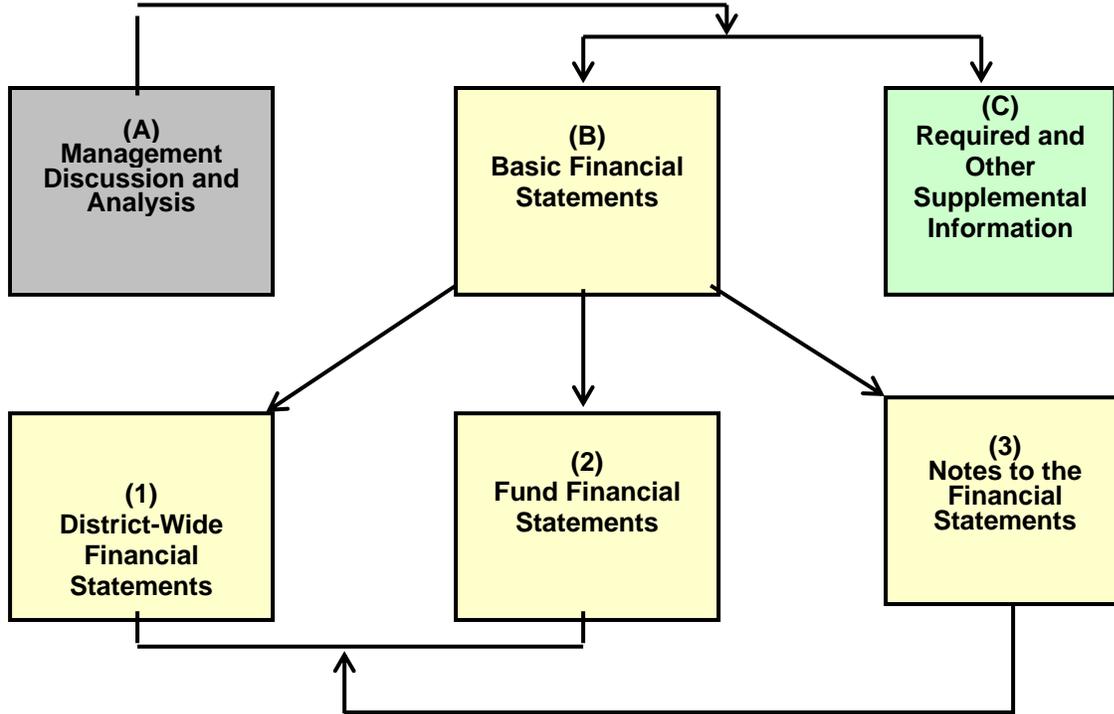
**FINANCIAL HIGHLIGHTS**

- The beginning General Fund balance for the district was \$1,626,898. The ending General Fund balance was \$1,446,550 for a decrease in fund balance of \$180,348. The ending general fund balance is 7.5% of total governmental expenditures, which well exceeds the state minimum contingency of 2%.
- General Fund revenues accounted for \$14,301,606 in revenue or 78% of all governmental revenues. Program specific revenues in the form of grants and contributions accounted for \$3,009,569 or 16% of total revenues of \$18,419,538.
- The school district had \$18,517,692 in expenses related to governmental activities; only \$3,829,913 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues (primarily local taxes and state SEEK allocations) contributed \$14,589,625, which produced a decrease in net assets of \$98,154.
- The state SEEK formula provided \$8,621,321 in General Fund revenue.
- The Food Service Fund, a proprietary fund, ended fiscal year 2012 with unrestricted fund net assets of \$149,316 for an increase of \$2,974 versus fiscal year 2011. This slight increase in fund balance is primarily attributed to increases in federal free and reduced meal reimbursements, USDA mandated pricing increases, and cost containment efforts.
- The Edmonson County School District Finance Corporation issued refunding bonds in September, 2011 with a par amount of \$5,280,000 to advance refund the 2002 Issue for the Edmonson County High School Renovation Project. The refunding will result in an economic gain of \$391,933 in debt service payments with average interest cost of 2.45% versus the previous issue of 4.28% for a thirteen year term.
- The Edmonson County School District Finance Corporation issued refunding bonds in March, 2012 with a par amount of \$1,055,000 to advance refund the 2004 Issue for the Edmonson County 5/6 Center and Kyrock Elementary Renovation Project. The refunding will result in an economic gain of \$65,089 in debt service payments with average interest cost of 1.98% versus the previous issue of 4.73% for a thirteen year term.

## Overview of the Annual Financial Report (AFR)

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

### Organization of the Annual Financial Report



The District-Wide Financial Statements have two sections (1) the *Statement of Net Assets* and (2) the *Statement of Activities*. The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District’s finances and a longer-term view of those finances. The District-Wide Financial Statements can be found on pages 24 through 27 of this report. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District’s major funds with all other non-major funds presented in total in one column. The fund financial statements can be found on pages 28 through 38 of this report.

## Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39 through 61 of this report.

### Reporting the School District as a Whole

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

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

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

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

Net assets may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$13,023,622 as of June 30, 2012. This was a decrease of \$129,899 versus the previous year.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The amount of capital assets, net of related debt was \$11,645,816 (a decrease of \$167,730 versus the previous year). The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

## Reporting the School District's Most Significant Funds

### Fund Financial Statements

After looking at the District as a whole, an analysis of the School District's major funds follows. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are assets that belong to others. The school's activity funds are reported as fiduciary funds. The only major proprietary fund is the school food fund. A proprietary fund is sometimes referred to as an enterprise fund. It is a fund that operates like a business with sales of goods and services. All other activities of the district are included in the governmental funds. The major governmental funds for the Edmonson County School District are the general fund and special revenue (grants) fund.

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

**Proprietary Funds** - Proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match. The School District's proprietary funds consist of food service operations and day care services.

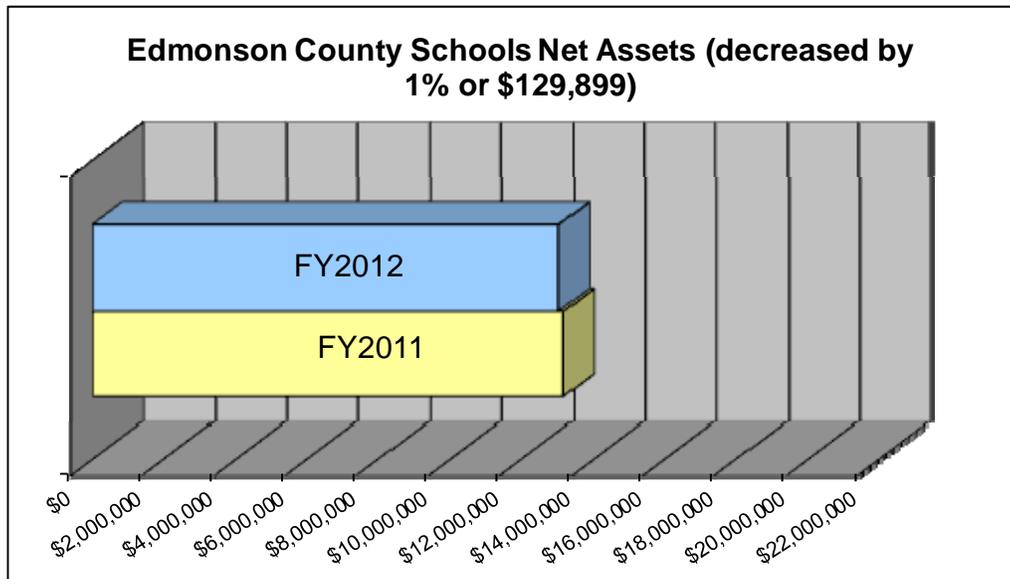
**Fiduciary Funds** – The schools' activity funds (or agency funds) is the District's only fiduciary fund. The schools' activity balances at year-end totaled \$128,950 (a decrease of \$8,534 from the previous year).

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

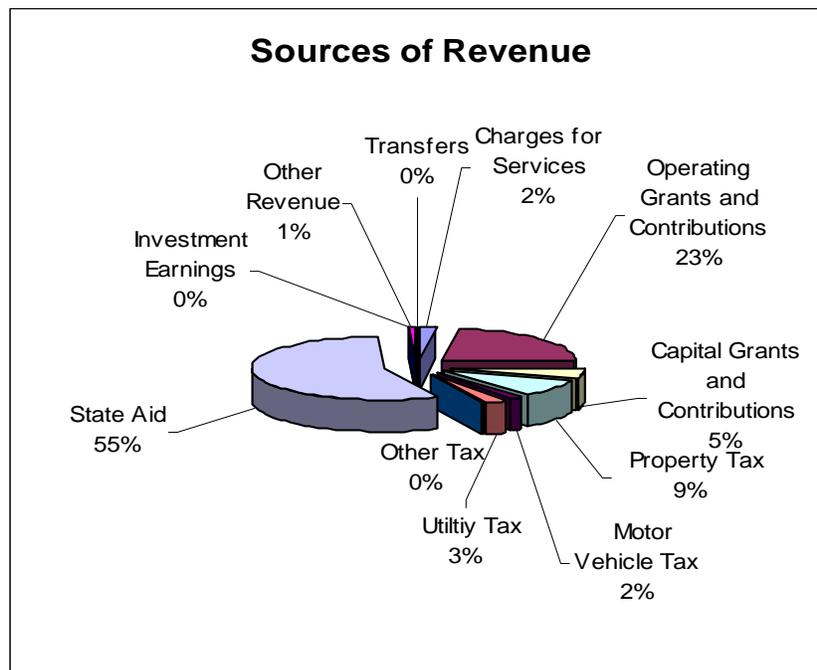
	Government Activities		Proprietary Business-Type Activities		District Total		Total District Percentage Change
	FY2011	FY2012	FY2011	FY2012	FY2011	FY2012	2011-2012
Current and Other Assets	\$2,995,386	\$2,051,760	\$150,731	\$151,657	\$3,146,117	\$2,203,417	-30.0%
Capital Assets	20,942,960	21,031,972	\$156,492	\$123,998	\$21,099,452	\$21,155,970	0.3%
<b>Total Assets</b>	<b>\$23,938,346</b>	<b>\$23,083,732</b>	<b>\$307,223</b>	<b>\$275,655</b>	<b>\$24,245,569</b>	<b>\$23,359,387</b>	<b>-3.7%</b>
Long Term Liabilities	\$9,900,909	\$9,227,863	\$0	\$0	\$9,900,909	\$9,227,863	-6.8%
Other Liabilities	1,191,081	1,107,667	\$58	\$235	\$1,191,139	\$1,107,902	-7.0%
<b>Total Liabilities</b>	<b>\$11,091,990</b>	<b>\$10,335,530</b>	<b>\$58</b>	<b>\$235</b>	<b>\$11,092,048</b>	<b>\$10,335,765</b>	<b>-6.8%</b>
Investment in Capital Assets (net of debt)	\$11,657,054	\$11,521,818	\$156,492	\$123,998	\$11,813,546	\$11,645,816	-1.4%
Restricted	215,788	305,667	\$0	\$0	\$215,788	\$305,667	41.7%
Unrestricted Fund	973,514	920,717	\$150,673	\$151,422	\$1,124,187	\$1,072,139	-4.6%
<b>Total Net Assets</b>	<b>\$12,846,356</b>	<b>\$12,748,202</b>	<b>\$307,165</b>	<b>\$275,420</b>	<b>\$13,153,521</b>	<b>\$13,023,622</b>	<b>-1.0%</b>

At year-end, assets exceeded liabilities by \$13,023,622.

