

AUDITED FINANCIAL STATEMENTS

SILVER GROVE SCHOOL DISTRICT

SILVER GROVE, KENTUCKY

JUNE 30, 2012

SILVER GROVE SCHOOL DISTRICT

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SILVER GROVE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Silver Grove Board of Education
Silver Grove, Kentucky

I 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 Silver Grove School District as of June 30, 2012 and for the year then ended, as listed in the accompanying table of contents. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my 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; the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract - General Audit Requirements, Appendix II of the Independent Auditor's Contract - State Audit Requirements, Appendix III of the Independent Auditor's Contract - Audit Extension Request and Appendix IV of the Independent Auditor's Contract - Instructions for Submission of the Audit Report*. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

Due to the nature of the revenues of the Activity Funds, it was not practical to satisfy myself with respect to such revenues beyond the amounts recorded as received.

In my opinion, except for the effect if any, of the matter discussed in the third paragraph, the financial statements present fairly, in all material respects, the financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Silver Grove School District as of June 30, 2012 and the respective changes in financial position and cash flows 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, I have also issued a report dated November 2, 2012, on my consideration of Silver Grove School District's internal control over financial reporting and on my 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 my 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. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my 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 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Silver Grove School District's financial statements as a whole. The combining and individual nonmajor 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 purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.



Cincinnati, Ohio
November 2, 2012

SILVER GROVE INDEPENDENT PUBLIC SCHOOL DISTRICT - SILVER GROVE/KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012

As management of the Silver Grove Independent 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 cash balance for the District was \$285,961, a decrease from fiscal year 2011.

The district remains committed to increasing starting teacher salaries to follow the trends in the state and to stay competitive with local districts.

The General Fund had \$2,356,237 in revenue, which primarily consisted of the state program (SEEK), local property, and motor vehicle tax revenue. Excluding inter-fund transfers, there were \$2,373,521 in General Fund expenditures.

Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. Our current bond, issued in 1992, has a current debt value of \$10,000 and will complete in November, 2012. Our current bond, issued in 2004, has a current debt value of \$970,000 and will complete in May, 2024. Our current bond, issued in June, 2011, has a current debt value of \$560,000 and will complete in June, 2031. In May, 2012 the District issued another bond issue for \$975,000. This will refinance the 2004 issue, paying it off by May, 2014.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10-13 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 21-40 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by 2.581 million as of June 30, 2012.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding.

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

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

Net Assets for the period ending June 30, 2012

Assets	
Current Assets	\$ 1,382,604
Non-current Assets	2,822,548
Total Assets	\$ 4,205,152
Liabilities	
Current Liabilities	\$ 145,885
Non-current Liabilities	1,478,536
Total Liabilities	\$ 1,624,421
Net Assets	
Investment in capital assets (net of debt)	\$ 1,250,732
Restricted	1,078,241
Unreserved Fund Balance	251,758
Total Net Assets	\$ 2,580,731

Comments on Budget Comparisons

The District's total revenues for the fiscal year ended June 30, 2012, net of interfund transfers, were \$4,072,214. This includes \$975,000 from the 2012 bond issue.

The total cost of all programs and services was \$3,524,992 net of debt service.

General fund budget expenditures to actual varied significantly in instruction. When contributions for/on behalf are adjusted, expenditures were \$64,411 under budget.

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2012.

Revenues :	
Local revenue sources	\$ 1,177,259
State revenue sources	1,071,946
Federal Revenue	383,555
Contributions on behalf	464,454
Bond Proceeds	975,000
Total revenues	4,072,214
Expenses :	
Instruction	1,817,768
Student Support Services	101,034
Instructional Support	112,847
District Administration	332,985
School Administration	238,987
Plant Operations	234,169
Student Transportation	75,435
Community Support	33,885
Facilities Acquisition & Construction	568,377
Debt Service	202,883
Capitalized Lease Obligation	9,505
Total expenses	3,727,875
Revenues in Excess of Expenses	\$ 344,339

General Fund Revenue

The majority of revenue was derived from state funding (34.0%) and local taxes (45.8%).

School Allocation

Regular Instruction accounts for 58.5% of the school level expenditures.

Other Allocations

Central support services expenditures were Transportation 3.2% and Maintenance & Operations 9.9%.

BUDGETARY IMPLICATIONS FOR FISCAL YEAR 2012 - 2013

In Kentucky, the public school fiscal year is July 1 - June 30; other programs, i.e. certain federal programs operate on a different fiscal calendar, but are reflected in the district's overall budget.

By statute, the budget must have a minimum 2% contingency. The district adopted a 2012-13 Working Budget with \$110,837 in contingency (5.4%). The beginning cash balance for the 2012-13 fiscal year is \$263,346. Significant Board actions that impact the 2012-13 fiscal year finances include: continuation of a 401K match program for our employees (up to 1% of gross pay).

Also, we are exploring several major additions/improvements to our physical plant:

- New flooring and base to be completed in 2013.
- New lockers to be completed in 2013.
- New ceiling and lighting to be completed in 2013.
- New windows to be completed in 2013.
- New unit ventilators to be completed in 2013.

We have attempted to be conservative in our fiscal year 2012-13 budget in order to prepare for projected state revenue shortfall.

Questions regarding this report should be directed to the Superintendent (859) 441-3873 or by mail at 101 West Third Street, Silver Grove, KY, 41085.

**SILVER GROVE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
ASSETS AND RESOURCES			
Current assets			
Cash and cash equivalents	\$ 1,092,766	\$ 15,802	\$ 1,108,568
Accounts receivable:			
Taxes - current	5,015	-	5,015
Intergovernmental - federal	196,042	-	196,042
Deferred charges - net	72,979	-	72,979
Total current assets	1,366,802	15,802	1,382,604
Noncurrent assets			
Capital assets	5,955,104	26,714	5,981,818
Less: accumulated depreciation	(3,137,511)	(21,759)	(3,159,270)
Total noncurrent assets	2,817,593	4,955	2,822,548
Total assets and resources	\$ 4,184,395	\$ 20,757	\$ 4,205,152
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	\$ 8,701	\$ -	\$ 8,701
Deferred revenue	43,904	-	43,904
Current portion of bond obligations	85,000	-	85,000
Current portion of capitalized lease obligation	8,280	-	8,280
Total current liabilities	145,885	-	145,885
Noncurrent liabilities			
Noncurrent portion of bond obligations	1,455,000	-	1,455,000
Noncurrent portion of capitalized lease obligation	23,536	-	23,536
Total noncurrent liabilities	1,478,536	-	1,478,536
Total liabilities	1,624,421	-	1,624,421
Net assets			
Invested in capital assets, net of related debt	1,245,777	4,955	1,250,732
Restricted for:			
Debt service	925,817	-	925,817
Accumulated unpaid sick leave benefits	25,251	-	25,251
Capital Project Funds	127,173	-	127,173
Unrestricted	235,956	15,802	251,758
Total net assets	2,559,974	20,757	2,580,731
Total liabilities and net assets	\$ 4,184,395	\$ 20,757	\$ 4,205,152

