

EMINENCE INDEPENDENT SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS
SUPPLEMENTAL INFORMATION
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2012

**EMINENCE INDEPENDENT SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for
School District Audits
Members of the Board of Education
Eminence Independent School District
Eminence, Kentucky

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, and 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Eminence Independent School District, as of June 30, 2012, and the respective changes in financial position, and, where applicable, 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*, we have also issued our report dated November 9, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 33 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Eminence Independent School District's financial statements as a whole. The introductory section, combining, and individual nonmajor fund financial statements 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

W. Dudley Shryock, CPA, PSC
Lawrenceburg, Kentucky
November 9, 2012

**EMINENCE INDEPENDENT SCHOOL DISTRICT
EMINENCE, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2012**

This section of Eminence Independent School District's annual financial report presents management's narrative overview (discussion and analysis) of the District's financial performance during 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

- Ø Completed BG 10-238 Elementary HVAC Project
- Ø Completed BG 11-158 School / Gym Renovation Project
- Ø Retrofitted school for Green Efficiency and saved thousands of dollars in rebates
- Ø Purchased and installed new sound system, scoring table, and curtain in gymnasium
- Ø Purchased and installed new sound system for the football field
- Ø 100% of Certified Staff received a mobile laptop computer
- Ø Purchased NWEA's MAP formative assessment system
- Ø Conducted the Rachel's Challenge Event on Bullying Awareness
- Ø Completed the wireless initiative while making the district 100 % Wifi equipped including state's first Wifi Bus.
- Ø Purchased VOIP Phone System to modernize entire phone network
- Ø Upgraded the lunchroom systems to include online payment and thumbprint identification
- Ø Applied and received the Stewart McKinney Homeless grant
- Ø Created the School on FIRE (Framework of Innovation for Reinventing Education) model which included highlights:
 - + Authorized the purchase of 150 MacBook Pros to be paid through a three year lease
- Ø Purchased the AESOP Online / Automated Substitute system.
- Ø Continued paying for the School Recruiter Online Personnel System
- Ø Paid for the Local Planning Committee's Architect Fee
- Ø Continued staffing the WAC with personnel and cleaning services
- Ø Completed the retro-fitting of all the district's lock and key system
- Ø Purchased and published completely revised policies, procedures, and code of acceptable behaviors
- Ø Continued paying for transportation for all athletic contests
- Ø Received the WHAS Crusade for Children Grant
- Ø Purchased new visitor check-in system for registering and monitoring visitors
- Ø Oversaw the My Voice Student Survey for gaining insight into student voice
- Ø Used Edujobs funds to offset expenses of the Instructional Supervisor position
- Ø Purchased a complete MacBook computer lab for elementary students through the 21st Century Grant

**EMINENCE INDEPENDENT SCHOOL DISTRICT
EMINENCE, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2012**

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 operations 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 funds, 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 10-18 of this report.

**EMINENCE INDEPENDENT SCHOOL DISTRICT
EMINENCE, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2012**

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 19-32 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 \$3,719,613 for Governmental Activities, and \$76,241 for Business-Type Activities 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); less any related debt used to acquire those assets that are 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

Comparative data is presented for the reader's use.

| | <u>6/30/2012</u> | <u>6/30/2011</u> |
|--|-------------------------|-------------------------|
| Current Assets | 1,570,059 | 1,791,076 |
| Noncurrent Assets | <u>4,450,683</u> | <u>4,310,597</u> |
| Total Assets | <u>6,020,742</u> | <u>6,101,673</u> |
| Current Liabilities | 335,498 | 296,145 |
| Noncurrent Liabilities | <u>1,889,390</u> | <u>2,124,095</u> |
| Total Liabilities | <u>2,224,888</u> | <u>2,420,240</u> |
| Assigned - capital assets, net of debt | 2,431,647 | 2,092,501 |
| Assigned – other | 188,250 | 346,342 |
| Unassigned | <u>1,175,957</u> | <u>1,242,590</u> |
| Total Net Assets | <u>3,795,854</u> | <u>3,681,433</u> |

**EMINENCE INDEPENDENT SCHOOL DISTRICT
EMINENCE, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2012**

Comments on Budget Comparisons

- General fund budget to actual comparison varied favorably by \$1,201,455. Actual expenditures were less than budget by \$100,604, while actual revenue exceeded budget by \$1,102,289. Transfers and contingency made up the difference of (\$1,438).
- Special Revenue budget to actual comparison showed no variance due to deferred revenue assumptions. Budget revenue exceeded actual by \$91,555 while actual expenditures were over budget by (\$92,993), with net transfer variance of \$1,438.

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2012 and 2011.

| | <u>6/30/2012</u> | <u>6/30/2011</u> |
|-------------------------------------|-------------------------|-------------------------|
| Revenues: | | |
| Local revenue sources | 1,182,171 | 1,156,055 |
| State revenue sources | 3,928,562 | 3,801,287 |
| Federal Revenue | 692,120 | 999,344 |
| Other (SFCC) | 95,308 | 77,437 |
| Food Services | 369,892 | 374,881 |
| Day Care | <u>66,022</u> | <u>72,786</u> |
| Total revenues | <u>6,334,075</u> | <u>6,481,790</u> |
| Expenses: | | |
| Instruction | 3,659,219 | 3,591,252 |
| Student Support Services | 103,877 | 106,509 |
| Instructional Support | 312,890 | 322,029 |
| District Administration | 382,709 | 341,284 |
| School Administration | 353,398 | 320,734 |
| Business and Other | 86,931 | 80,434 |
| Plant Operations | 303,702 | 623,879 |
| Student Transportation | 194,193 | 183,338 |
| Community Support | 44,320 | 50,183 |
| Food Services | 393,549 | 401,689 |
| Day Care | 63,908 | 79,863 |
| Interest | 79,226 | 77,401 |
| Amortization – Bond Issue Costs | 5,860 | 5,860 |
| Depreciation | 267,198 | 201,019 |
| Accrual for Sick Leave | <u>(31,326)</u> | <u>(2,741)</u> |
| Total Expenses | <u>6,219,654</u> | <u>6,382,733</u> |
| Revenue in Excess of Expense | <u>114,421</u> | <u>99,057</u> |

**EMINENCE INDEPENDENT SCHOOL DISTRICT
EMINENCE, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2012**

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1- June 30; other programs, i.e., some federal budgets operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted 2012-2013's budget with a 5.7% contingency. The beginning cash balance for the fiscal year is \$1,332,991, in addition to \$85,544 in Fiduciary Funds. Significant Board action that impacts the finances includes a 4% increase in the property tax revenue which will support the above contingency projection as well as additional facility repairs and maintenance.

Questions regarding this report should be directed to Superintendent Buddy Berry or Finance Officer Darlene Bates, at 502-845-4788 or by mail at 291 West Broadway, Eminence, Kentucky 40019.