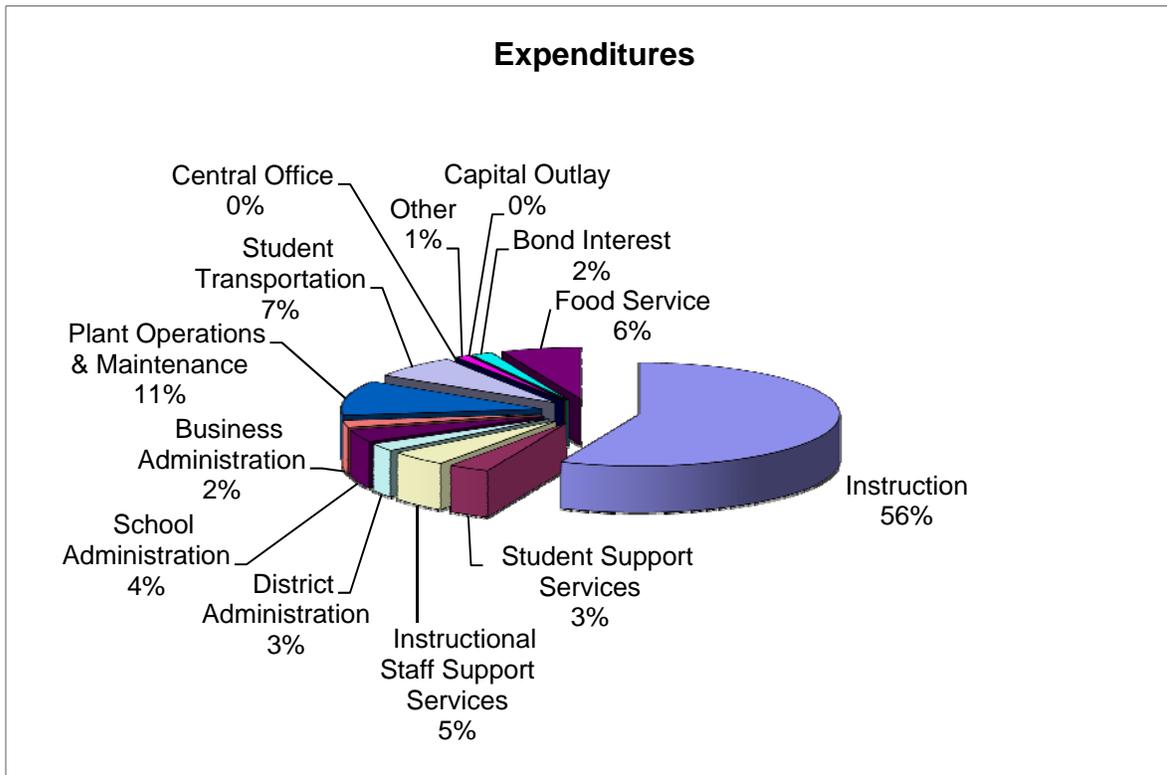


## Changes in Net Assets for June 30, 2011 and June 30, 2012

Revenues	Governmental Activities		Proprietary Business-Type Activities		District Total		District Total Percentage Change
	FY2011	FY2012	FY2011	FY2012	FY2011	FY2012	
Program Revenues							
Charges for Services	\$20,969	\$24,590	\$345,771	\$345,291	\$366,740	\$369,881	0.9%
Operating Grants and Contributions	\$3,570,338	\$2,890,283	\$852,560	\$895,626	\$4,422,898	\$3,785,909	-14.4%
Capital Grants and Contributions	\$935,590	\$915,040	\$0	\$0	\$935,590	\$915,040	-2.2%
General Revenues							
Taxes							
Property Tax	\$1,848,802	\$1,933,611	0	0	\$1,848,802	\$1,933,611	4.6%
Motor Vehicle Tax	\$320,087	\$323,746	0	0	\$320,087	\$323,746	1.1%
Utility Tax	\$596,594	\$571,948	0	0	\$596,594	\$571,948	-4.1%
Other Tax	\$0	\$0	0	0	\$0	\$0	0.0%
State Aid	\$10,838,892	\$11,622,583	0	0	\$10,838,892	\$11,622,583	7.2%
Investment Earnings	\$21,482	\$21,252	\$936	\$1,296	\$22,418	\$22,548	0.6%
Other Revenues	\$165,410	\$116,485	\$0	\$0	\$165,410	\$116,485	-29.6%
Transfers	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
<b>Total Revenues</b>	<b>\$18,318,164</b>	<b>\$18,419,538</b>	<b>\$1,199,267</b>	<b>\$1,242,213</b>	<b>\$19,517,431</b>	<b>\$19,661,751</b>	<b>0.7%</b>



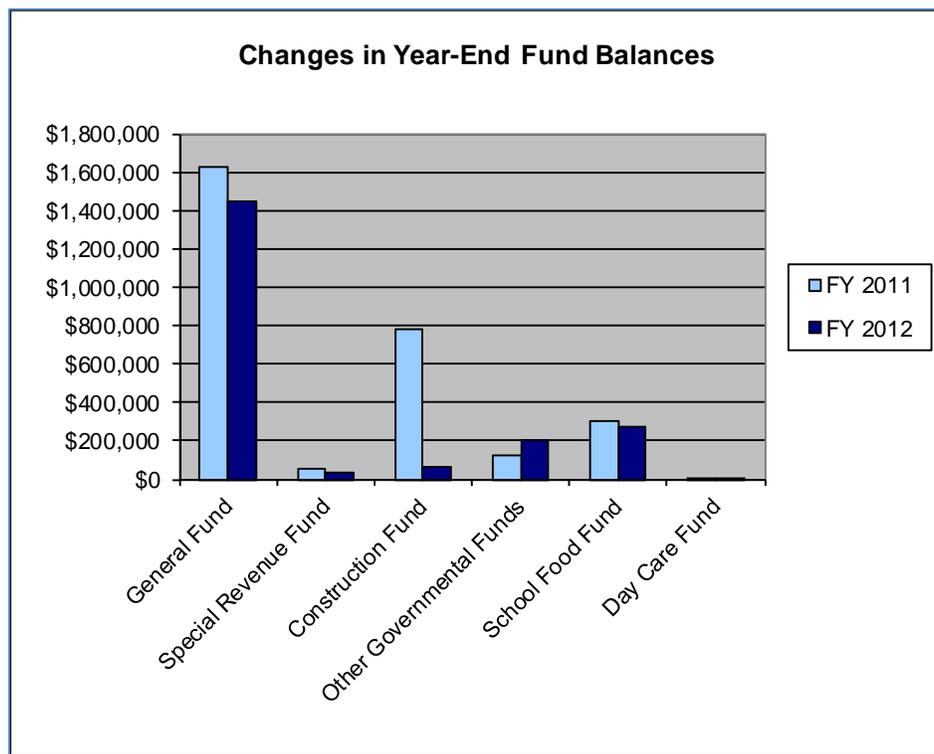
Expenses	Governmental Activities		Proprietary Business-Type Activities		District Total		District Total Percentage Change
	FY2011	FY2012	FY2011	FY2012	FY2011	FY2012	2011-2012
Instruction	\$10,861,994	\$11,154,459			\$10,861,994	\$11,154,459	2.7%
Support Services							
Student Support Services	\$686,140	\$661,583			\$686,140	\$661,583	-3.6%
Instructional Staff	\$823,714	\$939,197			\$823,714	\$939,197	14.0%
District Administration	\$512,693	\$480,449			\$512,693	\$480,449	-6.3%
School Administration	\$780,847	\$775,893			\$780,847	\$775,893	-0.6%
Business Administration	\$366,183	\$427,128			\$366,183	\$427,128	16.6%
Plant Operations & Maintenance	\$2,101,770	\$2,150,191			\$2,101,770	\$2,150,191	2.3%
Student Transportation	\$1,325,250	\$1,388,115			\$1,325,250	\$1,388,115	4.7%
Central Office	\$0	\$0			\$0	\$0	0.0%
Other	\$208,773	\$204,497			\$208,773	\$204,497	-2.0%
Food Service Operations	\$0	\$0			\$0	\$0	0.0%
Facilities Acquisition & Constr.	\$0	\$0			\$0	\$0	0.0%
Interest on Long-Term Debt	\$378,051	\$334,763			\$378,051	\$334,763	-11.5%
Bond Issuance Cost	\$0	\$0			\$0	\$0	0.0%
Loss of disposal of assets	\$1,789	\$1,417			\$1,789	\$1,417	-20.8%
Food Service			\$1,180,172	\$1,257,826	\$1,180,172	\$1,257,826	6.6%
Other			\$13,468	\$16,132	\$13,468	\$16,132	19.8%
<b>Total Expenses</b>	<b>\$18,047,204</b>	<b>\$18,517,692</b>	<b>\$1,193,640</b>	<b>\$1,273,958</b>	<b>\$19,240,844</b>	<b>\$19,791,650</b>	<b>2.9%</b>



- The District's total revenues were \$19,661,751 and the total expenses were \$19,791,650. Expenses exceeded revenues by \$129,899.
- State revenues accounted for 78% and local taxes accounted for 14% of the revenue.
- Instruction was the major expense category and accounted for 56% of the total.
- Proprietary expenditures exceeded revenues by \$31,745 and Governmental expenditures exceeded revenues by \$841,363.

### Financial Analysis of the District Fund Balances

	FY 2011	FY 2012	Amount of Change	% Change
General Fund	\$1,626,898	\$1,446,550	(\$180,348)	-11%
Special Revenue Fund	\$58,908	\$38,227	(\$20,681)	-35%
Construction Fund	\$784,157	\$67,975	(\$716,182)	-91%
Other Governmental Funds	\$123,617	\$199,465	\$75,848	61%
School Food Fund	\$302,834	\$273,314	(\$29,520)	-10%
Day Care Fund	\$4,331	\$2,106	(\$2,225)	-51%
Total	\$2,900,745	\$2,027,637	(\$873,108)	-30%



- The General Fund's fund balance decreased by \$180,348.
- The Special Revenue fund decreased by \$20,681.
- The Construction Fund's fund balance was \$67,975 representing the final balance remaining after completion of the Edmonson County High School Roof Replacement during fiscal year 2012.
- Other Governmental funds increased by \$75,848 based on scheduled fluctuation of debt service payments.
- The School Food Service fund balance decreased \$29,520 with total revenue increasing by \$42,208 or 3.6% and total expenses increasing by \$77,654 or 6.6%.
- The Day Care Service fund ended FY 2012 with fund balance of \$2,106 for a decrease of \$2,225 versus prior year.