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 263,346	\$ (151,697)	\$ (41,452)	\$ 1,022,569	\$ 1,092,766
Accounts receivable:					
Taxes - current	5,015	-	-	-	5,015
Intergovernmental - federal	-	196,042	-	-	196,042
	Total assets	\$ 44,345	\$ (41,452)	\$ 1,022,569	\$ 1,293,823
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 7,208	\$ 441	\$ 1,052	\$ -	\$ 8,701
Deferred revenue	-	43,904	-	-	43,904
	Total liabilities	44,345	1,052	-	52,605
Fund balances					
Restricted for:					
Debt service	-	-	-	925,817	925,817
Capital project funds	-	-	38,544	88,629	127,173
Committed to:					
Accumulated unpaid sick leave benefits	25,251	-	-	-	25,251
Unassigned:	235,902	-	(81,048)	8,123	162,977
	Total fund balances	-	(42,504)	1,022,569	1,241,218
	Total liabilities	\$ 44,345	\$ (41,452)	\$ 1,022,569	\$ 1,293,823
	and fund balances	\$ 44,345	\$ (41,452)	\$ 1,022,569	\$ 1,293,823

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Total fund balance per fund financial statements	\$ 1,241,218
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.	2,817,593
Certain long-term assets are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net assets.	72,979
Certain liabilities (such as bonds payable, capital lease obligations, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets.	<u>(1,571,816)</u>
Net assets for governmental activities	<u><u>\$ 2,559,974</u></u>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
From local sources					
Taxes					
Property	\$1,030,218	\$ -	\$ -	\$ 48,493	\$ 1,078,711
Motor vehicle	48,049	-	-	-	48,049
Tuition and fees	1,500	-	-	-	1,500
Earnings on investments	2,000	-	-	240	2,240
Other local revenues	9,716	13,865	-	-	23,581
Intergovernmental - state	800,300	162,298	-	113,076	1,075,674
Intergovernmental - federal	-	403,005	-	-	403,005
On behalf payments	464,454	-	-	-	464,454
Bond proceeds	-	-	-	975,000	975,000
Total revenues	2,356,237	579,168	-	1,136,809	4,072,214
EXPENDITURES					
Instruction	1,388,463	429,305	-	-	1,817,768
Support services:					
Student	40,946	60,088	-	-	101,034
Instruction staff	53,031	59,816	-	-	112,847
District administrative	332,985	-	-	-	332,985
School administrative	238,987	-	-	-	238,987
Plant operation and maintenance	234,169	-	-	-	234,169
Student transportation	75,435	-	-	-	75,435
Facilities acquisition and construction	-	-	568,377	-	568,377
Community service activities	-	33,885	-	-	33,885
Debt service	-	-	-	202,883	202,883
Capitalized lease obligation	9,505	-	-	-	9,505
Total expenditures	2,373,521	583,094	568,377	202,883	3,727,875
Excess (deficit) of revenues over expenditures	(17,284)	(3,926)	(568,377)	933,926	344,339
Other financing sources (uses)					
Operating transfers in	-	3,926	-	105,863	109,789
Operating transfers out	(3,926)	-	-	(105,863)	(109,789)
Total other financing sources (uses)	(3,926)	3,926	-	-	-
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(21,210)	-	(568,377)	933,926	344,339
Fund balance, July 1, 2011	282,363	-	525,873	88,643	896,879
Fund balance, June 30, 2012	\$ 261,153	\$ -	\$ (42,504)	\$ 1,022,569	\$ 1,241,218

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Net change in total fund balances per fund financial statements	\$ 344,339
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation and amortization expense exceeds capital outlays for the year.	377,560
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but, are reductions of liabilities in the statement of net assets.	85,000
Capitalized lease obligation	8,019
Deferred Charges - 2012 Bond Issue	26,525
Change in net assets of governmental activities	\$ 841,443

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012**

ASSETS

Current assets

Cash and cash equivalents \$ 15,802

Total current assets 15,802

Noncurrent assets

Capital assets 26,714

Less: accumulated depreciation (21,759)

Total noncurrent assets 4,955

Total assets \$ 20,757

LIABILITIES AND NET ASSETS

Net assets

Invested in capital assets, net of related debt 4,955

Unrestricted 15,802

Total net assets 20,757

Total liabilities and net assets \$ 20,757

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

OPERATING REVENUES	
Lunchroom sales	\$ 22,438
On behalf payments	<u>17,810</u>
Total operating revenues	40,248
 OPERATING EXPENSES	
Salaries and wages	70,841
Materials and supplies	68,444
Other operating expenses	7,989
Depreciation	<u>1,216</u>
Total operating expenses	<u>148,490</u>
 OPERATING INCOME (LOSS)	 (108,242)
 NON-OPERATING REVENUES	
Federal grants	119,583
State grant	<u>1,447</u>
Total non-operating revenues	<u>121,030</u>
 Net income	 12,788
 Net assets, July 1, 2011	 <u>7,969</u>
 Net assets, June 30, 2012	 <u><u>\$ 20,757</u></u>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES		
Lunchroom sales	\$ 22,438	\$ 22,438
Expenses		
Salaries and Wages	53,031	
Materials and supplies	70,938	
Other operating expenses	7,989	
		131,958
 NET CASH USED IN OPERATING ACTIVITIES		 (109,520)
CASH FLOWS FROM FINANCING ACTIVITIES		
Government grants		121,030
 NET CASH PROVIDED BY FINANCING ACTIVITIES		 121,030
	INCREASE IN CASH	11,510
Cash at beginning of year		4,292
 CASH AT END OF YEAR		 \$ 15,802