EMINENCE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|---------------------|
| Assets | | | |
| <u>Current Assets</u> | | | |
| Cash and Cash Equivalents | \$ 1,320,585 | \$ 12,406 | \$ 1,332,991 |
| Accounts Receivable | 226,735 | 4,122 | 230,857 |
| Inventory | - | 6,211 | 6,211 |
| Total Current Assets | <u>\$ 1,547,320</u> | <u>\$ 22,739</u> | <u>\$ 1,570,059</u> |
| <u>Noncurrent Assets</u> | | | |
| Bond Issuance Costs | \$ 117,215 | \$ - | \$ 117,215 |
| Less: Accumulated Amortization | (37,924) | - | (37,924) |
| Capital Assets | \$ 6,914,116 | 94,672 | 7,008,788 |
| Less: Accumulated Depreciation | (2,600,519) | (36,877) | (2,637,396) |
| Total Noncurrent Assets | <u>\$ 4,392,888</u> | <u>\$ 57,795</u> | <u>\$ 4,450,683</u> |
| Total Assets | <u>\$ 5,940,208</u> | <u>\$ 80,534</u> | <u>\$ 6,020,742</u> |
| Liabilities | | | |
| <u>Current Liabilities</u> | | | |
| Accounts Payable | \$ 3,267 | \$ 4,293 | \$ 7,560 |
| Payroll W/H Payable | 14,261 | - | 14,261 |
| Workers Comp & Unemp Payable | 26,461 | - | 26,461 |
| Deferred Revenue | 83,837 | - | 83,837 |
| Portion due or payable within one year: | | | |
| Bond Obligations | 175,000 | - | 175,000 |
| KISTA Bus Lease Obligations | 28,379 | - | 28,379 |
| Total Current Liabilities | <u>\$ 331,205</u> | <u>\$ 4,293</u> | <u>\$ 335,498</u> |
| <u>Noncurrent Liabilities</u> | | | |
| Portion due or payable after one year: | | | |
| Bond Obligations | 1,755,000 | - | 1,755,000 |
| KISTA Bus Lease Obligations | 60,657 | - | 60,657 |
| Accrued Sick Leave | 73,733 | - | 73,733 |
| Total Noncurrent Liabilities | <u>\$ 1,889,390</u> | <u>\$ -</u> | <u>\$ 1,889,390</u> |
| Total Liabilities | <u>\$ 2,220,595</u> | <u>\$ 4,293</u> | <u>\$ 2,224,888</u> |
| Net Assets | | | |
| Assigned - Capital Assets, Net of Related Debt | \$ 2,373,852 | 57,795 | 2,431,647 |
| Assigned - Inventories | - | 6,211 | 6,211 |
| Assigned - Sick Leave | 41,534 | - | 41,534 |
| Assigned - Future Construction | 140,505 | - | 140,505 |
| Unassigned | 1,163,722 | 12,235 | 1,175,957 |
| Total Net Assets | <u>\$ 3,719,613</u> | <u>\$ 76,241</u> | <u>\$ 3,795,854</u> |

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

**EMINENCE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|---------------------|-------------------------|--|--|--|-----------------------------|-----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | | |
| Instruction | \$ 3,659,219 | \$ - | \$ 770,914 | \$ - | \$ (2,888,305) | \$ - | \$ (2,888,305) |
| Support Services: | | | | | | | |
| Students | 103,877 | - | 12,249 | - | (91,628) | - | (91,628) |
| Instructional Staff | 312,890 | - | 121,011 | - | (191,879) | - | (191,879) |
| District Administration | 382,709 | - | - | - | (382,709) | - | (382,709) |
| School Administration | 353,398 | - | - | - | (353,398) | - | (353,398) |
| Business | 86,931 | - | - | - | (86,931) | - | (86,931) |
| Plant Operation and Maintenance | 303,702 | - | 3,680 | - | (300,022) | - | (300,022) |
| Student Transportation | 194,193 | - | 11,382 | - | (182,811) | - | (182,811) |
| Community Services | 44,320 | - | 44,320 | - | - | - | - |
| Facilities Construction & Acquisition | - | - | - | - | - | - | - |
| Debt Service | 79,226 | - | - | - | (79,226) | - | (79,226) |
| Depreciation | 267,198 | - | - | - | (267,198) | - | (267,198) |
| Amortization | 5,860 | - | - | - | (5,860) | - | (5,860) |
| Accrual for Sick Leave | (31,326) | - | - | - | 31,326 | - | 31,326 |
| Total Governmental Activities | <u>5,762,197</u> | <u>-</u> | <u>963,556</u> | <u>-</u> | <u>(4,798,641)</u> | <u>-</u> | <u>(4,798,641)</u> |
| Business-type Activities: | | | | | | | |
| Food Service | 393,549 | 108,248 | 265,898 | - | - | (19,403) | (19,403) |
| Other Enterprise | 63,908 | 59,439 | 6,583 | - | - | 2,114 | 2,114 |
| Total Business-type Activities | <u>457,457</u> | <u>167,687</u> | <u>272,481</u> | <u>-</u> | <u>-</u> | <u>(17,289)</u> | <u>(17,289)</u> |
| Total Primary Government | <u>\$ 6,219,654</u> | <u>\$ 167,687</u> | <u>\$ 1,236,037</u> | <u>\$ -</u> | <u>\$ (4,798,641)</u> | <u>\$ (17,289)</u> | <u>\$ (4,815,930)</u> |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property Taxes | | | | | \$ 868,365 | \$ - | \$ 868,365 |
| Motor Vehicle Taxes | | | | | 81,231 | - | 81,231 |
| Utility Taxes | | | | | 171,728 | - | 171,728 |
| Intergovernmental Revenues: | | | | | | | |
| State & Federal | | | | | 3,657,126 | - | 3,657,126 |
| Investment Earnings | | | | | 4,740 | 35 | 4,775 |
| SFCC Contributions | | | | | 95,308 | - | 95,308 |
| Gain (Loss) on Disposal of Capital Assets | | | | | (1,770) | (4,289) | (6,059) |
| Other Local Revenues | | | | | 57,877 | - | 57,877 |
| Transfers | | | | | - | - | - |
| Total General Revenues and Transfers | | | | | <u>4,934,605</u> | <u>(4,254)</u> | <u>4,930,351</u> |
| Change in Net Assets | | | | | 135,964 | (21,543) | 114,421 |
| Net Assets, June 30, 2011 | | | | | <u>3,583,649</u> | <u>97,784</u> | <u>3,681,433</u> |
| Net Assets, June 30, 2012 | | | | | <u>\$ 3,719,613</u> | <u>\$ 76,241</u> | <u>\$ 3,795,854</u> |

**EMINENCE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

| | General Fund | Special Revenue Funds | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|-------------------------|--------------------------------------|---|---|
| Assets | | | | |
| Cash and Cash Equivalents | \$ 1,293,869 | \$ (113,789) | \$ 140,505 | \$ 1,320,585 |
| Accounts Receivable | 29,109 | 197,626 | - | 226,735 |
| Inventory | - | - | - | - |
| Total assets | <u>\$ 1,322,978</u> | <u>\$ 83,837</u> | <u>\$ 140,505</u> | <u>\$ 1,547,320</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 3,267 | \$ - | \$ - | \$ 3,267 |
| Payroll W/H Payable | 14,261 | - | - | 14,261 |
| Workers Comp & Unemp Payable | 26,461 | - | - | 26,461 |
| Deferred Revenue | - | 83,837 | - | 83,837 |
| Total liabilities | <u>43,989</u> | <u>83,837</u> | <u>-</u> | <u>127,826</u> |
| Fund balances: | | | | |
| Assigned - Sick Leave | \$ 41,534 | \$ - | \$ - | \$ 41,534 |
| Assigned - future construction | - | - | 140,505 | 140,505 |
| Unassigned | 1,237,455 | - | - | 1,237,455 |
| Total fund balances | <u>1,278,989</u> | <u>-</u> | <u>140,505</u> | <u>1,419,494</u> |
| Total liabilities and fund balances | <u>\$ 1,322,978</u> | <u>\$ 83,837</u> | <u>\$ 140,505</u> | <u>\$ 1,547,320</u> |

The accompanying notes to financial statements are an integral part of this statement.

**EMINENCE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

| | |
|--|----------------------------|
| Fund Balances per Fund Financial Statements | \$ 1,419,494 |
| 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. | 4,392,888 |
| Certain liabilities (such as bonds payable and accrued sick leave) 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 | |
| Bond Obligations | (1,930,000) |
| KISTA Bus Obligations | (89,036) |
| Accrued Sick Leave | <u>(73,733)</u> |
| Net Assets of Governmental Activities | <u><u>\$ 3,719,613</u></u> |

The accompanying notes to financial statements are an integral part of this statement.