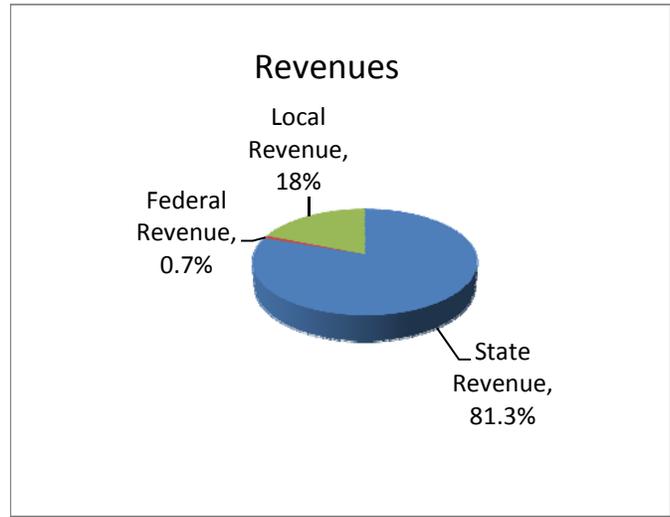
### **Comments on General Fund and Special Revenue Budget Comparisons**

- The District's General Fund total revenues for the fiscal year ended June 30, 2012 were \$11,405,915. This is \$194,340 more than was budgeted in the final working budget. This variance is attributable to greater than anticipated tax revenues (actual exceeded budget by \$51,016) and unbudgeted federal impact aid revenue of \$64,652. Impact aid revenue is not budgeted by the district due to the unpredictability of payments.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual fund balance being \$180,348 less than the prior year.
- Instructional expenditures were \$231,287 less than budget due to the availability and use of federal education jobs grant for various instructional related positions.
- The Special Revenue Fund budget compared to actual will always differ slightly because the state budget report only shows current fiscal year grant awards. The Special Revenue expenditures will include current year grant expenditures and previous year grant expenditures that were not completed at the end of the previous year.

The following tables present a summary of revenue and expenditures of the General Fund for the fiscal year ended June 30, 2012.

**Revenues:**

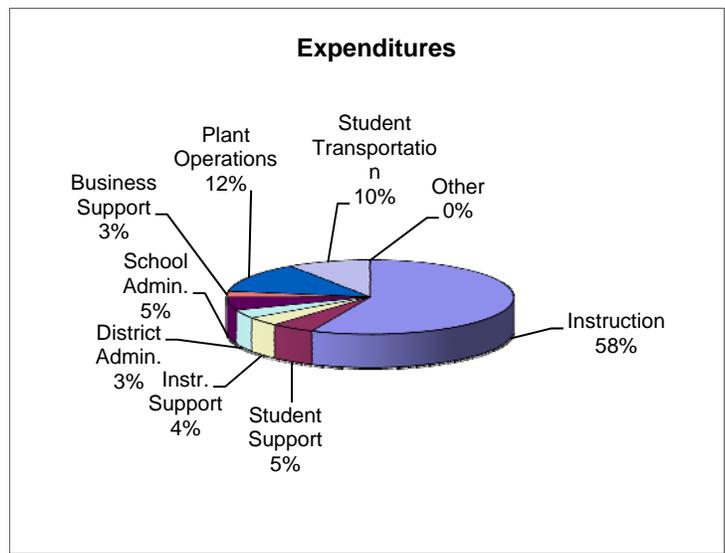
Local revenue sources	\$ 2,579,561
<i>Taxes</i>	
Property	\$ 1,642,558
Motor Vehicle	323,746
Utilities	571,948
Unmined Minerals	0
Tuition & Fees	1,100
Earnings on Invest.	18,550
Other Local Revenue	21,660
State revenue sources	11,622,583
Federal Revenue	99,462
Other Sources	0
<b>Total revenues</b>	<b>\$ 14,301,606</b>



The majority of General Fund revenue was derived from state funding (81.3%) with local revenue sources making up 18% of total revenues.

**Expenditures:**

Instruction	\$ 8,386,919
Student Support Services	654,639
Instructional Support	583,380
District Administration	475,279
School Administration	775,681
Business Support	403,526
Plant Operations	1,762,639
Student Transportation	1,400,397
Other	4,204
<b>Total expenditures</b>	<b>\$ 14,446,664</b>



**Revenues in Excess of Expenditures** **(\$145,058)**

**Operating Transfers** (\$ 35,290)

**Net Change in Fund Balance** **(\$180,348)**

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By June 30, 2012 the district had invested \$21,155,970 in capital assets. This included land, school buildings, athletic facilities, maintenance facilities, computer equipment and administrative offices. The cumulative total initial cost of assets was \$35,816,155 with accumulated depreciation of \$14,660,185.

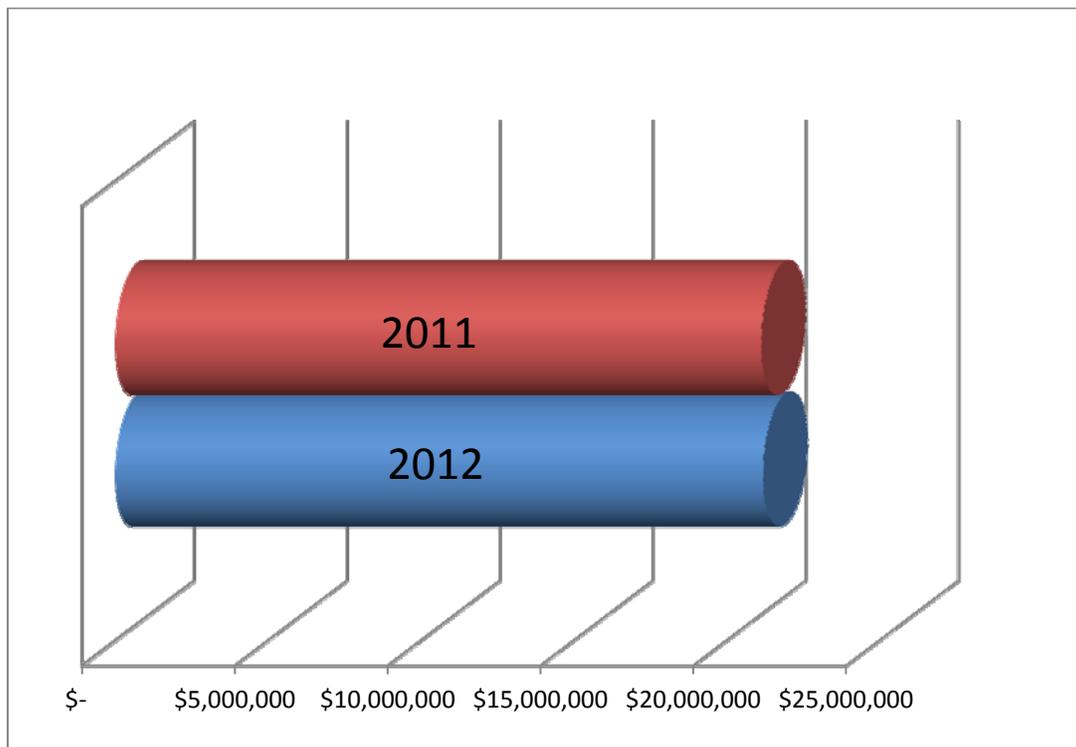
### SUMMARY OF CAPITAL ASSETS

#### CAPITAL ASSETS

(net of depreciation)

	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District Percentage Change
	FY2011	FY2012	FY2011	FY2012	FY2011	FY2012	2011-2012
Land	\$ 620,603	\$ 592,269	\$ -	\$ -	\$ 620,603	\$ 592,269	-4.6%
Construction in Progress	\$ 57,303	\$ -	\$ -	\$ -	\$ 57,303	\$ -	-100.0%
Buildings	\$ 18,632,831	\$ 18,800,111	\$ -	\$ -	\$ 18,632,831	\$ 18,800,111	0.9%
Equipment & Furniture	\$ 1,632,223	\$ 1,639,592	\$ 156,492	\$ 123,998	\$ 1,788,715	\$ 1,763,590	-1.4%
<b>Total Assets</b>	<b>\$ 20,942,960</b>	<b>\$ 21,031,972</b>	<b>\$ 156,492</b>	<b>\$ 123,998</b>	<b>\$ 21,099,452</b>	<b>\$ 21,155,970</b>	<b>0.3%</b>

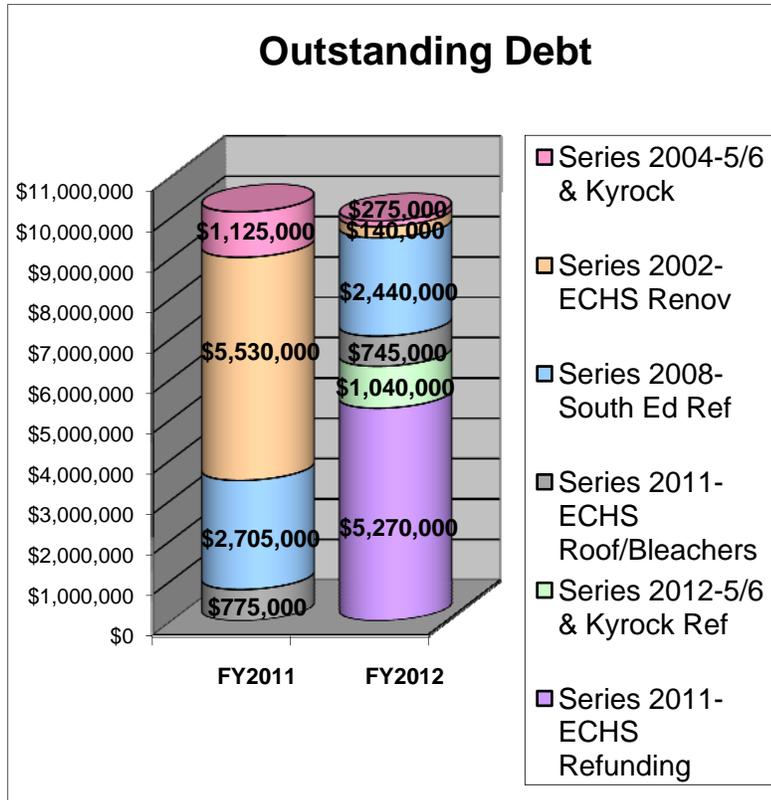
### Edmonson County Schools Capital Assets (Increase of 0.3% or \$56,518)



## Long-Term Debt

At year-end the district had \$9,910,000 in general obligation bonds outstanding. General obligation debt was decreased by principal payments totaling \$6,560,000 which includes scheduled debt service payments, refunding of 2002 bond issue for Edmonson County High School Renovation, and refunding the 2004 bond issue for renovation of Edmonson County 5/6 Center and Kyrock Elementary. Outstanding debt was increased by issuance of refunding bonds of \$5,280,000 for the 2002 ECHS Renovation and \$1,055,000 for the 2004 Edmonson County 5/6 Center and Kyrock Elementary Renovations. These financial activities resulted in a net decrease to general obligation debt of \$225,000.