**SILVER GROVE SCHOOL DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (108,242)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:	
Depreciation	1,216
Changes in operating assets and liabilities:	
Decrease in trade accounts payable	<u>(2,494)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u><u>\$ (109,520)</u></u>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From local sources				
Taxes				
Property	\$ 1,024,191	\$ 1,024,191	\$ 1,030,218	\$ 6,027
Motor vehicle	46,725	46,725	48,049	1,324
Tuition and fees	16,700	16,700	1,500	(15,200)
Earnings on investments	1,000	1,000	2,000	1,000
Other local revenues	-	-	9,716	9,716
Intergovernmental - state	804,196	804,196	800,300	(3,896)
On behalf payments	-	-	464,454	464,454
Total revenues	<u>1,892,812</u>	<u>1,892,812</u>	<u>2,356,237</u>	<u>463,425</u>
EXPENDITURES				
Instruction	1,063,356	1,063,356	1,388,463	325,107
Support services:				
Student	53,620	53,620	40,946	(12,674)
Instruction staff	58,077	58,077	53,031	(5,046)
District administrative	348,620	348,620	332,985	(15,635)
School administrative	204,333	204,333	238,987	34,654
Plant operation and maintenance	235,188	235,188	234,169	(1,019)
Student transportation	62,540	62,540	75,435	12,895
Contingency	116,253	116,253	-	(116,253)
Capitalized lease obligation	11,110	11,110	9,505	(1,605)
Total expenditures	<u>2,153,097</u>	<u>2,153,097</u>	<u>2,373,521</u>	<u>220,424</u>
Excess (deficit) of revenues over expenditures	(260,285)	(260,285)	(17,284)	243,001
Other financing sources (uses)				
Operating transfers in	-	-	-	-
Operating transfers out	(2,356)	(2,356)	(3,926)	(1,570)
Total other financing sources (uses)	(2,356)	(2,356)	(3,926)	(1,570)
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(262,641)	(262,641)	(21,210)	241,431
Fund balance, July 1, 2011	<u>262,641</u>	<u>262,641</u>	<u>282,363</u>	<u>19,722</u>
Fund balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,153</u>	<u>\$ 261,153</u>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		<u>\$</u>
REVENUES				
Intergovernmental - state	\$ 197,908	\$ 197,908	\$ 162,298	\$ (35,610)
Intergovernmental - federal	311,681	311,681	403,005	91,324
Other local revenues	612	612	13,865	13,253
Total revenues	<u>510,201</u>	<u>510,201</u>	<u>579,168</u>	<u>68,967</u>
EXPENDITURES				
Current				
Instruction	393,117	393,117	429,305	36,188
Support services				
Student	47,151	47,151	60,088	12,937
Instructional staff	39,364	39,364	59,816	20,452
Community services	31,227	31,227	33,885	2,658
District Administrative	750	750	-	(750)
Total expenditures	<u>511,609</u>	<u>511,609</u>	<u>583,094</u>	<u>71,485</u>
Excess (deficit) of revenues over expenditures	(1,408)	(1,408)	(3,926)	(2,518)
Other financing sources (uses)				
Operating transfers in	-	-	3,926	3,926
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>3,926</u>	<u>3,926</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(1,408)	(1,408)	-	1,408
Fund balance, July 1, 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2012	<u>\$ (1,408)</u>	<u>\$ (1,408)</u>	<u>\$ -</u>	<u>\$ 1,408</u>

The accompanying notes are an integral part of the financial statements.

**SILVER GROVE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CONSTRUCTION FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total revenues	-	-	-	-
EXPENDITURES				
Current				
Facilities acquisition and construction	-	-	568,377	568,377
Total expenditures	-	-	568,377	568,377
Excess of revenues over expenditures	-	-	(568,377)	(568,377)
Other financing sources (uses)				
Operating transfers	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess of revenues and other financing sources over expenditures and other financing uses	-	-	(568,377)	(568,377)
Fund balance, July 1, 2011	-	525,873	525,873	-
Fund balance, June 30, 2012	<u>\$ -</u>	<u>\$ 525,873</u>	<u>\$ (42,504)</u>	<u>\$ (568,377)</u>

The accompanying notes are an integral part of the financial statements.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
REPORTING ENTITY

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

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

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

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

Silver Grove School District Finance Corporation - On September 14, 1992, The Silver Grove, Kentucky, Board of Education resolved to authorize the establishment of the Silver Grove 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 Silver Grove Board of Education also comprise the Corporation's Board of Directors.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Basis of Presentation

Government-wide Statements - The statement of net assets and the statement of activities display information about the financial activities of the overall District, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

The 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'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 programs 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 - The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

The funds of the financial reporting entity are described below:

Governmental Fund Types

The *General Fund* is the primary operating fund of the District and is always classified as a major fund per GASB Statement No. 34. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use.

The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. The Kentucky Department of Education has deemed this fund always be classified as a major fund.

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

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. (See reference to Program Review 96-DFIN-157).

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

The Construction Fund accounts for proceeds from sales of bonds and other revenue to be used for authorized construction. This is a major fund of the district.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Debt Service Fund

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

Proprietary Funds (Enterprise Fund)

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

Fiduciary Fund Type (includes agency and trust funds)

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Basis of Accounting (Continued)

Nonexchange transactions, in which the District received value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is not recognized until there is an enforceable legal claim. This legal claim does not arise until the taxes become delinquent, which is the fiscal year after the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements in which the District must provide local resources to be used for a specified purpose, and expenditure requirements in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

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

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

All business-type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budgetary basis and GAAP are:

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

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

Differences between the budgetary accounting method and GAAP are not material.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year-end is provided. An encumbrance at June 30, 2012, has been set up for accumulated unpaid sick leave benefits.

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

Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Fund, which records inventory using the accrual basis of accounting. The Proprietary Fund inventory is recorded at the lower of cost, determined by first-in first-out ("FIFO") method, or market value.

Deferred Charges

Costs related to revenue bond issues are capitalized as deferred charges and amortized over the life of the bond issue.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. 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.

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

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

Accrued Liabilities and Long-Term Obligations

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

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Accrued Liabilities and Long-Term Obligations (Continued)

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

Fund Balance Reserves

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

Net Assets

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

NOTE B - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For the fiscal year ended June 30, 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments".

GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE B - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE
(CONTINUED)

The government-wide financial statements split the District's program between business-type and governmental activities.