EMINENCE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

| | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|--------------------------------------|---|---|
| Revenues: | | | | |
| From local sources: | | | | |
| Taxes - | | | | |
| Property | \$ 789,443 | \$ - | \$ 78,922 | \$ 868,365 |
| Motor Vehicle | 81,231 | - | - | 81,231 |
| Utilities | 171,728 | - | - | 171,728 |
| Tuition and fees | - | - | - | - |
| Interest income | 4,679 | 61 | - | 4,740 |
| Other local revenues | 25,363 | 32,514 | - | 57,877 |
| Intergovernmental - State | 3,499,611 | 239,479 | 189,472 | 3,928,562 |
| Intergovernmental - Indirect federal | 12,056 | 680,064 | - | 692,120 |
| Total revenues | <u>4,584,111</u> | <u>952,118</u> | <u>268,394</u> | <u>5,804,623</u> |
| Expenditures: | | | | |
| Instruction | 2,888,305 | 770,914 | - | 3,659,219 |
| Support services: | | | | |
| Student | 91,628 | 12,249 | - | 103,877 |
| Instructional staff | 191,879 | 121,011 | - | 312,890 |
| District administration | 382,709 | - | - | 382,709 |
| School administration | 353,398 | - | - | 353,398 |
| Business | 86,931 | - | - | 86,931 |
| Plant operations and maintenance | 449,927 | 3,680 | - | 453,607 |
| Student transportation | 182,811 | 11,382 | - | 194,193 |
| Community services | - | 44,320 | - | 44,320 |
| Facilities acquisition and construction | - | - | 255,721 | 255,721 |
| Debt service | 48,048 | - | 134,930 | 182,978 |
| Total expenditures | <u>4,675,636</u> | <u>963,556</u> | <u>390,651</u> | <u>6,029,843</u> |
| Excess (deficiency) of revenues over expenditures | <u>(91,525)</u> | <u>(11,438)</u> | <u>(122,257)</u> | <u>(225,220)</u> |
| Other financing sources (uses): | | | | |
| Proceeds from sale of bonds | - | - | - | 0 |
| Transfers in | - | 11,438 | 25,326 | 36,764 |
| Transfers out | (11,438) | - | (25,326) | (36,764) |
| Total other financing sources and (uses) | <u>(11,438)</u> | <u>11,438</u> | <u>-</u> | <u>0</u> |
| Excess (deficit) or revenues and other financing sources over expenditures and other financing uses | (102,963) | - | (122,257) | (225,220) |
| Fund balances, June 30, 2011 | <u>1,381,952</u> | <u>-</u> | <u>262,762</u> | <u>1,644,714</u> |
| Fund balances, June 30, 2012 | <u>\$ 1,278,989</u> | <u>\$ -</u> | <u>\$ 140,505</u> | <u>\$ 1,419,494</u> |

The accompanying notes to financial statements are an integral part of this statement.

**EMINENCE INDEPENDENT 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 \$ (225,220)

Amounts reported for governmental activities in the statement of activities 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 expense exceeds capital outlays this year.

| | | |
|---|----------------|---------|
| Fixed asset additions | 405,626 | |
| Fixed asset retirements & disposals | (26,243) | |
| Current year depreciation expense | (267,198) | |
| Accumulated depreciation retired/disposed | 24,473 | |
| Amortization of bond issuance costs | <u>(5,860)</u> | 130,798 |

Some expenses are reported in the statement of activities when incurred, even though they do not require the use of current financial resources. Fund financial statements recognize expenditures only when they use current financial resources.

| | | |
|--------------------------------|-----------------|--------|
| Compensated absences 6/30/2011 | 105,059 | |
| Compensated absences 6/30/2012 | <u>(73,733)</u> | 31,326 |

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.

| | | |
|-------------------------------|----------------|---------|
| KISTA Bond Principal Payments | 29,060 | |
| KISTA Bond Proceeds | - | |
| Bond Proceeds | - | |
| SFCC Bond Interest Payments | (36,753) | |
| SFCC Bond Principal Payments | (58,555) | |
| SFCC Contributions | 95,308 | |
| Bond Principal Payments | <u>170,000</u> | 199,060 |

Rounding

-

Change in net assets of governmental activities \$ 135,964

**EMINENCE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012**

| | Food Service Fund | Day Care Center | Total |
|--|-------------------------|--------------------|---------------|
| Assets | | | |
| <u>Current Assets</u> | | | |
| Cash and Cash Equivalents | \$ 6,677 | \$ 5,729 | \$ 12,406 |
| Accounts Receivables | - | 4,122 | 4,122 |
| Inventory | 6,211 | - | 6,211 |
| Total Current Assets | 12,888 | 9,851 | 22,739 |
| <u>Noncurrent Assets</u> | | | |
| Capital Assets | 89,728 | 4,944 | \$ 94,672 |
| Less: Accumulated Depreciation | (32,021) | (4,856) | (36,877) |
| Total Noncurrent Assets | 57,707 | 88 | 57,795 |
| Total Assets | \$ 70,595 | \$ 9,939 | \$ 80,534 |
| Liabilities | | | |
| <u>Current Liabilities</u> | | | |
| Accounts Payable | \$ 4,293 | \$ - | \$ 4,293 |
| Total Current Liabilities | 4,293 | - | 4,293 |
| Total Liabilities | 4,293 | - | 4,293 |
| Net Assets | | | |
| Assigned - Capital Assets, Net of Related Debt | 57,707 | 88 | 57,795 |
| Assigned - Inventories | 6,211 | - | 6,211 |
| Unassigned | 2,384 | 9,851 | 12,235 |
| Total Net Assets | \$ 66,302 | \$ 9,939 | \$ 76,241 |

The accompanying notes to financial statements are an integral part of this statement.

EMINENCE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

| | Food Service Fund | Day Care Center | Total |
|---------------------------------------|-------------------------|--------------------|---------------------|
| Operating revenues: | | | |
| Lunchroom sales | \$ 108,248 | \$ - | \$ 108,248 |
| Day Care fees | - | 59,439 | 59,439 |
| Total operating revenues | <u>\$ 108,248</u> | <u>\$ 59,439</u> | <u>\$ 167,687</u> |
| Operating expenses: | | | |
| Salaries and wages | \$ 102,347 | \$ 43,322 | \$ 145,669 |
| Employee benefits | 64,182 | 18,433 | 82,615 |
| Purchased prof and tech services | 2,994 | 555 | 3,549 |
| Purchased property services | 4,403 | - | 4,403 |
| Other purchased services | 11,016 | 674 | 11,690 |
| Materials and supplies | 200,741 | 382 | 201,123 |
| Property | 801 | 279 | 1,080 |
| Inventory adjustment | (165) | - | (165) |
| Depreciation | 6,928 | 263 | 7,191 |
| Other operating expenses | 302 | - | 302 |
| Total operating expenses | <u>\$ 393,549</u> | <u>\$ 63,908</u> | <u>\$ 457,457</u> |
| Operating loss | <u>\$ (285,301)</u> | <u>\$ (4,469)</u> | <u>\$ (289,770)</u> |
| Nonoperating revenues : | | | |
| Federal grants | \$ 229,748 | \$ - | \$ 229,748 |
| Investment income | 35 | - | 35 |
| Loss on disposal of assets | (4,289) | - | (4,289) |
| State grants | 36,150 | 6,583 | 42,733 |
| Total nonoperating revenue | <u>\$ 261,644</u> | <u>\$ 6,583</u> | <u>\$ 268,227</u> |
| Net profit before operating transfers | \$ (23,657) | \$ 2,114 | \$ (21,543) |
| Operating transfers | - | - | - |
| Net Income (Loss) | <u>\$ (23,657)</u> | <u>\$ 2,114</u> | <u>\$ (21,543)</u> |
| Net assets, June 30, 2011 | 89,959 | 7,825 | 97,784 |
| Net assets, June 30, 2012 | <u>\$ 66,302</u> | <u>\$ 9,939</u> | <u>\$ 76,241</u> |

The accompanying notes to financial statements are an integral part of this statement.