<b>General Obligation Bonds:</b>		<b>Par Amount</b>	<b>Bonds Payable at June 30, 2011</b>	<b>Bonds Payable at June 30, 2012</b>
Series 2011	Edmonson County High School Refunding Renovation/Addition	\$5,280,000	\$0	\$5,270,000
Series 2012	Edmonson County 5/6 Center & Kyrock Elem. Renov. Refunding	\$1,055,000	\$0	\$1,040,000
Series 2011	Edmonson County High School Roof Replacement & Bleachers	\$775,000	\$775,000	\$745,000
Series 2008	South Edmonson Elementary Refunding Revenue Bonds	\$2,825,000	\$2,705,000	\$2,440,000
Series 2002	Edmonson County High School Renovation/Addition	\$6,685,000	\$5,530,000	\$275,000
Series 2004	Edmonson County 5/6 Center & Kyrock Elementary Renovation	\$1,540,000	\$1,125,000	\$140,000
<b>TOTAL</b>		<b>\$18,160,000</b>	<b>\$10,135,000</b>	<b>\$9,910,000</b>



**BUDGETARY IMPLICATIONS**

It is extremely important that the district continue to budget very conservatively. The district receives approximately 75% of its new general fund revenue each year through the state funding formula (SEEK). On occasions, there have been adjustments that caused a very significant decrease in the funding. The SEEK forecasts from the state should be considered only an estimate of state revenue. If the state does not get the revenue from taxing sources, an adjustment will be made to the funding formula. The district should always be prepared for such reductions in funding.

Approximately 18% of the general fund revenue is from local property tax. The major portion of the tax revenue does not come to the district until the fifth through seventh months. This means the general fund’s beginning fund balance must be used to absorb much of the first four months of expenditures. Provisions must always be made to have a significant fund beginning balance to start each year. The district has an ending fund balance of \$1,446,550 of the total general fund budget as a beginning balance for next year.

By law, the budget must have a minimum 2% contingency. The district adopted a budget with \$1,416,200 in total contingency (8.8%) for fiscal year 2012. The beginning fund balance for the 2012 fiscal year was \$1,626,898. Significant Board action that impacts finances include additional spending on students with special needs, increased building operations and maintenance costs associated with maintenance of facilities, and general fund matching dollars for the state KETS grant. For the year ended June 30, 2012, \$35,290 was required from the general fund to participate in special revenue funds (grants). The district currently participates in 27 federal and state grants. The total budget for these grants is \$2,529,013. Many of these grants are funded on a reimbursement basis. This requires the district to pay the expenses of the grant and then apply for reimbursement. The district must continue to monitor the grants constantly and get reimbursements in a timely manner. The district must also maintain a significant cash balance in order to pay the expenses of these grants while waiting for reimbursements.

### **DISTRICT CHALLENGES FOR THE FUTURE**

The primary challenges for the Edmonson County School District are to continue to build, develop and provide state of the art instructional programs while implementing new Kentucky Educational Standards as well as implementing all components of Unbridled Learning.

The focus of the Edmonson County School District is to educate our students at high levels which should ensure that all students are college/career ready upon graduation. As our district continues to focus on meeting state standards while implementing and following all components of Unbridled Learning; we need to increase our focus with making improvements in our content presentation by utilizing research based curriculum, technology, and professional development focusing on improving the art of teaching. The primary concern for addressing these three areas is the expense of staying updated and current with this ever-changing environment.

The district has made great strides in buildings and updating facilities throughout the county. The main concern in this area is keeping our current facilities in top shape while continuing to make plans for updating our facilities as funding becomes available.

Major issues involving the Edmonson County School District all revolve around funding sources and expenses. We continue to see the negative effects of the economy through reductions in state grants as well as unfunded mandates which place demands on the district's general fund or require cuts in various programs.

We all understand that we are expected to meet the needs of our students as well as our community, but we also realize that it takes funding to meet a majority of these demands. We are going to have to continue evaluating all areas in our budget including revenue and expenditure areas for future savings and cuts.

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information should be directed to the Kathy Meredith, Finance Officer, (270) 597-2101, 100 Wildcat Way, P O Box 129, Brownsville, KY, 42210 or e-mail at [kathy.meredith@edmonson.kyschools.us](mailto:kathy.meredith@edmonson.kyschools.us).

# Basic Financial Statements

Edmonson County School District  
Statement of Net Assets

June 30, 2012	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash	\$ 1,638,929	\$ 118,685	\$ 1,757,614
Accounts receivable:			
Taxes	116,407	-	116,407
Intergovernmental	193,425	-	193,425
Inventory	-	32,972	32,972
Bond issuance costs	120,360	-	120,360
Less: accumulated amortization	(17,361)	-	(17,361)
Non-depreciable capital assets	332,789	-	332,789
Depreciable capital assets	34,887,624	595,742	35,483,366
Less: accumulated depreciation	(14,188,441)	(471,744)	(14,660,185)
Total assets	23,083,732	275,655	23,359,387
<b>Liabilities</b>			
Accounts payable	42,373	235	42,608
Accrued liabilities	93,335	-	93,335
Deferred revenue	60,836	-	60,836
Accrued interest	72,441	-	72,441
Long-term obligations:			
Due within one year:			
Outstanding bonds	725,000	-	725,000
Compensated absences	113,682	-	113,682
Due beyond one year:			
Outstanding bonds	8,785,154	-	8,785,154
Compensated absences	442,709	-	442,709
Total liabilities	10,335,530	235	10,335,765

<b>June 30, 2012</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	11,521,818	123,998	11,645,816
Restricted for:			
Capital projects	263,406	-	263,406
Debt service	4,034	-	4,034
Grant programs	38,227	-	38,227
Unrestricted	920,717	151,422	1,072,139
<b>Total Net Assets</b>	<b>\$12,748,202</b>	<b>\$ 275,420</b>	<b>\$13,023,622</b>

See accompanying notes to the financial statements.

Edmonson County School District  
Statement of Activities

Year Ended June 30, 2012	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities							
Instruction	\$ 11,154,459	\$ 20,465	\$ 2,182,882	\$ 99,921	\$ (8,851,191)	\$ -	\$ (8,851,191)
Support services:							
Student	661,583	-	6,944	-	(654,639)	-	(654,639)
Instructional staff	939,197	-	355,355	-	(583,842)	-	(583,842)
District administration	480,449	-	-	-	(480,449)	-	(480,449)
School administration	775,893	-	-	-	(775,893)	-	(775,893)
Business	427,128	-	23,602	-	(403,526)	-	(403,526)
Plant operations and maintenance	2,150,191	4,125	39,420	-	(2,106,646)	-	(2,106,646)
Student transportation	1,388,115	-	81,787	-	(1,306,328)	-	(1,306,328)
Other	204,497	-	200,293	-	(4,204)	-	(4,204)
Building acquisition and construction	-	-	-	549,283	549,283	-	549,283
Interest on long-term debt	334,763	-	-	265,836	(68,927)	-	(68,927)
Loss on disposal of assets	1,417	-	-	-	(1,417)	-	(1,417)
Total governmental activities	18,517,692	24,590	2,890,283	915,040	(14,687,779)	-	(14,687,779)

Business-Type Activities

Food services	1,257,826	332,637	895,626	-	-	(29,563)	(29,563)
Loss on disposal of assets	1,253	-	-	-	-	(1,253)	(1,253)
Other	14,879	12,654	-	-	-	(2,225)	(2,225)
<b>Total business-type activities</b>	<b>1,273,958</b>	<b>345,291</b>	<b>895,626</b>	<b>-</b>	<b>-</b>	<b>(33,041)</b>	<b>(33,041)</b>
<b>Total School District</b>	<b>\$ 19,791,650</b>	<b>\$ 369,881</b>	<b>\$ 3,785,909</b>	<b>\$ 915,040</b>	(14,687,779)	(33,041)	(14,720,820)

General Revenues

Taxes:

Property	1,933,611	-	1,933,611
Motor vehicle	323,746	-	323,746
Utilities	571,948	-	571,948
State aid	11,622,583	-	11,622,583
Investment earnings	21,252	1,296	22,548
Other	116,485	-	116,485
<b>Total general revenues</b>	<b>14,589,625</b>	<b>1,296</b>	<b>14,590,921</b>
Change in Net Assets	(98,154)	(31,745)	(129,899)
Net Assets – Beginning of Year	12,846,356	307,165	13,153,521
<b>Net Assets – End of Year</b>	<b>\$12,748,202</b>	<b>\$ 275,420</b>	<b>\$13,023,622</b>

Edmonson County School District  
Balance Sheet  
Governmental Funds

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June 30, 2012	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 1,329,033	\$ 42,456	\$ 267,440	\$ 1,638,929
Accounts receivable:				
Taxes	116,407	-	-	116,407
Intergovernmental	-	193,425	-	193,425
Due from other funds	132,589	-	-	132,589
<b>Total Assets</b>	<b>\$ 1,578,029</b>	<b>\$ 235,881</b>	<b>\$ 267,440</b>	<b>\$ 2,081,350</b>

**Liabilities and Fund Balances**

Liabilities				
Accounts payable	\$ 38,144	\$ 4,229	\$ -	\$ 42,373
Accrued liabilities	93,335	-	-	93,335
Due to other funds	-	132,589	-	132,589
Deferred revenue	-	60,836	-	60,836
<b>Total liabilities</b>	<b>131,479</b>	<b>197,654</b>	<b>-</b>	<b>329,133</b>
Fund Balances				
Restricted	-	38,227	267,440	305,667
Committed	137,811	-	-	137,811
Assigned	3,576	-	-	3,576
Unassigned	1,305,163	-	-	1,305,163
<b>Total fund balances</b>	<b>1,446,550</b>	<b>38,227</b>	<b>267,440</b>	<b>1,752,217</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,578,029</b>	<b>\$ 235,881</b>	<b>\$ 267,440</b>	<b>\$ 2,081,350</b>

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

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<b>June 30,</b>	<b>2012</b>
Total Fund Balances – Governmental Funds	\$ 1,752,217
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$35,220,413 and the accumulated depreciation is \$14,188,441.</p>	21,031,972
<p>Bond issuance costs are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the asset is \$120,360 and the accumulated amortization is \$17,361.</p>	102,999
<p>Long-term liabilities, including interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>	
Bonds payable	(9,510,154)
Accrued interest on the bonds	(72,441)
Compensated absences	(556,391)
<b>Total Net Assets – Governmental Activities</b>	<b>\$ 12,748,202</b>

See accompanying notes to the financial statements.

