



Gaw & Associates, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
Jenkins Independent School District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jenkins 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 Jenkins Independent School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

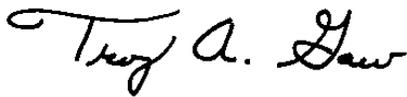
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirement*, *Appendix III to 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 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jenkins 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 February 13, 2013, on our consideration of the Jenkins Independent School 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 the 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 State of America require that the management's discussion and analysis and budgetary comparison information on pages 3 – 11 and 40 – 46 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 audit standards generally accepted in the United State 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 Jenkins Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has be 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 State of America. In our opinion, the combining and individual nonmajor fund financial statements, and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) are fairly stated in all material respects in relation to the financial statements as a whole.



Troy A. Gaw, CPA
Partner

Gaw, & Associates, PLLC
Harlan, Kentucky

February 13, 2013

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Management Discussion & Analysis (MD&A)

The discussion and analysis of Jenkins Independent School District's financial performance provides an overview of the district's financial activities for the fiscal year ended June 30, 2012 ("FY 2012"). The intent of this discussion and analysis is to look at the district's financial performance as a whole. Readers should also review the basic financial statements along with the notes to these statements to enhance their understanding of the district's financial performance.

Financial Highlights

Key financial highlights for FY 2012 are as follows:

- The ending cash balance for the District was \$449,652 in 2012 and \$343,636 in 2011. This was the result of overages in prior year special revenue fund projects.
- From 2011 to 2012 total general fund revenue increased by 0.57%.
- Among major funds, the General Fund had \$4,447,014 in revenue, which primarily consists of ad valorem, utility, federal and state funding (the SEEK program). There were \$4,388,705 in expenditures.

Using the Annual Report

This annual financial report contains, in addition to this Management Discussion and Analysis, the district's basic financial statements and supplementary information. These three sections together provide a comprehensive overview of the district's finances. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, district-wide and funds.

- District-wide financial statements, which comprise the first two statements, provide both short-term and long term information about the district's overall financial position.
- Individual parts of the district, which are reported as fund financial statements, focus on reporting the district's operation in more detail. These fund financial statements comprise the remaining statements.

MD&A

Notes to the financials, which are included just following the basic financial statements, provide more detailed data and explain some of the information in the statements. The supplementary information sections provide further explanations and additional support for the financial statements, including a comparison of the district's budget to actual revenues and expenditures for the year.

Additional elements of this report include sections on State and Federal Award Compliance and Findings and Recommendations.

Overview of the Financial Statements

District-wide Financial Statements – Statement of Net Assets and the Statement of Activities

While this document contains specific information on the many funds used by the district to provide programs and activities, the view of the district as a whole looks at all financial transactions and asks the question, "How did we do financially during the previous year?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the district's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the district as a whole, the financial position of the district has either improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the district's property tax base, current property tax laws in Kentucky, facility condition, required educational programs and other factors.

In the *Statement of Net Assets* and the *Statement of Activities*, the district reports governmental activities. Governmental activities are the activities where most of the district's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plants and facilities, pupil transportation and extracurricular activities. The district does not have any business-type activities.

The district-wide financial statements can be found on pages 12 – 13 of this report.

Fund Financial Statements

The analysis of the district's major funds begins on page 14. Fund financial reports provide detailed information about the district's major funds. The district uses several funds to account for a multitude of financial transactions. However, these fund financial statements focus on the district's most significant funds and not the district as a whole. The district's major governmental funds are the General Fund and Special Revenue Fund.

Governmental Funds

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

Fiduciary Funds

The district is the trustee, or fiduciary, for student body funds. All of the district's fiduciary activities are reported in a separate *Statement of Fiduciary Net Assets and Liabilities* on page 20. We exclude these activities from the district's other financial statements because the district cannot use these assets to finance its operations.

Notes to the Basic Financial Statement

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found starting on page 22 of this report.

Financial analysis of the District as a Whole

As stated earlier the *Statement of Net Assets* and the *Statement of Activities* provide a financial glimpse of the District as a whole. Table 1 (Net Assets Summary) provides a summary of the district's net assets for FY 2012 as contained in the Statement of Net Assets and compares that information to FY 2011. As the table shows, our total assets as of June 30, 2012 were \$3,875,406, a decrease of \$62,704 from the prior year.