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

| | Food Service Fund | Day Care Center | Total |
|--|-------------------------|------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| <u>Cash received from:</u> | | | |
| Lunchroom sales | \$ 114,798 | \$ - | \$ 114,798 |
| Day Care fees | - | 60,034 | 60,034 |
| Federal grants | 229,748 | - | 229,748 |
| State grants | 36,150 | 6,583 | 42,733 |
| <u>Cash paid to/for:</u> | | | |
| Payments to suppliers and providers of goods and services | (215,662) | (1,891) | (217,553) |
| Payments to employees & benefits | (166,529) | (61,755) | (228,284) |
| Operating Transfers | - | - | - |
| Other payments | (302) | - | (302) |
| Net cash provided by (used for) operating activities | <u>\$ (1,797)</u> | <u>\$ 2,971</u> | <u>\$ 1,174</u> |
| CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES: | | | |
| Purchases of capital assets | \$ (20,767) | \$ 0 | \$ (20,767) |
| Net cash provided by (used for) capital and related financing activities | <u>\$ (20,767)</u> | <u>\$ 0</u> | <u>\$ (20,767)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Interest received on investments | \$ 35 | \$ 0 | \$ 35 |
| Net cash provided by investing activities | <u>\$ 35</u> | <u>\$ 0</u> | <u>\$ 35</u> |
| Net increase (decrease) in cash and cash equivalents | \$ (22,529) | \$ 2,971 | \$ (19,558) |
| Cash and cash equivalents, June 30, 2011 | <u>29,206</u> | <u>2,758</u> | <u>31,964</u> |
| Cash and cash equivalents, June 30, 2012 | <u><u>\$ 6,677</u></u> | <u><u>\$ 5,729</u></u> | <u><u>\$ 12,406</u></u> |

The accompanying notes to financial statements are an integral part of this statement.

**EMINENCE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012**

| | <u>Agency Funds</u> |
|---------------------------------|-------------------------|
| Assets | |
| Cash and cash equivalents | \$ 85,544 |
| Accounts receivable | - |
| Total assets | <u>\$ 85,544</u> |
| Liabilities | |
| Accounts payable | \$ - |
| Due to student activities | 85,544 |
| Total liabilities | <u>85,544</u> |
| Net assets held in trust | <u>\$ 85,544</u> |

The accompanying notes to financial statements are an integral part of this statement.

**EMINENCE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

| | <u>School Activities Agency Funds</u> |
|--|---|
| Revenues: | |
| From local sources - | |
| Student activities | \$ 184,678 |
| Interest | - |
| Total revenues | <u>\$ 184,678</u> |
| Expenditures: | |
| Student activities | <u>188,645</u> |
| Total expenditures | <u>\$ 188,645</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | \$ (3,967) |
| Fund Balance June 30, 2011 | <u>\$ 89,511</u> |
| Fund Balance June 30, 2012 | <u><u>\$ 85,544</u></u> |

The accompanying notes to financial statements are an integral part of this statement.

EMINENCE INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(1) REPORTING ENTITY

The Eminence Independent Board of Education (the "Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Eminence Independent School District (the "District"). The District receives funding from local, state and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the 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 reporting purposes, includes all of the funds and account groups relevant to the operation of the Eminence Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

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

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

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Eminence Independent School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements provide information about the primary government (the "District"). The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

EMINENCE INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues, 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—provide information about the District's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

EMINENCE INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Technology Fund accounts for the Kentucky Education Technology System (KETS) allocation and local district matching funds restricted for the purchase of technology consistent with the District's approved technology plan.
4. The School Construction Fund and Education Building Funds account for proceeds from sales of bonds and other revenues to be used for authorized construction expenditures.

II. 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). Amounts have been recorded for in-kind commodities from the USDA.

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

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

The Activity Funds account 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*.

The Private Purpose Trust funds are used to report arrangements under which principal and income benefit individuals, private organizations, or other governments.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Government 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, are 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.

EMINENCE INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

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

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

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

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

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem property tax is levied each September on the assessed value listed as of the prior January 1, for all real and business personal property located in the District. The assessed value of real property upon which the levy for the 2012 fiscal year was based totaled \$122,403,500; tangible property assessments were \$17,540,177. Additionally, PSC real property assessed value was \$673,605 and PSC tangible assessed value \$4,113,755.

The tax rates assessed for the year ended June 30, 2012 to finance general fund operations were \$.613 on real estate and \$.613 per \$100 valuation on tangible property. Taxes are due on October 1 and become delinquent by February 1 following the October 1 levy date.

In-Kind

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal and state administered funding on various grants. The District also receives commodities from U.S.D.A. The amounts of such services and commodities are recorded in the accompanying financial statements at their estimated fair market values where practical.

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.

EMINENCE INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Funds, which records inventory using the modified accrual basis of accounting. Inventories are stated at the lower of cost or market, using the specific identification method.

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 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 assets life are not.

All reported capital assets, other than land, 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>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 & fixtures | 7 years |
| Rolling stock | 15 years |
| Other general | 10 years |

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Budgetary Process

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

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

EMINENCE INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, all 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.

Accrued Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive a calculated amount to compensate for accumulated unused sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is possible that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

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

For government fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The non-current portion of the liability is not reported.

Fund Balance Assigns

The District assigns 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. Unassigned fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity assignments have been established for inventories and fixed assets.

EMINENCE INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Interfund Activity

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

Estimates

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

(3) CASH AND CASH EQUIVALENTS

At June 30, 2012 the reconciled carrying amount of the District's cash and cash equivalents (cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less) was \$1,332,991 (plus \$85,543 in Fiduciary Funds) while the bank statements totaled \$1,448,966 (\$86,293 in Fiduciary Funds). Collateral agreements were executed and collateral, with a FMV of \$2,345,097 and book value of \$2,270,228, was pledged and held by the pledging bank's trust department in the District's name to secure the non-transaction accounts (CD & savings account). Federal Deposit Insurance Corporation (FDIC) also provided \$250,000 coverage in aggregate for each type of account.

(4) CAPITAL ASSETS

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

EMINENCE INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Government Activities

| | <u>June 30, 2011</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2012</u> |
|--------------------------------|----------------------|------------------|------------------|----------------------|
| Land | 176,017 | - | - | 176,017 |
| Land Improvements | 352,643 | - | - | 352,643 |
| Buildings & Improvements | 4,256,716 | 948,773 | - | 5,205,489 |
| Technology Equipment | 520,153 | 110,318 | (21,109) | 609,362 |
| Vehicles | 368,416 | - | - | 368,416 |
| General | 167,734 | 39,588 | (5,133) | 202,189 |
| Construction Work in Progress | 693,053 | (693,053) | - | - |
| Total Historical Cost | <u>6,534,732</u> | <u>405,626</u> | <u>(26,242)</u> | <u>6,914,116</u> |
| Less: Accumulated Depreciation | | | | |
| Land | - | - | - | - |
| Land Improvements | (235,930) | (14,948) | - | (250,878) |
| Buildings & Improvements | (1,474,716) | (115,021) | - | (1,589,737) |
| Technology Equipment | (289,579) | (91,890) | 19,339 | (362,130) |
| Vehicles | (257,902) | (29,348) | - | (287,250) |
| General | (99,667) | (15,991) | 5,134 | (110,524) |
| Total Accum. Depreciation | <u>(2,357,794)</u> | <u>(267,198)</u> | <u>24,473</u> | <u>(2,600,519)</u> |
| Net Capital Assets | <u>4,176,938</u> | <u>138,428</u> | <u>(1,769)</u> | <u>4,313,597</u> |

Business-Type Activities

| | <u>June 30, 2011</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2012</u> |
|--------------------------------|----------------------|------------------|------------------|----------------------|
| Technology Equipment | 8,515 | - | (900) | 7,615 |
| General Equipment | 97,673 | 20,767 | (31,383) | 87,057 |
| Total Historical Cost | <u>106,188</u> | <u>20,767</u> | <u>(32,283)</u> | <u>94,672</u> |
| Less: Accumulated Depreciation | | | | |
| Technology Equipment | (5,724) | (797) | 900 | (5,621) |
| General Equipment | (51,957) | (6,394) | 27,095 | (31,256) |
| Total Accum. Depreciation | <u>(57,681)</u> | <u>(7,191)</u> | <u>27,995</u> | <u>(36,877)</u> |
| Net Capital Assets | <u>48,507</u> | <u>13,576</u> | <u>(4,288)</u> | <u>57,795</u> |