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

Year Ended June 30, 2012	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
From local sources:				
Taxes:				
Property	\$ 1,642,557	\$ -	\$ 291,054	\$ 1,933,611
Motor vehicle	323,746	-	-	323,746
Utilities	571,948	-	-	571,948
Tuition and fees	1,100	19,365	-	20,465
Earnings on investments	18,550	512	2,190	21,252
Other local revenue	21,660	10,315	-	31,975
Intergovernmental – state	11,622,583	1,050,306	815,119	13,488,008
Intergovernmental – federal	99,462	1,929,071	-	2,028,533
Total revenues	14,301,606	3,009,569	1,108,363	18,419,538
Expenditures				
Current:				
Instruction	8,386,919	2,358,139	-	10,745,058
Support services:				
Student	654,639	6,944	-	661,583
Instructional staff	583,380	355,355	-	938,735
District administration	475,279	-	-	475,279

School administration	775,681	-	-	775,681
Business	403,526	23,602	-	427,128
Plant operations and maintenance	1,762,639	39,420	76,444	1,878,503
Student transportation	1,400,397	81,787	-	1,482,184
Other	4,204	200,293	-	204,497
Debt service:				
Principal	-	-	655,000	655,000
Interest	-	-	313,876	313,876
Facilities acquisition and construction	-	-	708,069	708,069
Bond issuance costs	-	-	72,835	72,835
<b>Total expenditures</b>	<b>14,446,664</b>	<b>3,065,540</b>	<b>1,826,224</b>	<b>19,338,428</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(145,058)</b>	<b>(55,971)</b>	<b>(717,861)</b>	<b>(918,890)</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds of advance refunding bonds – net of discount	-	-	6,289,235	6,289,235
Payment to advance refunded bond escrow agent	-	-	(6,211,708)	(6,211,708)
Operating transfers in	-	35,290	707,695	742,985
Operating transfers out	(35,290)	-	(707,695)	(742,985)
<b>Total other financing sources (uses)</b>	<b>(35,290)</b>	<b>35,290</b>	<b>77,527</b>	<b>77,527</b>
<b>Net Change in Fund Balances</b>	<b>(180,348)</b>	<b>(20,681)</b>	<b>(640,334)</b>	<b>(841,363)</b>
<b>Fund Balances – Beginning of Year</b>	<b>1,626,898</b>	<b>58,908</b>	<b>907,774</b>	<b>2,593,580</b>
<b>Fund Balances – End of Year</b>	<b>\$ 1,446,550</b>	<b>\$ 38,227</b>	<b>\$ 267,440</b>	<b>\$ 1,752,217</b>

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

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<b>Year Ended June 30,</b>	<b>2012</b>
Total Net Change in Fund Balances – Governmental Funds	\$ (841,363)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$1,068,512) exceeds depreciation expense (\$978,084) in the period.	90,428
Gains and losses are not presented in governmental funds because they do not provide or use current financial resources. However, they are presented on the statement of activities. The difference between proceeds from the sale of assets and the actual loss from the sale net to this amount for the year.	(1,417)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	6,560,000
The proceeds for the issuance of bonds provide current financial resources and are reported in the fund financial statements, but they are presented as liabilities in the statement of net assets.	(6,335,000)
Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the statement of activities are recognized when they are incurred.	429,198
<b>Change in Net Assets – Governmental Activities</b>	<b>\$ (98,154)</b>

See accompanying notes to the financial statements.

Edmonson County School District  
Statement of Net Assets  
Proprietary Funds

June 30, 2012	Enterprise Fund Food Service	Other Enterprise Funds	Total Proprietary Funds
<b>Assets</b>			
Current Assets			
Cash	\$ 116,567	\$ 2,118	\$ 118,685
Inventory	32,972	-	32,972
Total current assets	149,539	2,118	151,657
Non-Current Assets			
Fixed assets – net	123,998	-	123,998
<b>Total Assets</b>	<b>\$ 273,537</b>	<b>\$ 2,118</b>	<b>\$ 275,655</b>
<b>Liabilities and Net Assets</b>			
Current Liabilities			
Accounts payable	\$ 223	\$ 12	\$ 235
Total current liabilities	223	12	235
Net Assets			
Invested in capital assets	123,998	-	123,998
Unrestricted	149,316	2,106	151,422
Total net assets	273,314	2,106	275,420
<b>Total Liabilities and Net Assets</b>	<b>\$ 273,537</b>	<b>\$ 2,118</b>	<b>\$ 275,655</b>

See accompanying notes to the financial statements.

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

<b>Year Ended June 30, 2012</b>	<b>Enterprise Fund Food Service</b>	<b>Other Enterprise Funds</b>	<b>Total Proprietary Funds</b>
<b>Operating Revenues</b>			
Lunchroom sales	\$ 332,637	\$ -	\$ 332,637
Tuition and fees	-	12,654	12,654
Total operating revenues	332,637	12,654	345,291
<b>Operating Expenses</b>			
Salaries and wages	610,102	14,263	624,365
Contract services	14,358	-	14,358
Materials and supplies	595,601	578	596,179
Other operating expenses	1,999	38	2,037
Depreciation expense	35,766	-	35,766
Total operating expenses	1,257,826	14,879	1,272,705
Operating loss	(925,189)	(2,225)	(927,414)
<b>Non-Operating Revenues (Expenses)</b>			
State operating grants	107,683	-	107,683
Federal operating grants	731,139	-	731,139
Donated commodities	56,804	-	56,804
Interest revenue	1,296	-	1,296
Loss on disposal of assets	(1,253)	-	(1,253)
Total non-operating revenues (expenses)	895,669	-	895,669
Change in Net Assets	(29,520)	(2,225)	(31,745)
Total Net Assets – Beginning of Year	302,834	4,331	307,165
<b>Total Net Assets – End of Year</b>	<b>\$ 273,314</b>	<b>\$ 2,106</b>	<b>\$ 275,420</b>

See accompanying notes to the financial statements.

Edmonson County School District  
Statement of Cash Flows  
Proprietary Funds

Year Ended June 30, 2012	Enterprise Fund Food Service	Other Enterprise Funds	Total Proprietary Funds
<b>Cash Flows from Operating Activities</b>			
Cash received from user charges	\$ 332,637	\$ 12,654	\$ 345,291
Cash payments to employees for services	(514,267)	(14,263)	(528,530)
Cash payments for contract services	(14,358)	-	(14,358)
Cash payments to suppliers for goods and services	(529,674)	(566)	(530,240)
Cash payments for other operating expenses	(1,999)	(38)	(2,037)
Net cash used in operating activities	(727,661)	(2,213)	(729,874)
<b>Cash Flows from Non-Capital Financing Activities</b>			
Non-operating grants received	742,987	-	742,987
Net cash provided by non-capital financing activities	742,987	-	742,987
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of capital assets	(4,525)	-	(4,525)
Net cash used in capital and related financing activities	(4,525)	-	(4,525)
<b>Cash Flows from Investing Activities</b>			
Interest on investments	1,296	-	1,296
Net cash provided by investing activities	1,296	-	1,296
Net Increase (Decrease) in Cash	12,097	(2,213)	9,884
Cash – Beginning of Year	104,470	4,331	108,801
<b>Cash – End of Year</b>	<b>\$ 116,567</b>	<b>\$ 2,118</b>	<b>\$ 118,685</b>

<b>Year Ended June 30, 2012</b>	<b>Enterprise Fund Food Service</b>	<b>Other Enterprise Funds</b>	<b>Total Proprietary Funds</b>
<b>Reconciliation of Operating Loss to Net Cash Used In Operating Activities</b>			
Operating loss	\$ (925,189)	\$ (2,225)	\$ (927,414)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	35,766	-	35,766
Commodities used	56,804	-	56,804
On-behalf payments received	95,835	-	95,835
Changes in assets and liabilities:			
Inventories	8,958	-	8,958
Accounts payable	165	12	177
<b>Net Cash Used In Operating Activities</b>	<b>\$ (727,661)</b>	<b>\$ (2,213)</b>	<b>\$ (729,874)</b>

#### Non-Cash Activities

- The food service fund received \$56,804 of donated commodities from the federal government.
- The District received on-behalf payments of \$95,835 relating to insurance benefits.

See accompanying notes to the financial statements.

Edmonson County School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds

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<b>June 30, 2012</b>	<b>Agency Funds</b>
<hr/>	
<b>Assets</b>	
Cash	\$ 128,950
<hr/>	
<b>Total Assets</b>	<b>\$ 128,950</b>
<hr/>	
<b>Liabilities</b>	
Due to student groups	\$ 128,950
<hr/>	
<b>Total Liabilities</b>	<b>\$ 128,950</b>
<hr/>	

See accompanying notes to the financial statements.

**Note 1: Summary of Significant Accounting Policies**

• ***Reporting Entity***

The Edmonson County Board of Education (the "Board"), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Edmonson County School District (the "District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds relevant to the operation of the Edmonson County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc., except for those funds administered as an activity in the agency funds.

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

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

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

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

• ***Basis of Presentation***

**Government-Wide Financial Statements** — The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the District, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

**Fund Financial Statements** — Fund financial statements report detailed information about the District's funds, including fiduciary funds. Separate statements for each fund category — governmental, proprietary and fiduciary — are presented. The focus of governmental and proprietary fund financial statements is on major funds rather than

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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 total fund balances. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

▶ **Governmental Fund Types**

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

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

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

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

The *Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund* receives those funds designated by the state as capital outlay funds and is restricted for use in financing projects identified in the District's facility plan and certain operating costs.

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

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

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

▶ **Proprietary Fund Types**

*Enterprise Funds*

The *Food Service Fund* is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contributions of commodities from the USDA. The food service fund is a major fund.

The *Day Care Fund* is used to account for day care services offered to the general public.

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

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

▶ **Fiduciary Fund Types** (includes agency funds)

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

*Agency Funds*

The *Activity Fund* accounts for activities of student groups and other types of activities requiring clearing accounts. 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.

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

For financial purposes, the accounting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance.

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

The financial statements of the governmental fund types are prepared on the modified accrual basis of accounting. On this basis of accounting, revenues are recognized when

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid. The proprietary funds are accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

• ***Estimates***

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

• ***Inventory***

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

• ***Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

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

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

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

• ***Deferred Revenue***

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

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

• ***Compensated Absences***

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

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

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

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

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

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

• ***Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

• ***Property Taxes***

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

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

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

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

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

● ***Interfund Activity***

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

● ***Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

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.

• ***Contributions of Capital***

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

• ***Operating Revenues and Expenses***

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

• ***Subsequent Events***

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through October 29, 2012, which was the date the financial statements were made available.