	June 30, 2011	June 30, 2012	Change	Percentage Change
Assets				
Current and Other Assets	\$ 741,018	\$ 848,618	\$ 107,600	14.52%
Capital Assets	3,197,092	3,026,788	(170,304)	-5.33%
<i>Total Assets</i>	<u>\$ 3,938,110</u>	<u>\$ 3,875,406</u>	<u>\$ (62,704)</u>	-1.59%
Liabilities				
Current Liabilities	\$ 512,708	\$ 355,965	\$ (156,743)	-30.57%
Long-Term Liabilities	2,227,374	2,195,322	(32,052)	-1.44%
<i>Total Liabilities</i>	<u>\$ 2,740,082</u>	<u>\$ 2,551,287</u>	<u>\$ (188,795)</u>	-6.89%
Net Assets				
Non-spendable	\$ 750,438	\$ 833,556	\$ 83,118	11.08%
Restricted	295,646	225,429	(70,217)	-23.75%
Unrestricted	151,944	265,134	113,190	74.49%
<i>Total Net Assets</i>	<u>\$ 1,198,028</u>	<u>\$ 1,324,119</u>	<u>\$ 126,091</u>	10.52%

Table 2 (Change in Net Assets) reflects data extracted from the *Statement of Activities* and shows the changes in net assets from FY 2011 to FY 2012.

Jenkins Independent School District
MD&A

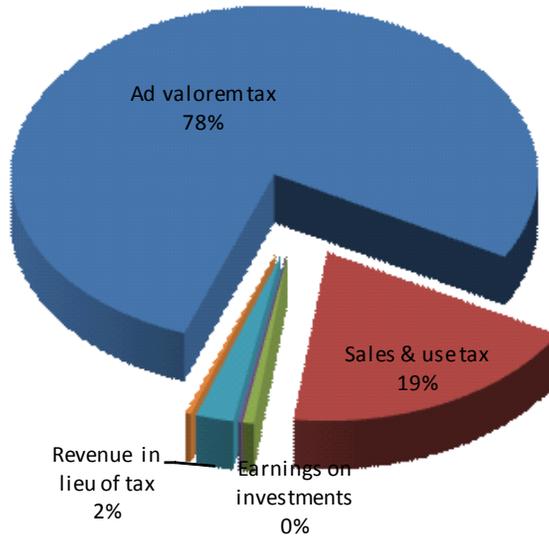
Table 2: Changes in Net Assets				
				Percentage
	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>Change</u>	<u>Change</u>
Revenues				
Program Revenues:				
Charges for Services				
Local sources	\$ 45,481	\$ 10,694	\$ (34,787)	-76.49%
Operating Grants and Contributions				
State sources	3,309,434	4,049,817	740,383	22.37%
Federal sources	1,072,845	1,115,267	42,422	3.95%
Capital Grants and Contributions				
State sources	-	108,244	108,244	0.00%
Federal sources	-	17,105	17,105	0.00%
General Revenues:				
Ad valorem tax	639,588	739,922	100,334	15.69%
Sales & use tax	190,556	180,551	(10,005)	-5.25%
Other tax	-	6,620	6,620	0.00%
Earnings on investments	2,593	1,450	(1,143)	-44.08%
Other local revenues	-	22,184	22,184	0.00%
Total local revenue	832,737	950,727	117,990	14.17%
Gains (Loss) on sale of fixed assets	<u>-</u>	<u>(3,347)</u>	<u>(3,347)</u>	0.00%
<i>Total Revenues</i>	<u>6,093,234</u>	<u>6,248,507</u>	<u>155,273</u>	<u>2.55%</u>
Program Expenses:				
Instruction	2,949,828	3,590,244	640,416	21.71%
Support services				
Student	125,798	186,163	60,365	47.99%
Instruction staff	121,397	151,664	30,267	24.93%
District administration	380,066	422,507	42,441	11.17%
School administration	244,727	286,135	41,408	16.92%
Business	205,283	267,510	62,227	30.31%
Plant operation and maintenance	367,201	425,526	58,325	15.88%
Student transportation	181,391	285,635	104,244	57.47%
Total support services	1,625,863	2,025,140	399,277	24.56%
Community service activities	85,535	82,441	(3,094)	-3.62%
Facilities acquisition and construction	57,459	14,838	(42,621)	-74.18%
Interest Expense	84,360	72,194	(12,166)	-14.42%
Food Service	<u>283,680</u>	<u>337,559</u>	<u>53,879</u>	<u>18.99%</u>
<i>Total Expenses</i>	<u>5,086,725</u>	<u>6,122,416</u>	<u>1,035,691</u>	<u>20.36%</u>
Change in Net Assets	<u>\$ 162,086</u>	<u>\$ 126,091</u>	<u>\$ (880,418)</u>	<u>-543.18%</u>

The most significant changes resulted from the following:

- Total local revenue decreased because of a downturn in the economy and interest rates.
- Operating Grants and Revenues and Capital Grants and Contributions increased because of an increase in grants received and an increase funding of debt service payments.
- Depreciation Expense was allotted to individual expense accounts this year.