(5) DEBT OBLIGATIONS

The amount shown in the accompanying financial statements as current and non-current portions of bond obligations represent the District's future obligation to make bond payments relating to the bonds issued by the District. The original amount of each issue, the issue date, and interest rates are summarized below:

| <u>Issue</u> | <u>Original Amount</u> | <u>Interest Rates</u> | <u>Maturity Date</u> |
|---------------|------------------------|-----------------------|----------------------|
| Issue of 2001 | 410,000 | 2.20% - 4.10% | 11/1/2012 |
| Issue of 2005 | 910,000 | 2.00% - 4.75% | 11/1/2023 |
| Issue of 2007 | 815,000 | 3.40% - 5.25% | 7/1/2020 |
| Issue of 2010 | 300,000 | 3.25% - 4.125% | 1/1/2030 |
| Issue of 2010 | <u>420,000</u> | 2.25% - 4.00% | 10/1/2030 |
| | <u>\$ 2,855,000</u> | | |

EMINENCE INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

A summary of activity in bond obligations and other debts is as follows:

| Description | Balance at | | Payments | Balance at | |
|--------------------------|---------------------|-------------|-------------------|---------------------|--|
| | June 30, 2011 | Issued | | June 30, 2012 | |
| General obligation bonds | \$ 2,100,000 | \$ 0 | \$170,000 | \$ 1,930,000 | |
| KISTA Loans | 118,096 | 0 | 29,060 | 89,036 | |
| | <u>\$ 2,218,096</u> | <u>\$ 0</u> | <u>\$ 199,060</u> | <u>\$ 2,019,036</u> | |

On July 1, 2008, the Board issued revenue refunding bonds of \$815,000 with interest rates from 3.65% to 3.9% to advance refund the 2000 series bonds with interest rates varying from 4.85% to 5.5%. The new issue redeemed the outstanding 2000 series bonds maturing after December 1, 2007 in the principal amount of \$585,000. As a result, the refunded bonds are considered defeased and the liability has been removed from the statement of net assets. This advance refunding was undertaken to reduce future total debt service payments with a resulting net economic gain of \$52,847.22.

On February 1, 2005, the District defeased its 1996 bond issue and issued 2005 Refunding Bonds in the amount of \$910,000. The defeasement resulted in a \$45,318 decrease in debt service.

In connection with the bond issues after May 1, 1996 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 table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The bonds as well as KISTA loans described below may be called prior to maturity and redemption premiums are specified in each issue. Assuming no issues are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Kentucky School Facilities Construction Commission at June 30, 2012 for debt service (principal and interest) are as follows:

| Fiscal Year | KSFCC | | Eminence School District | | Total |
|-------------|----------------|----------------|--------------------------|----------------|------------------|
| | Principal | Interest | Principal | Interest | |
| 2013 | 59,745 | 34,952 | 115,255 | 34,765 | 244,718 |
| 2014 | 61,015 | 33,041 | 113,985 | 31,377 | 239,418 |
| 2015 | 62,333 | 31,084 | 122,667 | 27,381 | 243,465 |
| 2016 | 73,729 | 29,021 | 191,271 | 22,965 | 316,986 |
| 2017 | 72,761 | 26,669 | 92,239 | 15,925 | 207,594 |
| 2018 | 74,195 | 24,269 | 90,805 | 12,442 | 201,711 |
| 2019 | 75,703 | 21,732 | 94,297 | 8,972 | 200,704 |
| 2020 | 64,786 | 19,118 | 90,214 | 5,328 | 179,446 |
| 2021 | 35,000 | 16,889 | 10,000 | 1,760 | 63,649 |
| 2022 | 35,000 | 15,690 | 10,000 | 1,320 | 62,010 |
| 2023 | 35,000 | 14,381 | 10,000 | 880 | 60,261 |
| 2024 | 35,000 | 12,963 | 10,000 | 440 | 58,403 |
| 2025 | 40,000 | 11,444 | - | - | 51,444 |
| 2026 | 45,000 | 9,825 | - | - | 54,825 |
| 2027 | 45,000 | 8,000 | - | - | 53,000 |
| 2028 | 45,000 | 6,175 | - | - | 51,175 |
| 2029 | 45,000 | 4,350 | - | - | 49,350 |
| 2030 | 50,000 | 2,425 | - | - | 52,425 |
| 2031 | 25,000 | 500 | - | - | 25,500 |
| | <u>979,267</u> | <u>322,529</u> | <u>950,733</u> | <u>163,554</u> | <u>2,416,083</u> |

EMINENCE INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

The balance of the long-term debt at June 30, 2012 is KISTA Small Issuer loans issued from 2003 and 2009. The payment schedule is as follows:

KISTA Bus Leases

| <u>Fiscal Year</u> | <u>Principal</u> |
|--------------------|------------------|
| 2013 | 28,379 |
| 2014 | 8,399 |
| 2015 | 8,597 |
| 2016 | 8,796 |
| 2017 | 9,033 |
| 2018 | 9,311 |
| 2019 | 8,122 |
| 2020 | 8,399 |
| | <u>89,036</u> |

(6) ACCUMULATED UNPAID SICK LEAVE BENEFITS

Board policy provides for payment of unused sick leave upon retirement from the District. Certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. The Board shall compensate certified employees at the time of retirement at the rate of 30% of the daily salary for each unused sick day, provided they supply the required proof of retirement from the Kentucky Teachers' Retirement System or KERS. Calculations are based on the employee's last annual salary. (KRS 161.155(8), OA 83-191). At June 30, 2012 this amount totaled \$73,733 for those certified employees with 27 or more years of experience. Normal sick pay benefits generally are not accrued until employees are absent. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

(7) RETIREMENT PLANS

A. Kentucky Teachers Retirement System:

The Eminence Independent School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

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

Funding policy - Contribution rates are established by KRS. Members who established an account in a state retirement system before July 2008 are required to contribute 10.355% of their salaries to KTRS. Members after July 2008 contribute an additional 0.5%. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions.

EMINENCE INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Medical Insurance Plan

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

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

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

The Eminence Independent School District total payroll for the year was \$3,638,872. The payroll for employees covered under KTRS was \$2,743,327. For the year ended June 30, 2012, the Commonwealth contributed \$254,323 to KTRS for the benefit of participating employees. The School District's contributions to KTRS for the year ending June 30, 2012 were \$31,375, which represents those employees covered by federal programs.

B. County Employee's Retirement System:

For employees that do not qualify for KTRS, the District contributes to the Kentucky Employee's Retirement System ("KERS"), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly. KERS covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the KERS. KERS provides for retirement, disability, and death benefits to plan members. Cost of living adjustments are provided at the discretion of the State legislature.

The KERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for KERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646.

Medical Insurance Plan

Plan description - In addition to the pension benefits described above, Kentucky Revised Statutes require KERS to provide access to post-employment healthcare benefits to eligible members and dependents. The KERS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KERS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KERS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired

EMINENCE INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KERS Medicare Eligible Health Plan.

Funding policy – Plan members are required to contribute 5% of their annual creditable compensation, (employees who begin participation on or after September 1, 2008 are required to contribute 6% of annual creditable compensation) and the District is required to contribute 18.95% of the employee's total compensation. The contribution requirements of KERS members and the District are established and may be amended by the CERS Board of Trustees.

The Eminence Independent School District's total payroll for the year was \$3,638,872. The payroll for employees covered by KERS was \$858,052. The School District's matching contributions to KERS for the year ending June 30, 2012 were \$161,245.

(8) CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have 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.

(9) INSURANCE AND RELATED ACTIVITIES

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

(10) 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

**EMINENCE INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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

(11) DEFICIT OPERATING BALANCES

The General Fund, Food Service Fund, and the Construction Fund operated at a deficit for the fiscal year. However, there were sufficient beginning balances to offset these deficits. There are no funds within the District that currently have a deficit fund balance.

(12) 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).