• ***New Accounting Pronouncements***

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

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

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

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

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

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

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

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012, improves financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to provide more consistent financial reporting. The District plans to implement the new requirements for the fiscal year 2013–2014 financial statements.

GASB Statement No. 66, *Technical Corrections—2012: an Amendment of GASB Statements No. 10 and No. 62*, effective for periods beginning after December 15, 2012,

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

resolves conflicting accounting and reporting guidance that could diminish consistent financial reporting and enhance the usefulness of financial reports. The District plans to implement the new requirements for the fiscal year 2013–2014 financial statements.

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

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

**Note 2: Cash and Investments**

• **Deposits**

At June 30, 2012, the carrying amounts of the District’s deposits were \$1,886,564 and the bank balances were \$2,698,603, which were covered by federal depository insurance or by collateral held by the bank’s agent in the District’s name.

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

<b>June 30,</b>	<b>2012</b>
Governmental funds	\$ 1,638,929
Proprietary funds	118,685
Fiduciary funds	128,950
	<b>\$ 1,886,564</b>

**Note 2: Cash and Investments** *(Continued)*

▶ *Custodial Credit Risk Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. However, the District is required by state statute that bank deposits must be collateralized. As of June 30, 2012, the District's bank balance of \$2,698,603 was not exposed to custodial credit risk.

**Note 3: Interfund Receivables and Payables**

Interfund balances at June 30, 2012 consist of the following:

June 30, 2012		
Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue	<b>\$ 132,589</b>

The amount represents an interfund loan between the general fund and special revenue fund that is necessary to fulfill the current cash requirements of the special revenue fund.

**Note 4: Capital Assets**

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

June 30, 2012	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities:				
Capital assets that are not depreciated:				
Land	\$ 332,789	\$ -	\$ -	\$ 332,789
Construction in progress	57,303	705,594	762,897	-
Total non-depreciable historical cost	390,092	705,594	762,897	332,789

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

**Note 4: Capital Assets (Continued)**

June 30, 2012	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital assets that are depreciated:				
Land improvements	1,065,363	-	-	1,065,363
Buildings and improvements	27,009,626	762,897	-	27,772,523
Technology equipment	1,668,961	76,303	24,175	1,721,089
Vehicles	2,894,351	269,625	-	3,163,976
General	1,177,222	16,991	29,540	1,164,673
Total depreciable historical cost	33,815,523	1,125,816	53,715	34,887,624
Less accumulated depreciation for:				
Land improvements	777,549	28,334	-	805,883
Buildings and improvements	8,376,795	595,617	-	8,972,412
Technology equipment	1,272,343	155,665	23,752	1,404,256
Vehicles	2,145,002	145,501	-	2,290,503
General	690,966	52,967	28,546	715,387
Total accumulated depreciation	13,262,655	978,084	52,298	14,188,441
Total depreciable historical cost, net	20,552,868	147,732	1,417	20,699,183
<b>Governmental Activities, Capital Assets, Net</b>	<b>\$ 20,942,960</b>	<b>\$ 853,326</b>	<b>\$ 764,314</b>	<b>\$ 21,031,972</b>
Business-Type Activities:				
Capital assets that are depreciated:				
General	\$ 595,319	\$ 4,525	\$ 4,102	\$ 595,742
Less: accumulated depreciation	438,827	35,766	2,849	471,744
<b>Business-Type Activities, Capital Assets, Net</b>	<b>\$ 156,492</b>	<b>\$ (31,241)</b>	<b>\$ 1,253</b>	<b>\$ 123,998</b>

**Note 4: Capital Assets** *(Continued)*

Depreciation expense was charged to governmental functions as follows:

June 30,	2012
Instruction	\$ 527,471
Support services:	
Instruction staff	462
District administration	5,169
School administration	213
Plant operations and maintenance	287,524
Student transportation	157,245
<b>Total Depreciation Expense</b>	<b>\$ 978,084</b>

**Note 5: General Long-Term Obligations**

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

Issue Date	Proceeds	Rates
2002	\$ 6,685,000	1.55%–4.50%
2004	1,540,000	3.00%–4.80%
2008	2,825,000	2.20%–3.40%
2011	775,000	1.00%–4.625%
2011	5,280,000	1.00%–3.30%
2012	1,055,000	1.10%–4.30%

In prior years, the District issued \$500,000 of Qualified Zone Academy Bonds (QZAB). The bonds were approved for the high school renovation project. As stated in the agreement, \$297,000 of the proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the \$500,000 bond issue. As a result,

**Note 5: General Long-Term Obligations** *(Continued)*

the \$500,000 QZAB are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. The refunding of the bonds resulted in a gain of \$203,000 and is shown in the financial statements as an addition to bonds payable. The gain will be amortized to operations over the bonds' life of 15 years using the effective interest method. The unamortized balance at June 30, 2012 was \$71,004.

On September 1, 2011, the District issued \$5,280,000 in General Obligation Bonds with an average interest rate of 2.45% to advance refund \$4,985,000 of outstanding 2002 Series bonds with an average interest rate of 4.28%. The net proceeds of \$5,189,697 (after payment of \$90,303 in underwriting fees, insurance and other issuance costs) were transferred to an escrow agent to provide future debt service payments on the 2002 Series bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$204,697. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2024 using the effective-interest method. The District completed the advance refunding to reduce its total debt service payments over the next 13 years by \$478,251 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$391,933.

On March 1, 2012, the District issued \$1,055,000 in General Obligation Bonds with an average interest rate of 1.98% to advance refund \$920,000 of outstanding 2004 Series bonds with an average interest rate of 4.73%. The net proceeds of \$1,022,011 (after payment of \$32,989 in underwriting fees, insurance and other issuance costs) were transferred to an escrow agent to provide future debt service payments on the 2004 Series bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$102,011. This difference, reporting in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2024 using the effective-interest method. The District completed the advance refunding to reduce its total debt service payments over the next 13 years by \$74,580 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$65,089.

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

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

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**Note 5: General Long-Term Obligations** *(Continued)*

The District has entered into "participation agreements" with the School Facility Construction Commission (SFCC). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The following table sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2012 for debt service (principal and interest) are as follow:

Year	Edmonson County School District		School Facility Construction Commission		Total Debt Service
	Interest	Principal	Interest	Principal	
2012–2013	\$ 180,328	\$ 530,155	\$ 69,601	\$ 194,845	\$ 974,929
2013–2014	166,436	544,801	64,047	200,199	975,483
2014–2015	153,593	549,037	57,794	210,963	971,387
2015–2016	140,431	560,758	53,437	214,242	968,868
2016–2017	126,858	577,293	48,924	217,707	970,782
2017–2018	112,581	588,358	43,971	221,642	966,552
2018–2019	97,736	604,226	38,190	230,774	970,926
2019–2020	81,645	621,652	32,563	208,348	944,208
2020–2021	66,697	517,650	28,163	137,350	749,859
2021–2022	53,391	536,356	24,611	133,644	748,002
2022–2023	39,699	550,010	20,965	139,990	750,664
2023–2024	24,918	568,610	17,150	146,390	757,068
2024–2025	9,029	582,155	13,164	37,845	642,193
2025–2026	968	5,641	11,650	39,359	57,618
2026–2027	742	4,067	10,076	40,933	55,818
2027–2028	580	2,429	8,440	42,571	54,020
2028–2029	467	5,460	6,470	44,540	56,937
2029–2030	215	3,401	4,410	46,599	54,625
2030–2031	58	1,244	2,254	48,756	52,312
	<b>\$ 1,256,372</b>	<b>\$ 7,353,303</b>	<b>\$ 555,880</b>	<b>\$ 2,556,697</b>	<b>\$ 11,722,251</b>

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

**Note 5: General Long-Term Obligations** *(Continued)*

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

June 30, 2012	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Amounts Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
General obligation debt	\$ 10,135,000	\$ 6,335,000	\$ (6,560,000)	\$ 9,910,000	\$ 725,000
Deferred issuance discounts	(54,759)	(45,765)	25,063	(75,461)	-
Deferred loss on refunding bonds	(119,409)	(306,708)	30,728	(395,389)	-
Deferred gain on QZAB bond	84,574	-	(13,570)	71,004	-
Total bonds and notes payable	10,045,406	5,982,527	(6,517,779)	9,510,154	725,000
Other liabilities:					
Compensated absences	581,167	56,221	(80,997)	556,391	113,682
<b>Total Long-Term Liabilities</b>	<b>\$ 10,626,573</b>	<b>\$ 6,038,748</b>	<b>\$ (6,598,776)</b>	<b>\$ 10,066,545</b>	<b>\$ 838,682</b>

**Note 6: Fund Balances**

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

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

*Restricted fund balances* arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2012, the District had \$38,277 restricted in the special revenue fund for grant programs, \$263,406 restricted in the nonmajor funds for capital projects (which includes \$120,629 restricted from prior SFCC offers) and \$4,034 for debt service.

**Note 6: Fund Balances** *(Continued)*

*Committed fund balances* are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments in the general fund at June 30, 2012: \$113,682 for compensated absences balances and \$24,129 for school site based decision making balances.

*Assigned fund balances* are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2012 was \$3,576. Assigned fund balances also include (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

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

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

**Note 7: Pension Plans**

• *Plan Descriptions*

The Edmonson County School District participates in the Teachers' Retirement System of the State of Kentucky, a component unit of the Commonwealth of Kentucky (KTRS)

**Note 7: Pension Plans** *(Continued)*

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

● **Funding Policy**

*Funding Policy* — KTRS plan members are required to contribute 10.355% (10.855% for new hires effective July 1, 2008) of their covered salary. CERS plan members are required to contribute 5.0% (6.0% for new hires effective July 1, 2008) of their covered salary. The District is required to contribute to the CERS and the Commonwealth of Kentucky is required to contribute to the KTRS. The contribution rate is actuarially determined. The rate for KTRS is 13.605% (14.105% for new hires effective July 1, 2008) of annual covered payroll. The rate for CERS is 18.96%, 16.93% and 16.16% for the years ended June 30, 2012, 2011 and 2010, respectively, of annual covered payroll. The contribution requirements of the plan members, the District and Commonwealth of Kentucky are established and may be amended by the Plans' Board of Trustees. The District's contributions to CERS for the years ended June 30, 2012, 2011 and 2010 were \$538,191, \$483,901 and \$472,339, respectively, equal to the required contributions for each year.

For the year ended June 30, 2012 the Commonwealth contributed \$894,271 to the KTRS for the benefit of the District's participating employees. The District's contributions to the KTRS for the year ended June 30, 2012 were \$158,736.

The amount recognized for revenues and expenditures for on-behalf payments relating to fringe benefits, retirement and insurance benefits for the year ended June 30, 2012 was \$2,895,691 for governmental funds and \$95,835 for proprietary funds.