NOTE C - ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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 general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE D - CASH AND CASH EQUIVALENTS

At year end, the carrying amount of the district's cash and cash equivalents was \$1,129,086 and the bank balance was \$1,268,536. Of the total cash balance, \$203,289 was covered by Federal depository insurance, with the remainder covered by a collateral agreement and collateral held by the pledging banks' trust departments in the district's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

General Fund, cash and cash equivalents at June 30, 2012 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
The Bank of Kentucky - Checking	<u>\$ 321,691</u>	<u>\$ 263,346</u>
	<u>\$ 321,691</u>	<u>\$ 263,346</u>

NOTE E - LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease and bonded debt obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Fiscal Court of Campbell County and City of Silver Grove, Kentucky.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE E - LEASE OBLIGATIONS AND BONDED DEBT (CONTINUED)

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
November 1, 1992	\$925,000	4.25% - 6.20%
May 1, 2004	\$1,325,000	2.70% - 4.90%
June 1, 2011	\$580,000	2.00% - 4.375%
March 1, 2012	\$975,000	1.60% - 2.45%

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

In 1992, the District entered into "participation agreements" with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The tables below set forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The 2012 bonds are being issued to (i) purchase an escrow scheduled to mature at such times and in such amounts as are necessary and will be adequate, with investment or reinvestment thereof, to pay the accrued interest and refund in advance of maturity on May 1, 2014 certain of the outstanding Silver Grove School District Revenue Bonds, Series of 2004 dated May 1, 2004, maturing May 1, 2015 and thereafter; and, (ii) pay the cost of the Bond issuance expenses. The Board has determined that the plan of refunding the Defeased Bonds will result in considerable cost savings to the Silver Grove School District and is in the best interest of the District. The 2004 Bonds May 1, 2012 through May 1, 2014 will not be defeased and will remain payable under the terms of the prior Lease.

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 follows:

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

1992 Issue:

SILVER GROVE SCHOOL DISTRICT			KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION		
YEAR	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	TOTAL
2012-2013	\$ 5,786	\$ 179	\$ 4,214	\$ 131	\$ 10,310
	<u>\$ 5,786</u>	<u>\$ 179</u>	<u>\$ 4,214</u>	<u>\$ 131</u>	<u>\$ 10,310</u>

2004 Issue:

SILVER GROVE SCHOOL DISTRICT			KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION		
YEAR	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	TOTAL
2012-2013	\$ 42,149	\$ 35,984	\$ 12,851	\$ 9,236	\$ 100,220
2013-2014	51,622	34,256	13,378	8,709	107,965
2014-2015	56,073	32,139	13,927	8,161	110,300
2015-2016	55,446	29,616	14,554	7,534	107,150
2016-2017	59,791	27,121	15,209	6,879	109,000
2017-2024	506,541	98,799	128,459	24,893	758,692
	<u>\$ 771,622</u>	<u>\$ 257,915</u>	<u>\$ 198,378</u>	<u>\$ 65,412</u>	<u>\$1,293,327</u>

2011 Issue:

	KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION		
YEAR	PRINCIPAL	INTEREST	TOTAL
2012-2013	\$ 20,000	\$ 20,894	\$ 40,894
2013-2014	20,000	20,494	40,494
2014-2015	25,000	20,094	45,094
2015-2016	25,000	19,594	44,594
2016-2017	25,000	19,094	44,094
2017-2031	445,000	156,311	601,311
	<u>\$ 560,000</u>	<u>\$ 256,481</u>	<u>\$ 816,481</u>

2012 Issue:

SILVER GROVE SCHOOL DISTRICT			KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION		
YEAR	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	TOTAL
2012-2013	\$ 10,686	\$ 13,984	\$ 4,314	\$ 3,846	\$ 32,830
2013-2014	10,617	13,813	4,383	3,777	32,590
2014-2015	66,620	13,643	18,380	3,707	102,350
2015-2016	66,326	12,577	18,674	3,413	100,990
2016-2017	71,027	11,516	18,973	3,114	104,630
2017-2024	522,882	46,329	142,118	12,491	723,820
	<u>\$ 748,158</u>	<u>\$ 111,862</u>	<u>\$ 206,842</u>	<u>\$ 30,348</u>	<u>\$1,097,210</u>

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE F - ACCUMULATED UNPAID SICK LEAVE BENEFITS

The district currently has a policy in place concerning accumulated unpaid sick leave benefits. The district will pay as unpaid sick leave benefits, an amount equal to 30% of the value of accumulated sick leave. At June 30, 2012 there is one certified employee with 27 or more years of experience.

NOTE G - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2012, consisted of the following:
 NONE

NOTE H - CAPITAL ASSETS

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

Governmental Activities	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Land	\$ 134,500	\$ 10,000	\$ -	\$ 144,500
Land Improvements	8,800	-	-	8,800
Building and improvements	4,669,794	584,180	-	5,253,974
Technology equipment	329,789	15,157	-	344,946
Vehicles	105,605	-	-	105,605
General equipment	97,279	-	-	97,279
Construction in progress	33,361	-	33,361	-
Totals at historical cost	<u>5,379,128</u>	<u>609,337</u>	<u>33,361</u>	<u>5,955,104</u>
Less: accumulated depreciation				
Land Improvements	2,530	440	-	2,970
Building and improvements	2,538,709	152,736	-	2,691,445
Technology equipment	283,389	28,742	-	312,131
Vehicles	60,633	8,638	-	69,271
General equipment	57,930	3,764	-	61,694
Total accumulated depreciation	<u>2,943,191</u>	<u>194,320</u>	<u>-</u>	<u>3,137,511</u>
Governmental Activities Capital Assets - Net	<u>\$ 2,435,937</u>	<u>\$ 415,017</u>	<u>\$ 33,361</u>	<u>\$ 2,817,593</u>
	Balance			Balance
Business-Type Activities	July 1, 2011	Additions	Deductions	June 30, 2012
Technology equipment	\$ 2,085	\$ -	\$ -	\$ 2,085
General equipment	24,629	-	-	24,629
Totals at historical cost	<u>26,714</u>	<u>-</u>	<u>-</u>	<u>26,714</u>
Less: accumulated depreciation				
Technology equipment	2,085	-	-	2,085
General equipment	18,458	1,216	-	19,674
Total accumulated depreciation	<u>20,543</u>	<u>1,216</u>	<u>-</u>	<u>21,759</u>
Capital Assets - Net	<u>\$ 6,171</u>	<u>\$ (1,216)</u>	<u>\$ -</u>	<u>\$ 4,955</u>

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE I - PROPERTY TAXES

The District's ad valorem property tax is levied each September 30, on the assessed value listed as of the prior January 1, for all real and personal property located in the District. Taxes are due on January 2, and become delinquent after January 31, following the September 30, levy date.

The property tax rates assessed for the year ended June 30, 2012 were \$1.176 per \$100 valuation for real property, \$1.176 per \$100 valuation for business personal property, and \$.896 per \$100 valuation for motor vehicles.