(13) ON-BEHALF PAYMENTS

For fiscal year 2012, the Commonwealth of Kentucky contributed payments on-behalf of the Eminence Independent School District as follows:

| <u>Plan/Description</u> | <u>Amount</u> |
|-------------------------------------|-------------------|
| Kentucky Teachers Retirement System | \$ 322,962 |
| Vocational | 2,250 |
| Health & Life Insurance Plan | 640,496 |
| Federal Reimbursement | <u>(67,754)</u> |
| Total On-Behalf | \$ <u>897,954</u> |

These amounts are included the District-Wide Statement of Activities as State Revenue and an expense allocated to the different functions in the same proportion as full-time employees.

(14) TRANSFER OF FUNDS

The following transfers were made during the year:

| <u>From Fund</u> | <u>To Fund</u> | <u>Amount</u> | |
|------------------|-------------------|---------------|----------------------|
| General Fund | Special Revenue | 11,438 | Matching |
| Building Fund | Construction Fund | 25,326 | Construction Project |

SUPPLEMENTAL INFORMATION

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

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|--------------------------------------|---------------------------------|---------------------------|---------------------------------------|
| | Tentative Budget Original | Working Budget Final | | |
| Revenues: | | | | |
| Taxes - | | | | |
| Property | \$ 634,500 | \$ 634,500 | \$ 789,443 | \$ 154,943 |
| Motor vehicles | 65,000 | 65,000 | 81,231 | \$ 16,231 |
| Utilities | 100,000 | 105,000 | 171,728 | \$ 66,728 |
| Tuition and fees | - | - | - | \$ - |
| Interest income | 7,000 | 7,000 | 4,679 | \$ (2,321) |
| Other local revenues | 15,100 | 21,000 | 25,363 | \$ 4,363 |
| Intergovernmental - State | 2,520,000 | 2,641,322 | 3,499,611 | \$ 858,289 |
| Intergovernmental - Federal | 8,000 | 8,000 | 12,056 | \$ 4,056 |
| Total revenues | \$ 3,349,600 | \$ 3,481,822 | \$ 4,584,111 | \$ 1,102,289 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | \$ 2,345,188 | \$ 2,355,646 | \$ 2,888,305 | \$ (532,659) |
| Support services: | | | | |
| Student | 150,091 | 127,312 | 91,628 | 35,684 |
| Instructional staff | 216,885 | 202,734 | 191,879 | 10,855 |
| District administration | 408,819 | 471,086 | 382,709 | 88,377 |
| School administration | 262,162 | 286,725 | 353,398 | (66,673) |
| Business | 84,380 | 85,521 | 86,931 | (1,410) |
| Plant operation and maintenance | 544,291 | 612,220 | 449,927 | 162,293 |
| Student transportation | 226,052 | 218,799 | 182,811 | 35,988 |
| Community services | - | - | - | - |
| Debt service | 48,049 | 48,049 | 48,048 | 1 |
| Contingency | 253,683 | 368,148 | - | 368,148 |
| Total expenditures | \$ 4,539,600 | \$ 4,776,240 | \$ 4,675,636 | \$ 100,604 |
| Excess (deficiency) of revenues over expenditures | \$ (1,190,000) | \$ (1,294,418) | \$ (91,525) | \$ 1,202,893 |
| Other financing sources (uses): | | | | |
| Proceeds from sale of bonds | \$ - | \$ - | \$ - | \$ - |
| Transfers in | - | - | - | - |
| Transfers out | (10,000) | (10,000) | (11,438) | (1,438) |
| Total other financing sources and uses | \$ (10,000) | \$ (10,000) | \$ (11,438) | \$ (1,438) |
| Net change in fund balances | \$ (1,200,000) | \$ (1,304,418) | \$ (102,963) | \$ 1,201,455 |
| Fund balances, June 30, 2011 | 1,200,000 | 1,304,418 | 1,381,952 | 77,534.00 |
| Fund balances, June 30, 2012 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,278,989</u> | <u>\$ 1,278,989</u> |

The accompanying notes to financial statements are an integral part of this statement.

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

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|-------------------------|-----------------------|---------------------------|---------------------------------------|
| | Tentative Budget | Working Budget | | |
| | Original | Final | | |
| Revenues: | | | | |
| Interest income | \$ 50 | \$ 50 | \$ 61 | \$ 11 |
| Other local revenues | 54,221 | 46,535 | 32,514 | (14,021) |
| Intergovernmental - State | 273,900 | 287,800 | 239,479 | (48,321) |
| Intergovernmental - Indirect federal | 399,692 | 526,178 | 680,064 | 153,886 |
| Total revenues | <u>\$ 727,863</u> | <u>\$ 860,563</u> | <u>\$ 952,118</u> | <u>\$ 91,555</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | \$ 588,203 | \$ 649,054 | \$ 770,914 | \$ (121,860) |
| Support services: | | | | |
| Student | 13,742 | 12,126 | 12,249 | (123) |
| Instructional staff | 80,583 | 147,735 | 121,011 | 26,724 |
| Business | 1,880 | 1,880 | 0 | 1,880 |
| Plant operation and maintenance | 0 | 0 | 3,680 | (3,680) |
| Student transportation | 0 | 15,406 | 11,382 | 4,024 |
| Community services | 53,455 | 44,362 | 44,320 | 42 |
| Total expenditures | <u>\$ 737,863</u> | <u>\$ 870,563</u> | <u>\$ 963,556</u> | <u>\$ (92,993)</u> |
| Excess (deficiency) of revenues over expenditures | <u>\$ (10,000)</u> | <u>\$ (10,000)</u> | <u>\$ (11,438)</u> | <u>\$ (1,438)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | \$ 10,000 | \$ 10,000 | \$ 11,438 | \$ 1,438 |
| Transfers out | - | - | - | - |
| Total other financing sources and use | <u>\$ 10,000</u> | <u>\$ 10,000</u> | <u>\$ 11,438</u> | <u>\$ 1,438</u> |
| Net change in fund balances | \$ - | \$ - | \$ - | \$ - |
| Fund balances, June 30, 2011 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund balances, June 30, 2012 | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

The accompanying notes to financial statements are an integral part of this statement.

**EMINENCE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2012**

| | FSPK Building Fund | SEEK Capital Outlay Fund | Construction Fund | Total Non-Major Governmental Funds |
|--------------------------------------|--------------------------|--------------------------------|----------------------|---|
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 74,368 | \$ 59,096 | \$ 7,041 | \$ 140,505 |
| Accounts receivable | - | - | - | - |
| Total assets | <u>\$ 74,368</u> | <u>\$ 59,096</u> | <u>\$ 7,041</u> | <u>\$ 140,505</u> |
| LIABILITIES AND FUND BALANCE: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances: | | | | |
| Assigned - future construction | 74,368 | 59,096 | 7,041 | 140,505 |
| | - | - | - | - |
| Total fund balance | <u>74,368</u> | <u>59,096</u> | <u>7,041</u> | <u>140,505</u> |
| Total liabilities and fund balances | <u>\$ 74,368</u> | <u>\$ 59,096</u> | <u>\$ 7,041</u> | <u>\$ 140,505</u> |

The accompanying notes to financial statements are an integral part of this statement.