**Note 7: Pension Plans** *(Continued)*

• ***Medical Insurance Plan***

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

To be eligible for medical benefits, the member must have retired 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* — In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Those who became members before July 1, 2008 contribute 1.25% of salary to the plan. Member contributions are 1.75% of salary for those who became members after July 1, 2008. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 0.5% of members' salary for the 2011–2012 fiscal year.

• ***Deferred Compensation Plans***

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

**Note 8: 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 9: Insurance and Related Activities**

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

**Note 10: Risk Management**

The District is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions and general liability coverage, the District purchases commercial insurance.

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

**Note 11:     Litigation**

The District is subject to various other 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 that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

**Note 12:     Excess Expenditures over Appropriations**

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

<b>June 30, 2012</b>	
<b>Fund</b>	<b>Amount</b>
General	\$ 180,348
Special Revenue	20,681
Construction	716,182
Food Service	29,520
Day Care	2,225

**Note 13:     Fund Transfers**

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

<b>June 30, 2012</b>			
<b>From Fund</b>	<b>To Fund</b>	<b>Purpose</b>	<b>Amount</b>
General	Special Revenue	Matching	\$ 35,290
Capital Outlay	Debt Service	Debt Service	100,000
FSPK	Debt Service	Debt Service	598,348
Construction	Capital Outlay	Cover Expenditures	9,347

# Required Supplementary Information

Edmonson County School District  
Budgetary Comparison Schedule for the General Fund

Year Ended June 30, 2012	Budgeted Amounts		Actual (Budgetary Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
Revenues				
Local and intermediate sources	\$ 2,479,003	\$ 2,518,837	\$ 2,579,561	\$ 60,724
State programs	8,653,130	8,655,738	8,726,892	71,154
Federal programs	32,000	37,000	99,462	62,462
Total revenues	11,164,133	11,211,575	11,405,915	194,340
Expenditures				
Current:				
Instruction	7,102,327	6,164,524	6,395,811	(231,287)
Support services:				
Student	474,277	500,829	478,829	22,000
Instructional staff	361,307	375,312	437,479	(62,167)
District administration	600,185	474,677	414,657	60,020
School administration	572,766	577,271	581,648	(4,377)
Business	161,486	263,111	325,044	(61,933)
Plant operations and maintenance	1,447,323	1,677,424	1,635,247	42,177
Student transportation	840,850	1,244,659	1,278,054	(33,395)
Other	659,587	1,421,608	4,204	1,417,404
Total expenditures	12,220,108	12,699,415	11,550,973	1,148,442
Excess (Deficiency) of Revenues over Expenditures	(1,055,975)	(1,487,840)	(145,058)	1,342,782

Other Financing Sources (Uses)				
Operating transfers – net	(33,500)	(43,392)	(35,290)	8,102
Total other financing sources (uses)	(33,500)	(43,392)	(35,290)	8,102
Net Change in Fund Balance	(1,089,475)	(1,531,232)	(180,348)	1,350,884
Fund Balance – Beginning of Year	1,089,475	1,531,232	1,626,898	95,666
<b>Fund Balance – End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,446,550</b>	<b>\$ 1,446,550</b>

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

Inflows/revenues:	
Actual amounts (budgetary basis)	\$ 11,405,915
Differences — budget to GAAP:	
On-behalf payments recorded under GAAP basis not included in budgeted amounts	2,895,691
<b>Total Revenues as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances — Governmental Funds</b>	<b>\$ 14,301,606</b>
Outflows/expenditures:	
Actual amounts (budgetary basis)	\$ 11,550,973
Differences — budget to GAAP:	
On-behalf payments recorded under GAAP basis not included in budgeted amounts	2,895,691
<b>Total Expenditures as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances — Governmental Funds</b>	<b>\$ 14,446,664</b>

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

Year Ended June 30, 2012	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
Revenues				
Local and intermediate sources	\$ 18,043	\$ 22,398	\$ 30,192	\$ 7,794
State programs	1,140,405	1,015,659	1,050,306	34,647
Federal programs	1,416,921	1,376,871	1,929,071	552,200
Total revenues	2,575,369	2,414,928	3,009,569	594,641
Expenditures				
Current:				
Instruction	1,886,897	1,773,123	2,358,139	(585,016)
Support services:				
Student	10,502	10,203	6,944	3,259
Instructional staff	306,495	320,678	355,355	(34,677)
Business	21,666	23,789	23,602	187
Plant operations and maintenance	43,086	43,086	39,420	3,666
Student transportation	134,105	79,857	81,787	(1,930)
Other	206,118	199,482	200,293	(811)
Total expenditures	2,608,869	2,450,218	3,065,540	(615,322)
Excess (Deficiency) of Revenues over Expenditures	(33,500)	(35,290)	(55,971)	(20,681)

Other Financing Sources (Uses)				
Operating transfers	33,500	35,290	35,290	-
<b>Total other financing sources (uses)</b>	<b>33,500</b>	<b>35,290</b>	<b>35,290</b>	<b>-</b>
Net Change in Fund Balance	-	-	(20,681)	(20,681)
Fund Balance – Beginning of Year	-	-	58,908	58,908
<b>Fund Balance – End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 38,227</b>	<b>\$ 38,227</b>

# Supplementary Information

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

June 30, 2012	Construction Fund	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Other Governmental Funds
<b>Assets</b>					
Cash	\$ 67,975	\$ 32,983	\$ 162,448	\$ 4,034	\$ 267,440
<b>Total Assets</b>	<b>\$ 67,975</b>	<b>\$ 32,983</b>	<b>\$ 162,448</b>	<b>\$ 4,034</b>	<b>\$ 267,440</b>
<b>Fund Balances</b>					
Restricted	\$ 67,975	\$ 32,983	\$ 162,448	\$ 4,034	\$ 267,440
<b>Total Fund Balances</b>	<b>\$ 67,975</b>	<b>\$ 32,983</b>	<b>\$ 162,448</b>	<b>\$ 4,034</b>	<b>\$ 267,440</b>

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

Year Ended June 30, 2012	Construction Fund	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Other Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	\$ -	\$ -	\$ 291,054	\$ -	\$ 291,054
Earnings on investments	1,234	137	819	-	2,190
Intergovernmental — state	-	182,771	366,512	265,836	815,119
<b>Total revenues</b>	<b>1,234</b>	<b>182,908</b>	<b>658,385</b>	<b>265,836</b>	<b>1,108,363</b>
Expenditures					
Current:					
Support services:					
Plant operations and maintenance	-	76,444	-	-	76,444
Debt service:					
Principal	-	-	-	655,000	655,000
Interest	-	-	-	313,876	313,876
Facilities acquisition and construction	708,069	-	-	-	708,069
Bond issuance costs	-	-	-	72,835	72,835
<b>Total expenditures</b>	<b>708,069</b>	<b>76,444</b>	<b>-</b>	<b>1,041,711</b>	<b>1,826,224</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(706,835)</b>	<b>106,464</b>	<b>658,385</b>	<b>(775,875)</b>	<b>(717,861)</b>

Other Financing Sources (Uses)

Proceeds of advance refunding bonds – net of discount	-	-	-	6,289,235	6,289,235
Payment to advance refunded bond escrow agent	-	-	-	(6,211,708)	(6,211,708)
Operating transfers in	-	9,347	-	698,348	707,695
Operating transfers out	(9,347)	(100,000)	(598,348)	-	(707,695)
<b>Total other financing sources (uses)</b>	<b>(9,347)</b>	<b>(90,653)</b>	<b>(598,348)</b>	<b>775,875</b>	<b>77,527</b>
<b>Net Change in Fund Balance</b>	<b>(716,182)</b>	<b>15,811</b>	<b>60,037</b>	<b>-</b>	<b>(640,334)</b>
<b>Fund Balance – Beginning of Year</b>	<b>784,157</b>	<b>17,172</b>	<b>102,411</b>	<b>4,034</b>	<b>907,774</b>
<b>Fund Balance – End of Year</b>	<b>\$ 67,975</b>	<b>\$ 32,983</b>	<b>\$ 162,448</b>	<b>\$ 4,034</b>	<b>\$ 267,440</b>

Edmonson County School District  
Combining Statement of Net Assets  
Proprietary Funds

June 30, 2012	Day Care	Total Other Enterprise Fund
<b>Assets</b>		
Current Assets		
Cash	\$ 2,118	\$ 2,118
<b>Total Assets</b>	<b>\$ 2,118</b>	<b>\$ 2,118</b>
 <b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable	\$ 12	\$ 12
Total current liabilities	12	12
 Net Assets		
Unrestricted	2,106	2,106
Total net assets	2,106	2,106
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,118</b>	<b>\$ 2,118</b>

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

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Year Ended June 30, 2012	Day Care	Total Other Enterprise Fund
Operating Revenues		
Tuition and fees	\$ 12,654	\$ 12,654
Total operating revenues	12,654	12,654
Operating Expenses		
Salaries and wages	14,263	14,263
Materials and supplies	578	578
Other operating expenses	38	38
Total operating expenses	14,879	14,879
Change in Net Assets	(2,225)	(2,225)
Total Net Assets – Beginning of Year	4,331	4,331
<b>Total Net Assets – End of Year</b>	<b>\$ 2,106</b>	<b>\$ 2,106</b>

Edmonson County School District  
Combining Statement of Cash Flows  
Proprietary Funds

Year Ended June 30, 2012	Day Care	Total Other Enterprise Fund
Cash Flows from Operating Activities		
Cash received from user charges	\$ 12,654	\$ 12,654
Cash payments to employees for services	(14,263)	(14,263)
Cash payments to suppliers for goods and services	(566)	(566)
Cash payments for other operating expenses	(38)	(38)
Net cash used in operating activities	(2,213)	(2,213)
Net Decrease in Cash	(2,213)	(2,213)
Cash – Beginning of Year	4,331	4,331
<b>Cash – End of Year</b>	<b>\$ 2,118</b>	<b>\$ 2,118</b>
Reconciliation of Operating Loss to Net Cash Used In Operating Activities		
Operating loss	\$ (2,225)	\$ (2,225)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Accounts payable	12	12
<b>Net Cash Used In Operating Activities</b>	<b>\$ (2,213)</b>	<b>\$ (2,213)</b>

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

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Year Ended June 30, 2012	Cash July 1, 2011	Receipts	Disbursements	Cash June 30, 2012	Due To Student Groups June 30, 2012
Edmonson County High School	\$ 102,562	\$ 223,895	\$ 232,956	\$ 93,501	\$ 93,501
Edmonson County Middle School	16,135	14,787	13,114	17,808	17,808
Fifth–Sixth Center	4,679	6,782	5,771	5,690	5,690
Kyrock Elementary School	3,628	7,207	5,631	5,204	5,204
South Edmonson Elementary School	10,480	9,865	13,598	6,747	6,747
<b>Total</b>	<b>\$ 137,484</b>	<b>\$ 262,536</b>	<b>\$ 271,070</b>	<b>\$ 128,950</b>	<b>\$ 128,950</b>