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

NOTE J - RETIREMENT PLANS

All certified employees are covered under the Kentucky Teachers Retirement System (KTRS). For employees hired before July 1, 2008, funding for the Plan is provided through payroll withholdings of 10.355% and State contributions of 13.105% of salaries. For employees hired after July 1, 2008, funding for the Plan is provided through payroll withholdings of 10.855%, and State contributions of 14.105% of salaries. The matching contributions are paid by the Federal program for any salaries paid by that program.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer, public employers retirement system. For employees hired before September 1, 2008, funding for the plan is provided through payroll withholdings of 5.00% and a district contribution of 18.96% of salaries. For employees hired after September 1, 2008, funding for the plan is provided through payroll withholdings of 6.00% and a district contribution of 18.96% of salaries.

The District's total payroll for the year was \$1,892,123. The payroll for employees covered under KTRS was \$1,552,316 and for CERS was \$339,807.

The contribution requirement for CERS for the year ended June 30, 2012 was \$82,013 which consisted of \$64,427 from the District and \$17,586 from the employees.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE J - RETIREMENT PLANS, CONTINUED

The contribution requirement for KTRS for the year ended June 30, 2012 was \$368,444 which consisted of \$182,899 from the State of Kentucky, \$161,999 from the employees, and \$23,546 from federal programs.

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

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

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers.

Ten-year historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2012, comprehensive annual financial reports.

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

NOTE K - 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.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE L - INSURANCE AND RELATED ACTIVITIES

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

NOTE M - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The district pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier.

The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund.

In addition, the District continues to carry commercial insurance for all other risks of loss, including the coverages listed on page 49 of the supplemental data. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE N - DEFICIT OPERATING/FUND BALANCES

The General Fund had operations that resulted in a current year deficit of revenues over expenditures of (\$21,210). The FSPK Fund had operations that resulted in a current year deficit of revenues over expenditures of (\$11,747). The Construction Fund had operations that resulted in a current year deficit of revenues over expenditures of (\$568,377).

NOTE O - COBRA

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

NOTE P - TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
FSPK Fund	Debt Service Fund	Bond & Interest Redemption	\$ 85,713

NOTE Q - COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for equipment provide the minimum future rental payments as of June 30, 2012, as follows:

Year ending June 30:	
2013	\$ 7,440
2014	7,440
2015	<u>3,100</u>
Total Minimum Rentals	<u>\$ 17,980</u>

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE R - ANNUAL FINANCIAL REPORT DIFFERENCES

In its Annual Report - Financial required by the Kentucky Department of Education (the "Report"), the Board recorded the receipt of certain receivables and the payment of certain payables subsequent to year ended as cash receipts and disbursements for the year ended June 30, 2012. In the accompanying financial statements, these amounts are included in accounts receivable and accounts payable.

The following is a reconciliation of the June 30, 2012, fund balance reported by the board to the Kentucky Department of Education with that shown in the accompanying financial statements:

	General Fund	Special Revenue Funds
Fund Balance, as reported to the Department of Education	\$ 205,021	\$ -0-
Adjustments		
Cash adjustment	1,080	-0-
Accounts receivable	2,245	-0-
Accounts payable	24,331	-0-
Accumulated unpaid sick leave benefits	<u>28,476</u>	<u>-0-</u>
Fund Balance, as reported in the accompanying financial statements	<u>\$ 261,153</u>	<u>\$ -0-</u>
Reserved for encumbrances	\$ 25,251	\$ -0-
Unreserved	<u>235,902</u>	<u>-0-</u>
	<u>\$ 261,153</u>	<u>\$ -0-</u>

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

The following is a schedule of the changes in the components of the fund balance of the general fund during the fiscal year ended June 30, 2012:

	<u>Reserved for Encumbrances</u>	<u>Unreserved</u>		<u>Total Fund Balance</u>
		<u>Designated</u>	<u>Undesignated</u>	
Balance at beginning of year	\$ 28,476	\$ -0-	\$ 253,887	\$ 282,363
Excess of revenues and other financing sources over expenditures and other financing uses	<u>(3,225)</u>	<u>-0-</u>	<u>(17,985)</u>	<u>(21,210)</u>
Balance at End of Year	<u>\$ 25,251</u>	<u>\$ -0-</u>	<u>\$ 235,902</u>	<u>\$ 261,153</u>

The following is a reconciliation of the cash balance as reported in the accompanying financial statements with that reported to the Kentucky Department of Education:

	<u>General Fund</u>	<u>Special Revenue</u>
Funds		
Cash Balance per Report to Kentucky Department of Education	\$ 262,266	\$ (151,697)
Cash adjustment	<u>1,080</u>	<u>-0-</u>
Cash Balance, as reported in the accompanying financial statements	<u>\$ 263,346</u>	<u>\$ (151,697)</u>

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE S - CAPITALIZED EQUIPMENT LEASE

The Board entered into a capitalized equipment lease agreement as of January 1, 2006 with the Kentucky Interlocal School Transportation Association (KISTA). The lease is for a new school bus. The lease expires in March, 2016. Depreciation of assets under capitalized leases is included in depreciation expense for 2011.

The following is the minimum lease obligation for the capitalized lease:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2012-2013	\$ 8,280	\$ 1,206	\$ 9,486
2013-2014	8,573	905	9,478
2014-2015	7,335	584	7,919
2015-2016	<u>7,628</u>	<u>305</u>	<u>7,933</u>
	<u>\$ 31,816</u>	<u>\$ 3,000</u>	<u>\$ 34,816</u>

NOTE T - ON-BEHALF PAYMENTS

For the year ended June 30, 2012 total payments of \$482,264 were made for vocational education, life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities. These revenues and expenditures are not budgeted by the District. \$464,454 was recorded in the General Fund and \$17,810 was recorded in the Food Service Fund.

SILVER GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE U - GASB 54 FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE
DEFINITIONS

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 (\$42,504) as restricted for capital projects in the Construction Fund and \$1,022,569 restricted in nonmajor funds (\$96,752 restricted for capital projects and \$925,817 restricted for debt service).

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 at June 30, 2012: \$25,251 for sick leave.

Assigned fund balances are those 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. No amounts have been assigned to encumbrances at June 30, 2012. Assigned fund balance also includes (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.