**EMINENCE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

| | FSPK Building Fund | SEEK Capital Outlay Fund | Construction Fund | Total Non-Major Governmental Funds |
|---|--------------------------|--------------------------------|----------------------|---|
| REVENUES: | | | | |
| From local sources - | | | | |
| Property taxes | \$ 78,922 | \$ - | \$ - | \$ 78,922 |
| Earnings on investments | - | - | - | - |
| Intergovernmental - State | 130,376 | 59,096 | - | 189,472 |
| Total revenues | <u>\$ 209,298</u> | <u>\$ 59,096</u> | <u>\$ -</u> | <u>\$ 268,394</u> |
| EXPENDITURES: | | | | |
| Plant Operations & Maint | \$ - | \$ - | \$ - | \$ - |
| Land & Building Improvements | - | - | 255,721 | 255,721 |
| Debt service | 134,930 | - | - | 134,930 |
| Total expenditures | <u>\$ 134,930</u> | <u>\$ -</u> | <u>\$ 255,721</u> | <u>\$ 390,651</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>\$ 74,368</u> | <u>\$ 59,096</u> | <u>\$ (255,721)</u> | <u>\$ (122,257)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Proceeds from sale of bonds | \$ - | \$ - | \$ - | \$ - |
| Operating transfers in | - | - | 25,326 | 25,326 |
| Operating transfers out | (25,326) | - | - | (25,326) |
| Total other financing sources (uses) | <u>\$ (25,326)</u> | <u>\$ -</u> | <u>\$ 25,326</u> | <u>\$ -</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>\$ 49,042</u> | <u>\$ 59,096</u> | <u>\$ (230,395)</u> | <u>\$ (122,257)</u> |
| FUND BALANCE JUNE 30, 2011 | <u>\$ 25,326</u> | <u>\$ -</u> | <u>\$ 237,436</u> | <u>\$ 262,762</u> |
| FUND BALANCE JUNE 30, 2012 | <u>\$ 74,368</u> | <u>\$ 59,096</u> | <u>\$ 7,041</u> | <u>\$ 140,505</u> |

The accompanying notes to financial statements are an integral part of this statement.

**EMINENCE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCES
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

| | Cash Balance June 30, 2011 | Receipts | Disbursements | Cash Balance June 30, 2012 | Accounts Receivable | Accounts Payable | Deposits Held in Custody for Students June 30, 2012 |
|--|-------------------------------|-------------------|-------------------|-------------------------------|------------------------|---------------------|---|
| Eminence Independent High School | \$ 53,743 | \$ 118,467 | \$ 124,747 | \$ 47,463 | \$ - | \$ - | \$ 47,463 |
| Eminence Independent Middle School | 22,245 | 34,003 | 30,802 | 25,446 | - | - | 25,446 |
| Eminence Independent Elementary School | 13,523 | 32,208 | 33,096 | 12,635 | - | - | 12,635 |
| | <u>\$ 89,511</u> | <u>\$ 184,678</u> | <u>\$ 188,645</u> | <u>\$ 85,544</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 85,544</u> |

The accompanying notes to financial statements are an integral part of this statement.

**EMINENCE INDEPENDENT BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2012**

| | Cash Balance July 1, 2011 | Transfers & Receipts | Transfers & Disburse- ments | Cash Balance June 30, 2012 | Accts. Receivable. 6/30/12 | Accts. Payable 6/30/12 | Deposits Held In Custody for Students 6/30/12 |
|------------------------|---------------------------------|-------------------------|-----------------------------------|----------------------------------|----------------------------------|------------------------------|---|
| 8 Man Tournament | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Academic Excellence | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Academic Team | 137.60 | 190.00 | 317.50 | 10.10 | 0.00 | 0.00 | 10.10 |
| Ag. Club | 444.00 | 53.00 | 229.00 | 268.00 | 0.00 | 0.00 | 268.00 |
| Alumni Donations | 299.91 | 0.00 | 0.00 | 299.91 | 0.00 | 0.00 | 299.91 |
| Archery Club | 241.11 | 1,172.00 | 1,176.84 | 236.27 | 0.00 | 0.00 | 236.27 |
| Art Club | 284.18 | 297.20 | 581.38 | 0.00 | 0.00 | 0.00 | 0.00 |
| Athletic Admin | 3,138.48 | 2,427.19 | 2,639.75 | 2,925.92 | 0.00 | 0.00 | 2,925.92 |
| Boys Basketball | 2,868.61 | 9,549.49 | 9,661.73 | 2,756.37 | 0.00 | 0.00 | 2,756.37 |
| Band | 1,037.67 | 1,961.00 | 1,793.01 | 1,205.66 | 0.00 | 0.00 | 1,205.66 |
| Baseball | 0.74 | 4,733.37 | 4,280.46 | 453.65 | 0.00 | 0.00 | 453.65 |
| Buddy Berry | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cara Pucket/Fieldtrip | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cheer Camp | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cheer | 115.15 | 9,117.27 | 8,372.93 | 859.49 | 0.00 | 0.00 | 859.49 |
| Cross Country | 72.65 | 531.55 | 371.52 | 232.68 | 0.00 | 0.00 | 232.68 |
| Dance Team | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Dawn Welch HS Science | 6.50 | 0.00 | 0.00 | 6.50 | 0.00 | 0.00 | 6.50 |
| Dwayne Douglas | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Education Fund | 14.04 | 0.00 | 0.00 | 14.04 | 0.00 | 0.00 | 14.04 |
| Faculty | 151.99 | 0.00 | 0.00 | 151.99 | 0.00 | 0.00 | 151.99 |
| FEA | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Fees | 3,939.45 | 5,120.00 | 6,031.61 | 3,027.84 | 0.00 | 0.00 | 3,027.84 |
| Field Day H/S | 0.00 | 638.00 | 632.50 | 5.50 | 0.00 | 0.00 | 5.50 |
| Field Trips | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Football | 725.69 | 14,111.48 | 14,209.62 | 627.55 | 0.00 | 0.00 | 627.55 |
| Freshmen 04 | 1,269.65 | 405.48 | 1,269.65 | 405.48 | 0.00 | 0.00 | 405.48 |
| Girls Basketball | 6,582.25 | 4,696.22 | 5,501.02 | 5,777.45 | 0.00 | 0.00 | 5,777.45 |
| General Fund | 3,857.70 | 5,873.57 | 8,100.41 | 1,630.86 | 0.00 | 0.00 | 1,630.86 |
| HS Book Club | 390.44 | 0.00 | 0.00 | 390.44 | 0.00 | 0.00 | 390.44 |
| Judy Lea | 609.34 | 500.00 | 1,106.13 | 3.21 | 0.00 | 0.00 | 3.21 |
| Juniors 02 | 2,998.47 | 2,874.47 | 2,850.89 | 3,022.05 | 0.00 | 0.00 | 3,022.05 |
| Latin/Spanish Club | 336.98 | 903.02 | 1,240.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Library Grant | 474.09 | 1.01 | 201.38 | 273.72 | 0.00 | 0.00 | 273.72 |
| Music Fund | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| NCKAC | 5,586.46 | 4,000.00 | 3,391.12 | 6,195.34 | 0.00 | 0.00 | 6,195.34 |
| PAC/FBALL | 0.00 | 7,490.99 | 4,876.08 | 2,614.91 | 0.00 | 0.00 | 2,614.91 |
| Parking Permit | 581.53 | 0.00 | 0.00 | 581.53 | 0.00 | 0.00 | 581.53 |
| PE Fundraiser | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Pep Club | 535.00 | 520.00 | 415.75 | 639.25 | 0.00 | 0.00 | 639.25 |
| Poster Maker | 96.50 | 131.00 | 125.50 | 102.00 | 0.00 | 0.00 | 102.00 |
| PTSA/college online | 495.00 | 2,384.00 | 2,815.00 | 64.00 | 0.00 | 0.00 | 64.00 |
| Red Cross/Haiti Relief | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Recycling Plan | 96.40 | 0.00 | 0.00 | 96.40 | 0.00 | 0.00 | 96.40 |
| Robin McHone Fieldtrip | 1.00 | 273.00 | 274.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Seniors 01 | 904.03 | 20,382.09 | 20,476.86 | 809.26 | 0.00 | 0.00 | 809.26 |
| Senior Project | 466.68 | 462.00 | 319.41 | 609.27 | 0.00 | 0.00 | 609.27 |
| Softball Fund | 1,627.36 | 1,828.31 | 3,112.56 | 343.11 | 0.00 | 0.00 | 343.11 |
| Sophomores 03 | 927.58 | 986.94 | 0.00 | 1,914.52 | 0.00 | 0.00 | 1,914.52 |
| Sr. Beta Club | 1,431.39 | 4,425.36 | 4,114.46 | 1,742.29 | 0.00 | 0.00 | 1,742.29 |
| Sr. Drama Club | 492.86 | 362.00 | 516.20 | 338.66 | 0.00 | 0.00 | 338.66 |
| Staff Donations/Senior | 473.78 | 600.00 | 715.00 | 358.78 | 0.00 | 0.00 | 358.78 |
| STLP | 77.54 | 0.00 | 0.00 | 77.54 | 0.00 | 0.00 | 77.54 |
| Student Council | 0.61 | 0.00 | 0.00 | 0.61 | 0.00 | 0.00 | 0.61 |
| Track Boys & Girls | 14.54 | 115.93 | 130.47 | 0.00 | 0.00 | 0.00 | 0.00 |
| Volleyball Misc | 6,158.91 | 8,956.88 | 10,436.16 | 4,679.63 | 0.00 | 0.00 | 4,679.63 |
| Yearbook | 3,779.37 | 7,520.00 | 9,588.11 | 1,711.26 | 0.00 | 0.00 | 1,711.26 |
| Error Adjustment | -0.01 | 0.00 | 0.00 | -0.01 | 0.00 | 0.00 | -0.01 |
| Totals | 53,743.22 | 125,593.82 | 131,874.01 | 47,463.03 | 0.00 | 0.00 | 47,463.03 |