Edmonson County School District  
Statement of Assets and Liabilities  
School Activity Funds  
Edmonson County High School

Year Ended June 30, 2012	Cash July 1, 2011	Receipts	Disbursements	Transfers	Cash June 30, 2012	Due To Student Groups June 30, 2012
Office	\$ 741	\$ 1,936	\$ 2,478	\$ -	\$ 199	\$ 199
Student Generated	812	6,592	5,471	(1,087)	846	846
Teacher Generated	227	1,038	519	(395)	351	351
Textbook	25,543	13,904	23,504	69	16,012	16,012
Flower Fund	301	230	65	-	466	466
Instructional Ed	1,310	2,239	289	(178)	3,082	3,082
Emp/Skills/T-Shirt	72	24,742	27,252	2,438	-	-
Newspaper	-	67	-	-	67	67
Athletics	9,245	83,296	84,810	(20)	7,711	7,711
FFA	4,045	18,279	17,892	-	4,432	4,432
Farm and Greenhouse	7,129	6,292	8,322	-	5,099	5,099
DECA	561	3,208	3,662	-	107	107
Yearbook	18,945	15,458	14,308	-	20,095	20,095
Art Club	278	79	288	-	69	69
Drama	1,015	4,253	4,708	(183)	377	377
Wildcat Decals	519	-	-	-	519	519
Seniors	9,489	9,317	5,886	-	12,920	12,920
Freshmen/Sophomores	641	-	-	-	641	641
Skills U	750	716	554	-	912	912
Welding	454	429	858	-	25	25
Auto Shop	-	235	-	-	235	235
Woodworking	9,033	3,000	3,692	-	8,341	8,341

FMD	689	4,355	3,225	-	1,819	1,819
Senior Trip	613	680	400	-	893	893
Junior Beta	260	100	-	-	360	360
Beta Club	141	18,983	18,014	(768)	342	342
FBLA	891	1,886	1,982	190	985	985
SADD	1,732	1,527	1,614	178	1,823	1,823
Literary Club	35	85	84	-	36	36
Math Club	1,006	280	400	(77)	809	809
Wildcat Citizenship	1,398	276	60	-	1,614	1,614
International Club	2,186	111	31	-	2,266	2,266
Academic Team	23	-	-	-	23	23
Future Educators of America	2,476	302	2,588	(167)	23	23
Band	2	-	-	-	2	2
<b>Total</b>	<b>\$ 102,562</b>	<b>\$ 223,895</b>	<b>\$ 232,956</b>	<b>\$ -</b>	<b>\$ 93,501</b>	<b>\$ 93,501</b>

## Edmonson County School District Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Child Nutrition Cluster			
Passed-Through State Department of Education:			
School Breakfast Program	10.553	7760005 12	\$ 202,180
After School Snack Program	10.555	7750002 12	2,518
National School Lunch Program	10.555	7750002 12	526,440
Passed-Through State Department of Agriculture:			
Food Distribution Program – noncash	10.555	057502	56,804
Total U.S. Department of Agriculture			787,942
Appalachian Regional Commission			
Passed-Through State Department of Education:			
KY AHED	23.011	6881	160
Total Appalachian Regional Commission			160
U.S. Department of Education			
Impact Aid	84.041	–	64,856
Passed-Through State Department of Education:			
Title I, Part A Cluster			
Title I – 2010	84.010	3100002 09	57,843
Title I – 2011	84.010	3100002 10	24,505
Title I – 2012	84.010	3100002 11	530,416
Title I – ARRA	84.389	4100002 09	30,235
Subtotal			642,999
Special Education Cluster			
IDEA – Basic – ARRA	84.391	4810002 09	28,644
IDEA – Part B Special Education	84.027	3810002 10	33,876
IDEA – Part B Special Education	84.027	3810002 11	406,077
IDEA – Part B Preschool	84.173	3800002 11	19,783
Subtotal			488,380
Vocational Education – Basic – 2010	84.048	4621032 09	859
Vocational Education – Basic – 2011	84.048	4621132 10	1,043
Vocational Education – Basic – 2012	84.048	4621232 11	20,178
Subtotal			22,080
Title VI – Rural/Low Income	84.358	3140002 10	19,384
Title VI – Rural/Low Income	84.358	3140002 11	25,926
Subtotal			45,310

Year Ended June 30, 2012

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	
Title II – Teacher Quality – 2011	84.367	3230002 10	19,122	
Title II – Teacher Quality – 2012	84.367	3230002 11	100,062	
Subtotal			119,184	119,184
Education Technology State Grant Cluster				
Title II – Education Technology	84.318	3210002 10	3,831	
Title II – Education Technology	84.318	3210002 11	1,934	
Title II-A – Education Technology – ARRA	84.386	4210002 09	11,548	
Title II-D – Education Technology – ARRA	84.386	4210002 09	8,758	
Subtotal			26,071	26,071
Education Jobs	84.410	EJOB00 10		451,929
Passed-Through State Workforce Cabinet:				
Adult Education	84.002	3732	40,796	
Adult Education	84.002	3732S	2,011	
Recruitment, Retention and Results	84.002	3652	4,688	
Subtotal			47,495	47,495
Passed-Through Green River Region Educational Cooperative:				
Gear-Up Program (GRREC)	84.334	3791G	15,730	
Gear-Up Program (GRREC)	84.334	3792G	69,554	
Subtotal			85,284	85,284
Total U.S. Department of Education				1,993,588
Corporation for National and Community Service				
Passed-Through Green River Area Development District:				
Service Learning Grant	94.004	6751		180
Total Corporation for National and Community Service				180
<b>Total Expenditures of Federal Awards</b>			<b>\$ 2,781,870</b>	

**Note 1: Basis of Presentation**

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

**Note 2: Summary of Significant Accounting Policies**

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

Nonmonetary assistance is reported in the schedule of fair value of the goods received.

**Note 3: Subrecipients**

There were no subrecipients during the fiscal year.

Edmonson County School District  
Summary Schedule of Prior Year Audit Findings

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None reported.



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

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Edmonson County School District  
Brownsville, 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 Edmonson County School District (the "District") as of and for the year ended June 30, 2012, which collectively comprise Edmonson County School District's basic financial statements and have issued our report thereon dated October 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the *Independent Auditors' Contract—General Audit Requirements*, Appendix II of the *Independent Auditors' Contract—State Audit Requirements*, Appendix III of the *Independent Auditors' Contract—Audit Extension Request* and Appendix IV of the *Independent Auditors' Contract—Instructions for the Submission of the Audit Report*.

● **Internal Control Over Financial Reporting**

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

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

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

● **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the District in a separate letter dated October 29, 2012.

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

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

Carr, Riggs & Ingram, LLC  
Bowling Green, Kentucky  
October 29, 2012

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

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Edmonson County School District  
Brownsville, Kentucky

● **Compliance**

We have audited Edmonson County School District's (the "District") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the *Independent Auditors' Contract—General Audit Requirements*, Appendix II of the *Independent Auditors' Contract—State Audit Requirements*, Appendix III of the *Independent Auditors' Contract—Audit Extension Request* and Appendix IV of the *Independent Auditors' Contract—Instructions for Submission of the Audit Report*. Those standards and OMB

Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

- **Internal Control over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

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

**Section I — Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

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

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?  Yes  No

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

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

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

Edmonson County School District  
Schedule of Findings and Questioned Costs (Continued)

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Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010 / 84.389	Title I, Part A Cluster
84.410	Education Jobs Fund
84.367	Teacher Quality

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

Auditee qualified as low-risk auditee?  Yes  No

**Section II — Financial Statement Findings**

None reported.

**Section III — Federal Award Findings And Questioned Costs**

None reported.



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## Management Letter

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Edmonson County School District  
Brownsville, Kentucky

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

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated October 29, 2012 contains our report on the District's internal control. This letter does not affect our report dated October 29, 2012 on the financial statements of the District.

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

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

Carr, Riggs & Ingram, LLC  
Bowling Green, Kentucky  
October 29, 2012

- **Central Office**

- During our procedures over food service inventory, we discovered three inventory items observed from the count sheet at the high school that did not agree to the final inventory listing. We also discovered the prices of commodities remaining in inventory at year end were not updated according to the most recent commodity report. We recommend count sheets agree to the inventory listing and commodities be updated for correct pricing.
- During our procedures over the procurement process, we noted two instances where vendors were determined by the District to not be required to be bid per KRS 45A.380 Noncompetitive negotiation that lacked documentation. We recommend the proper documentation be maintained when it is determined that competition is not feasible.

**EDMONSON COUNTY BOARD OF EDUCATION**  
***PATRICK WADDELL, SUPERINTENDENT***  
100 Wildcat Way, P O Box 129  
Brownsville, Kentucky 42210  
Phone 270-597-2102 Fax 270-597-2103

October 25, 2012

**Fiscal Year 2012**  
**Management Letter Responses:**

**Central Office:**

**Comment:** During our procedures over food service inventory, we discovered three inventory items observed from the count sheet at the high school that did not agree to the final inventory listing. We also discovered the prices of commodities remaining in inventory at year end were not updated according to the most recent commodity report. We recommend count sheets agree to the inventory listing and commodities be updated for correct pricing.

**Response:** Kitchen managers have been asked to reconcile inventory each month using the previous month's inventory and production records to make certain that inventory is accurate. They have been advised to contact the Food Service Director when inventory does not reconcile. At that point, inventory will be double checked to determine if the actual count is incorrect or if there has been a mistake in the previous month's count. Documentation will be provided for any differences.

Commodity inventory is compared monthly to the most recent commodity shipment values. Values of commodity foods are adjusted on inventory sheets to reflect the current value of that food. Greater effort will be made by the Food Service Director to verify that the commodity values reflect the accurate current pricing.

**Comment:** During our procedures over the procurement process, we noted two instances where vendors were determined by the District to not be required to be bid per KRS 45A.380 Noncompetitive negotiation that lacked documentation. We recommend the proper documentation be maintained when it is determined that competition is not feasible.

**Response:** The two instances noted were Southern Foods & Tri-State International. As was verbally explained to the auditor, purchases were made to both vendors under acceptable terms of noncompetitive negotiation (KRS 45A.380). Written documentation is evident on every purchase order to those vendors in the "Procurement Method" box and approved by the Finance Officer.

Purchases from Southern Foods were for dishwasher detergent and supplies based on dishwasher manufacturer warranty requirements for the dishwashers. Therefore, this qualifies as a single source vendor within a reasonable geographical area. Southern Foods is the nearest vendor that sells these products.

The district purchases replacement parts and repair services for our buses from Tri-State International Truck. They also qualify for noncompetitive negotiation as a single source within a reasonable geographical area. Competitor vendors are located many more miles away making other vendors cost prohibitive and very inconvenient.

The District will periodically request authorization by the Board to approve applicable vendors with which we conduct business under the terms permitted by Noncompetitive Negotiation KRS 45A.380 in order to strengthen documentation.