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

SILVER GROVE SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	<u>FSPK FUND</u>	<u>SEEK FUND</u>	<u>DEBT SERVICE FUNDS</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
ASSETS AND RESOURCES:				
Cash and Cash equivalents	<u>\$ 76,788</u>	<u>\$ 19,964</u>	<u>\$ 925,817</u>	<u>\$ 1,022,569</u>
TOTAL ASSETS AND RESOURCES	<u><u>\$ 76,788</u></u>	<u><u>\$ 19,964</u></u>	<u><u>\$ 925,817</u></u>	<u><u>\$ 1,022,569</u></u>
LIABILITIES AND FUND BALANCES:				
LIABILITIES:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES	-	-	-	-
FUND BALANCES:				
RESTRICTED FOR:				
Capital Project Funds	88,535	94	-	88,629
Debt Service	-	-	925,817	925,817
UNASSIGNED:	<u>(11,747)</u>	<u>19,870</u>	<u>-</u>	<u>8,123</u>
TOTAL FUND BALANCES	<u><u>76,788</u></u>	<u><u>19,964</u></u>	<u><u>925,817</u></u>	<u><u>1,022,569</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 76,788</u></u>	<u><u>\$ 19,964</u></u>	<u><u>\$ 925,817</u></u>	<u><u>\$ 1,022,569</u></u>

SILVER GROVE SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR YEAR ENDED JUNE 30, 2012

	FSPK FUND	SEEK FUND	DEBT SERVICE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 48,493	\$ -	\$ -	\$ 48,493
Earnings on investments	-	-	240	240
Intergovernmental-State	25,473	19,870	67,733	113,076
Bond Issue			975,000	975,000
TOTAL REVENUES	73,966	19,870	1,042,973	1,136,809
EXPENDITURES:				
Debt Service	-	-	202,883	202,883
TOTAL EXPENDITURES	-	-	202,883	202,883
Excess of revenues over expenditures	73,966	19,870	840,090	933,926
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	105,863	105,863
Operating transfers out	(85,713)	-	(20,150)	(105,863)
TOTAL OTHER FINANCING SOURCES (USES):	(85,713)	-	85,713	-
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(11,747)	19,870	925,803	933,926
Fund balance July 1, 2011	88,535	94	14	88,643
Fund balance June 30, 2012	<u>\$ 76,788</u>	<u>\$ 19,964</u>	<u>\$ 925,817</u>	<u>\$ 1,022,569</u>

**SILVER GROVE SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL DEBT SERVICE FUNDS
JUNE 30, 2012**

	<u>1992 Bond Issue</u>	<u>2004 Bond Issue</u>	<u>2011 Bond Issue</u>	<u>2012 Bond Issue</u>	<u>Total Debt Service Funds</u>
ASSETS					
Cash and cash equivalents	<u>\$ 10</u>	<u>\$ 6</u>	<u>\$ 2</u>	<u>\$925,799</u>	<u>\$ 925,817</u>
Total assets	<u><u>\$ 10</u></u>	<u><u>\$ 6</u></u>	<u><u>\$ 2</u></u>	<u><u>\$925,799</u></u>	<u><u>\$ 925,817</u></u>
 LIABILITIES AND FUND BALANCES					
Liabilities	<u>\$ -</u>				
Total liabilities	-	-	-	-	-
 FUND BALANCES					
Reserved for debt service	<u>10</u>	<u>6</u>	<u>2</u>	<u>925,799</u>	<u>925,817</u>
Total fund balances	<u>10</u>	<u>6</u>	<u>2</u>	<u>925,799</u>	<u>925,817</u>
Total liabilities and fund balances	<u><u>\$ 10</u></u>	<u><u>\$ 6</u></u>	<u><u>\$ 2</u></u>	<u><u>\$925,799</u></u>	<u><u>\$ 925,817</u></u>

**SILVER GROVE SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL DEBT SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012**

	1992 Bond Issue	2004 Bond Issue	2011 Bond Issue	2012 Bond Issue	Total Debt Service Funds
REVENUES					
Earnings on investments	\$ -	\$ 2	\$ 2	\$ 236	\$ 240
Intergovernmental - state	4,352	18,007	41,294	4,080	67,733
Bond Issue	-	-	-	975,000	975,000
Total revenues	4,352	18,009	41,296	979,316	1,042,973
EXPENDITURES					
Current					
Bonds paid	10,000	55,000	20,000	20,000	105,000
Interest paid	930	47,420	21,294	1,714	71,358
Deferred Charges	-	-	-	26,525	26,525
Total expenditures	10,930	102,420	41,294	48,239	202,883
Excess (deficit) of revenues over expenditures	(6,578)	(84,411)	2	931,077	840,090
Other financing sources					
Operating transfers - in	6,578	84,413	-	14,872	105,863
Operating transfers - out	-	-	-	(20,150)	(20,150)
Total other financing sources	6,578	84,413	-	(5,278)	85,713
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	2	2	925,799	925,803
Fund balance, July 1, 2011	10	4	-	-	14
Fund balance, June 30, 2012	<u>\$ 10</u>	<u>\$ 6</u>	<u>\$ 2</u>	<u>\$925,799</u>	<u>\$ 925,817</u>

**SILVER GROVE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FSPK FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	FSPK Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
From local sources:			
Taxes:			
Property	\$ 48,493	\$ 48,493	\$ -
Intergovernmental - state	27,683	25,473	(2,210)
Total revenues	76,176	73,966	(2,210)
EXPENDITURES			
Land/Site Acquisitons	89,734	-	(89,734)
Total expenditures	89,734	-	(89,734)
Excess (Deficit) of revenues over expenditures	(13,558)	73,966	87,524
Other financing sources (uses)			
Operating transfers	(76,176)	(85,713)	(9,537)
Total other financing sources (uses)	(76,176)	(85,713)	(9,537)
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(89,734)	(11,747)	77,987
Fund balance, July 1, 2011	89,734	88,535	(1,199)
Fund balance, June 30, 2012	\$ -	\$ 76,788	\$ 76,788

**SILVER GROVE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SEEK CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	SEEK Capital Outlay Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Intergovernmental - state	\$ 20,700	\$ 19,870	\$ (830)
Total revenues	20,700	19,870	(830)
EXPENDITURES			
	-	-	-
Total expenditures	-	-	-
Excess (Deficit) of revenues over expenditures	20,700	19,870	(830)
Other financing sources (uses)			
Operating transfers	(20,700)	-	20,700
Total other financing sources (uses)	(20,700)	-	20,700
Excess of revenues and other financing sources over expenditures and other financing uses	-	19,870	19,870
Fund balance, July 1, 2011	-	94	94
Fund balance, June 30, 2012	\$ -	\$ 19,964	\$ 19,964