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

**EMINENCE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

| | CFDA Number | MUNIS # | Pass-Through Number | Disbursements |
|--|-------------|---------|---------------------|-------------------|
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | |
| <u>Passed through the Kentucky Department of Education</u> | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 3102 | 3100002 | 92,507 |
| Title I Grants to Local Educational Agencies | 84.010 | 3101 | 3100002 | 17,447 |
| Title I Grants to Local Educational Agencies | 84.010 | 3102D | 3100002 | 11,723 |
| Title IA Grants to Local Educational Agencies | 84.010 | 3919 | 3100002 | 667 |
| Total Title I | | | | 122,344 |
| Special Education Cluster: | | | | |
| Special Education Preschool Grants | 84.173 | 3432 | 4800002 | 3,032 |
| Special Education - Grants to States | 84.027 | 3372 | 4810002 | 126,602 |
| Special Education - Grants to States | 84.027 | 3371 | 4810002 | 8,502 |
| Special Education - Grants to States | 84.027 | 3370P | 4810002 | 3,360 |
| ARRA - Special Education - Grants to States | 84.027 | 4249 | 4810002 | 11,115 |
| Total IDEA | | | | 152,611 |
| Title I - C Career and Technical Education | 84.048 | 3480A | 4621132 | 185 |
| Title I - C Career and Technical Education | 84.048 | 3481A | 4621132 | 236 |
| Title I - C Career and Technical Education | 84.048 | 3482 | 4621132 | 5,193 |
| | | | | 5,614 |
| Title II - Education Technology State Grants | 84.318 | 4250 | 3210002 | 1,469 |
| Title IIA - Improving Teacher Quality State Grants | 84.367 | 4012 | 3230002 | 31,175 |
| Total Title II | | | | 32,644 |
| Homeless Children & Youth | 84.196 | 3162 | | 28,580 |
| Homeless Children & Youth | 84.196 | 3161 | | 9,902 |
| | | | | 38,482 |
| Adult Education - Recruitment & Retention | 84.002 | 3651 | | 6,792 |
| Adult Education | 84.002 | 3732 | | 31,105 |
| Adult Education - Professional Development | 84.002 | 3732S | | 699 |
| | | | | 38,596 |
| 21st Century Community Learning Centers | 84.287 | 5500Z | 3400002 | 28,000 |
| 21st Century Community Learning Centers | 84.287 | 5500 | 3400002 | 6,810 |
| 21st Century Community Learning Centers | 84.287 | 5501 | 3400002 | 59,192 |
| 21st Century Community Learning Centers | 84.287 | 5500Q | 3400002 | 2,000 |
| 21st Century Community Learning Centers | 84.287 | 5502S | 3400002 | 1,663 |
| 21st Century Community Learning Centers | 84.287 | 5501S | 3400002 | 4,122 |
| Total | | | | 101,787 |
| Rural Education Achievement Program | 84.358A | 3462 | | 23,730 |
| Rural & Low Income | 84.358 | 3501 | | 17,774 |
| Education Jobs Fund | 84.410 | 4411 | | 146,482 |
| Total U.S. Department of Education | | | | 680,064 |
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | |
| <u>Passed through the Kentucky Department of Education</u> | | | | |
| Child Nutrition Cluster: | | | | |
| National School Lunch Program | 10.555 | | 7750002 | 55,088 |
| School Breakfast Program | 10.553 | | 7760005 | 155,548 |
| Nutrition and Health | 10.559 | | 7740023 | 5,438 |
| Total | | | | 216,074 |
| Food Donations | 10.555 | | | 73,733 |
| Total U.S. Department of Agriculture | | | | 289,807 |
| TOTAL FEDERAL FINANCIAL AWARDS | | | | \$ 969,871 |

NOTE A - BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal grant activity of the Eminence Independent 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.

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

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MEMBER AICPA

MEMBER KY SOCIETY OF CPA'S

**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
Eminence Independent School District
Eminence, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Eminence Independent School District, as of and for the year ended June 30, 2012, which collectively comprise the Eminence Independent School District's basic financial statements and have issued our report thereon dated November 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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, and 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

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

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

Compliance and Other Matters

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

Although we did not note matters that needed to be reported to management of the Eminence Independent School District, we did issue a management letter dated November 9, 2012, as prescribed by Kentucky Department of Education guidelines.

This report is intended solely for the information and use of the members the Kentucky State Committee for School District Audits, the members of the Board of Education of Eminence Independent School District, the Kentucky Department of Education, management, and 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.

W. Dudley Shryock, CPA, PSC

Lawrenceburg, Kentucky

November 9, 2012

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MEMBER AICPA

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO 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
Eminence Independent School District
Eminence, Kentucky

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – 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 we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Eminence Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Eminence Independent School District's compliance with those requirements.

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

Internal Control Over Compliance

Management of Eminence Independent 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 our audit, we considered Eminence Independent 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 our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Eminence Independent 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.

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

This report is intended solely for the information and use of the members the Kentucky State Committee for School District Audits, the members of the Board of Education of Eminence Independent School District, the Kentucky Department of Education, management, and 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.

W. Dudley Shryock, CPA, PSC

Lawrenceburg, Kentucky

November 9, 2012

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

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Eminence Independent School District.
2. No significant deficiencies were disclosed during the audit of the financial statements of Eminence Independent School District. It follows that no material weaknesses were reported.
3. There were no instances of noncompliance material to the financial statements of Eminence Independent School District disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit of Eminence Independent School District. Consequently, none are reported as material weaknesses.
5. The auditor's report on compliance for the major federal award programs for Eminence Independent School District expresses an unqualified opinion on all major federal programs..
6. The audit did not disclose any findings and questioned costs required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included:

| | |
|--------------------------|------------------|
| Title I | #84.010 |
| Idea-B | #84.027, #84.173 |
| Education Jobs Fund | #84.410 |
| School Breakfast Program | #10.553 |
8. The threshold for distinguishing Type A and Type B programs was \$300,000.
9. Eminence Independent School District was determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

No matters were reported in the current year.

FINDINGS AND QUESTIONED COSTS- MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings or questioned costs in the current year.

**EMINENCE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

There were no findings in the prior year.

EMINENCE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2012

No corrective action plan necessary in the current year.

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MEMBER AICPA

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Kentucky State Committee for School District Audits
Members of the Board of Education
Eminence Independent School District
Eminence, Kentucky

We have examined the financial statements of Eminence Independent School District for the year ended June 30, 2012 and have issued our report thereon dated November 9, 2012. As part of our examination, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Eminence Independent School District's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of Eminence Independent School District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the system to dispatch its duties.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Eminence Independent School District taken as a whole. We noted no matters involving internal control over financial reporting and its operation that we consider to be significant deficiencies or material weaknesses.

W. Dudley Shryock, CPA, PSC
Lawrenceburg, Kentucky
November 9, 2012

**EMINENCE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2012**

Follow-Up On Prior Year Recommendations

None

Current Year Findings

None