SILVER GROVE SCHOOL DISTRICT
SCHOOL ACTIVITY FUNDS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	CASH BALANCES JULY 1, 2011	RECEIPTS	DISBURSEMENTS	CASH BALANCES JUNE 30, 2012	ACCOUNTS RECEIVABLE JUNE 30, 2012	ACCOUNTS PAYABLE JUNE 30, 2012	FUND BALANCES JUNE 30, 2012
Senior Fund	\$ -	\$ 3,371	\$ 3,081	\$ 290	\$ 900	\$ 659	\$ 531
Music Fund	126	-	-	126	-	-	126
Athletics Fund	280	15,983	18,266	(2,003)	-	-	(2,003)
Teachers Fund	537	1,262	1,289	510	-	-	510
Miscellaneous Fund	1,950	744	2,003	691	-	-	691
Annual Fund	-	1,165	-	1,165	-	-	1,165
Scholarship Fund	-	138	-	138	-	-	138
Class Fees Fund	-	-	-	-	-	-	-
FBLA	176	4,259	4,283	152	-	-	152
Elementary Athletics	-	350	50	300	-	-	300
Alumni Fund	412	5,100	5,000	512	-	-	512
NKOA	1,653	5,076	6,711	18	-	-	18
FEA	-	-	-	-	-	-	-
Pre-School	-	-	-	-	-	-	-
Incentive	1,743	2,111	1,763	2,091	-	-	2,091
Special Needs	383	80	383	80	-	-	80
Staff Incentive	82	485	394	173	-	-	173
Art	99	-	-	99	-	-	99
Chorus	-	-	-	-	-	-	-
Computer	-	-	-	-	-	-	-
Global Issues	-	-	-	-	-	-	-
Science - Forensic	13	-	-	13	-	-	13
Science - MS	7	-	-	7	-	-	7
Health Center	121	745	747	119	-	-	119
Summer Camps	-	-	-	-	-	-	-
DPP Student	259	-	75	184	-	-	184
Maintenance Food Account	78	-	-	78	-	-	78
Field Trip	-	2,584	2,881	(297)	-	-	(297)
Other	17	-	-	17	-	-	17

SILVER GROVE SCHOOL DISTRICT
SCHOOL ACTIVITY FUNDS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

	CASH BALANCES JULY 1, 2011	RECEIPTS	DISBURSEMENTS	CASH BALANCES JUNE 30, 2012	ACCOUNTS RECEIVABLE JUNE 30, 2012	ACCOUNTS PAYABLE JUNE 30, 2012	FUND BALANCES JUNE 30, 2012
Imagination Library	161	5,400	1,260	4,301	-	-	4,301
Freshman Class	92	-	-	92	-	-	92
Christmas Assistance	40	-	39	1	-	-	1
Sophomore Class	-	-	-	-	-	-	-
Volleyball	625	5,215	5,001	839	-	387	452
Golf	-	500	474	26	-	-	26
Girl's Basketball	2,033	14,017	11,635	4,415	-	-	4,415
Boy's Basketball	1,607	21,947	23,218	336	-	-	336
Girl's Softball	250	717	1,912	(945)	-	-	(945)
Boy's Baseball	53	4,065	4,118	-	100	-	100
Middle School	-	1,200	1,200	-	-	-	-
Spirit Wear	-	346	120	226	-	-	226
Journalism	47	-	-	47	-	-	47
Pennies for Patients	-	-	-	-	-	-	-
Junior Beta Club	-	-	-	-	-	-	-
DC Trip	-	-	-	-	-	-	-
Cross Country/Track	-	1,592	1,562	30	-	-	30
PTSCA	3,247	3,745	2,862	4,130	-	-	4,130
LaFarge	138	-	119	19	-	-	19
Library	-	2,953	1,790	1,163	-	-	1,163
Green House	-	1,333	523	810	-	-	810
PBIS	-	300	120	180	-	-	180
Fourth Graders	26	429	70	385	-	-	385
TOTALS	\$ 16,255	\$ 107,212	\$ 102,949	\$ 20,518	\$ 1,000	\$ 1,046	\$ 20,472

SILVER GROVE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA NUMBER	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed through Kentucky Department of Education:			
Title I Cluster:			
Title I	84.010	310000211	\$ 154,157
Title I-ARRA	84.388	410030209	159,208
			313,365
Special Education Cluster:			
Idea B	84.027	381000211	68,810
Idea P	84.173	380000211	13,482
			82,292
Title II-A	84.367	323000211	5,162
Title IV	84.186	341000211	2,095
Title II-D	84.318	321000211	91
			403,005
Total U.S. Department of Education			
 <u>U.S. Department of Agriculture</u>			
Passed through Kentucky Department of Education/Child Nutrition Cluster:			
Cash Assistance:			
Summer Food Service Program for Children	10.559	769002411	5,208
National School Lunch Program	10.555	775000211	17,063
	10.555	775000212	61,674
School Breakfast Program	10.553	776000511	7,798
	10.553	776000512	27,840
			119,583
Non-cash Assistance:			
National School Lunch Program	10.555	019-0204	6,919
			6,919
Total U.S. Department of Agriculture/Child Nutrition Cluster			
			126,502
Total Federal Financial Assistance			\$ 529,507

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

SILVER GROVE SCHOOL DISTRICT
INSURANCE IN FORCE
JUNE 30, 2012

Fire, Extended Coverage, Vandalism,
and Malicious Mischief:
Replacement Value

	<u>Amounts</u>	<u>Expiration</u>
	<u>Building and Contents</u>	<u>Date</u>
High School, Junior High, Elementary, and Property in the Open	<u>\$10,535,000</u>	07/01/12

Liability on Driver's Training
Vehicles, School Buses, and Other Vehicles

School Buses		
Combined Single Limit	\$2,000,000	07/01/12
Uninsured Motorist	500,000	07/01/12
Personal Injury	20,000	07/01/12
Ford Van		
Combined Single Limit	\$2,000,000	07/01/12
Uninsured Motorist	500,000	07/01/12
Personal Injury	20,000	07/01/12

Worker's Compensation

Kentucky School Boards Insurance Trust	Statutory	07/01/12
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Educators' Legal Liability

Board Members, Superintendent and All Other Employees	\$1,000,000 Each Occurrence \$1,000,000 Aggregate	07/01/12
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General Liability

Comprehensive General Liability		
All Employees:	\$1,000,000 Each Occurrence \$2,000,000 Aggregate	07/01/12

Fidelity Bond

Ohio Casualty Insurance Company, Treasurer's Bond from 07/01/11 to
06/30/12, Ken Ellis, Treasurer

Bonded \$150,000

Umbrella \$5,000,000 07/01/12

SILVER GROVE SCHOOL DISTRICT
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL
JUNE 30, 2012

<u>BOARD MEMBERS</u>	<u>ADDRESS</u>	<u>TERM EXPIRES</u>
Jennifer Steidel-Jones	PO Box 47 Silver Grove, Kentucky	December 31, 2014
Tonya Batton	PO Box 506 Silver Grove, Kentucky	December 31, 2014
Melanie Pelle Chairperson	5351 Mary Ingles Highway Silver Grove, Kentucky	December 31, 2012
Tim Hurst Vice Chairperson	326 East Second Street Silver Grove, Kentucky	December 31, 2012
Ruby Kane	209 East Second Street Silver Grove, Kentucky	December 31, 2014

ADMINISTRATIVE PERSONNEL

Ken Ellis, Superintendent and Secretary/Treasurer to the Board.

SILVER GROVE SCHOOL DISTRICT
GENERAL FUND-ACCOUNTS RECEIVABLE
JUNE 30, 2012

Accounts receivable as reported in the District's annual financial report to the State Department of Education Division of Finance	\$ 2,770
Additional Accounts Receivable Recorded Subsequent to the Annual Financial Report:	
State of Kentucky	\$ <u>2,245</u>
	<u>2,245</u>
Total General Fund - Accounts Receivable	\$ <u>5,015</u>

SILVER GROVE SCHOOL DISTRICT
GENERAL FUND-ACCOUNTS PAYABLE
JUNE 30, 2012

Accounts payable as reported in the District's annual financial report to the State Department of Education Division of Finance	\$ 7,208
Additional Accounts Payable Recorded Subsequent to the Annual Financial Report	<u>-0-</u>
Total General Fund - Accounts Payable	<u>\$ 7,208</u>

SILVER GROVE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of Silver Grove School District.
2. No significant deficiencies or material weaknesses relating to the audit of the general purpose financial statements are reported.
3. No instances of noncompliance material to the general purpose financial statements of Silver Grove School District which would be required to be reported in accordance with *Governmental Auditing Standards* were noted during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of federal award programs are reported.
5. The auditor's report on compliance for federal award programs for Silver Grove School District expresses an unqualified opinion on all federal programs.
6. The audit disclosed no audit findings that the auditor is required to report under 510(a) of Circular A-133.
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. Silver Grove School District does not qualify as a low-risk auditee.
9. The Program tested as a major program was the Title I Cluster, CFDA Numbers 84.010 and 84.388.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

NONE

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS AUDIT

NONE

Michael Kadetz

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

Kentucky State Committee for School District Audits
Members of the Board of Education
Silver Grove School District
Silver Grove, Kentucky

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Silver Grove School District, as of and for the year ended June 30, 2012, and have issued my report thereon dated November 2, 2012. The report on the activity funds was qualified because it was not practical to satisfy myself with respect to such revenues beyond the amounts recorded as received. Except as discussed in the preceding sentence, I conducted my 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; the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract - General Audit Requirements, Appendix II of the Independent Auditor's Contract - State Audit Requirements, Appendix III of the Independent Auditor's Contract - Audit Extension Request and Appendix IV of the Independent Auditor's Contract - Instructions for Submission of the Audit Report*.

Internal Control Over Financial Reporting

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

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Silver Grove School District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. In addition, the results of my tests disclosed no instances of material noncompliance of specific state statutes or regulation identified in *Appendix II of the Independent Auditor's Contract - State Audit Requirements*.

I noted certain other matters that I reported to management of The Silver Grove School District, in a separate letter dated November 2, 2012.

This report is intended for the information of management, the Silver Grove Board of Education, the Kentucky Department of Education, the Kentucky State Committee for School District Audits, 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.



Cincinnati, Ohio
November 2, 2012

Michael Kadetz

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

Kentucky State Committee for School District Audits
Members of the Board of Education
Silver Grove School District
Silver Grove, Kentucky

Compliance

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

I conducted my 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; the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract - General Audit Requirements, Appendix II of the Independent Auditor's Contract - State Audit Requirements, Appendix III of the Independent Auditor's Contract - Audit Extension Request and Appendix IV of the Independent Auditor's Contract - Instructions for Submission of the Audit Report*. Those standards and OMB Circular A-133 require that I 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 Silver Grove School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my

audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of The Silver Grove School District's compliance with those requirements.

In my opinion, The Silver Grove School District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

The management of The Silver Grove School 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 my audit, I considered The Silver Grove School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my 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, I do not express an opinion on the effectiveness of The Silver Grove School District's internal control over compliance.

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

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended for the information of management, the Silver Grove Board of Education, the Kentucky Department of Education, the Kentucky State Committee for School District Audits, 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.



Cincinnati, Ohio
November 2, 2012

SILVER GROVE SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

FINDING 2011-1

Condition: The finding was a material weakness stating that The Silver Grove School District had no one in place that had the qualifications and training to apply generally accepted accounting principles in recording the district's financial transactions and thereby preparing its financial statements.

Recommendation: The auditor recommended that the district hire an individual with the ability to apply generally accepted accounting principles in recording the district's financial transactions and thereby preparing its financial statements.

Current Status: The recommendation was adopted in October, 2011. The district hired a part-time employee with the qualifications noted above.

Michael Kadetz

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Members of the Board of Education
Silver Grove School District
Silver Grove, Kentucky

In planning and performing my audit of the basic financial statements of the Silver Grove School District as of and for the year ended June 30, 2012, I considered the district's internal control over financial reporting and compliance as a basis for designing my auditing procedures for the purpose of expressing an opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of the Silver Grove School District's internal control over financial reporting and compliance.

However, during my audit, I became aware of immaterial instances of noncompliance and other matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated November 2, 2012, on the basic financial statements of the Silver Grove School District.

I will review the status of these comments during my next audit engagement. I have already discussed many of these comments and suggestions with various district personnel, and I 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.



Cincinnati, Ohio
November 2, 2012

SILVER GROVE SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2012

I. STATEMENT OF DEFICIENCY: Several paid invoices could not be located. This was also a management letter comment last year, and the district continues to fail to address this issue. See Statement of Deficiency IV at June 30, 2011.

Criteria: All paid invoices must be maintained by the district.

Cause: The district is not diligent enough in its effort to maintain all paid invoices in an orderly manner.

Effect: I could not properly support the payment of two invoices.

Recommendation: The district must maintain proper support for all paid invoices, and all paid invoices must be filed in an orderly manner.

Management's response: The district will make sure that all payments have proper support and that all paid invoices are properly filed in an orderly manner.

STATEMENT OF CERTIFICATION

Kentucky Committee for School District Audits
Frankfort, Kentucky

The Silver Grove School District certifies that all adjustments have been entered into MUNIS and that an Annual Financial Report and Balance Sheet, which are in agreement with the audit report, will be transferred to KDE in conjunction with the audit report.

SUBMITTED, Nov. 15, 2012

Don Ellis Superintendent