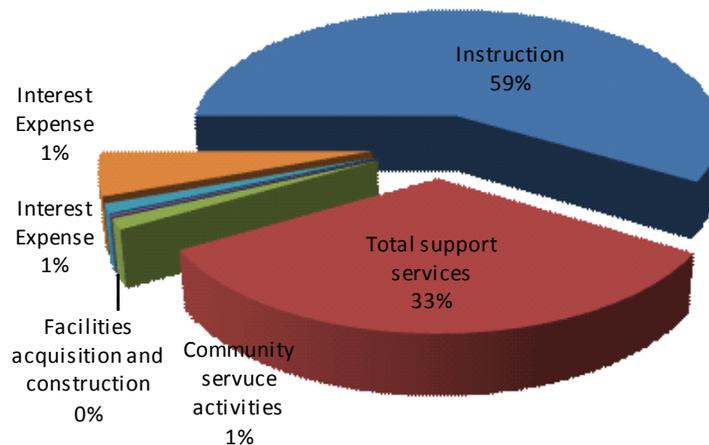
District programs for FY 2012 cost \$6,122,416. To support those programs the district garnered \$5,301,127 in program revenues. The balance of support came from property taxes and other general revenues. The chart below shows FY 2012 revenues by category.

FY 2012 Revenues



Instruction comprises 59% of district expenses. Support service expenses make up 33% of the total, with the balance being interest and fiscal charges. The following chart displays FY 2012 expenses by category.

FY 2012 Expenses



Governmental Activities

The *Statement of Activities* on page 13 shows the cost of program services and the charges for services and grants offsetting those services. Table 3 (Net Cost of Services) extract information from the *Statement of Activities* and compares the net cost of services from one year to the next. It identifies the cost of those services supported by tax revenue and unrestricted state entitlements. The net cost of services decreased by \$2,646,094.

Table 3: Net Cost of Services				
				Percentage
	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>Change</u>	<u>Change</u>
Instruction	\$ 1,780,208	\$ 509,183	\$ (1,271,025)	-71.40%
Support services				
Student	125,798	(12,385)	(138,183)	-109.85%
Instruction staff	50,886	17,465	(33,421)	-65.68%
District administration	380,066	50,080	(329,986)	-86.82%
School administration	244,727	33,180	(211,547)	-86.44%
Business	205,283	30,924	(174,359)	-84.94%
Plant operation and maintenance	367,201	128,406	(238,795)	-65.03%
Student transportation	175,896	76,145	(99,751)	-56.71%
Community service activities	57,459	9,918	(47,541)	-82.74%
Facilities acquisition and construction	16,544	14,838	(1,706)	-10.31%
Interest Expense	84,360	(15,420)	(99,780)	-118.28%
<i>Total Cost of Services</i>	<u>\$ 3,488,428</u>	<u>\$ 842,334</u>	<u>\$ (2,646,094)</u>	-75.85%

The program expense categories shown in Table 3 are summarized below.

- “Instruction” expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.
- “Instruction-related services” and “pupil services” include the activities involved with assisting staff with the content and process of teaching to pupils, as well as direct non-instructional services to students (including health, library, transportation, and other services).
- “General administration” costs include expenses associated with the administrative and financial supervision of the district.
- “Plant services” involve keeping the school grounds, buildings, and equipment in good working condition.
- “Facilities acquisition and construction” represents the difference between the amount spent on our facilities and the amount capitalized.
- “Interest and fiscal charges” involve the transactions associated with the payment of interest and other charges related to debt of the district.

Financial Analysis of the District’s Funds

The district’s governmental funds report a combined fund balance of \$507,387, which is increased from last year’s total of \$485,919. Table 4 (Governmental Fund Balances) provides an analysis of the district’s fund balances and the total change in fund balances from the prior year.

Table 4: Governmental Fund Balances				
				Percentage
	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>Change</u>	<u>Change</u>
Fund:				
General	\$ 238,460	\$ 293,402	\$ 54,942	23.04%
Special Revenue	-	-	-	0.00%
Capital Outlay	166,305	59,238	(107,067)	-64.38%
Building Fund	59,125	166,305	107,180	181.28%
Construction Fund	22,029	(11,558)	(33,587)	-152.47%
Debt Service Fund	-	-	-	0.00%
<i>Total Fund Balances</i>	<u>\$ 485,919</u>	<u>\$ 507,387</u>	<u>\$ 21,468</u>	4.42%

The following information helps explain the changes from the prior year.

- Operations.

General Fund Budgetary Highlights

The district’s budget is prepared according to Kentucky law and is based on the modified accrual basis of accounting.

In Kentucky the public school fiscal year is July 1 – June 30; other programs, i.e. some federal programs, operate on a different program calendar, but are reflected in the district overall budget. By Kentucky statute the budget must have a minimum 2% contingency. This district adopted a budget for 2011 and 2012 that satisfies the statute requirement. The general fund revenues and expenditures for the 2012 and 2013 budget cycle increased from the previous year.

We do a draft, tentative and working budget. We made minor amendments to the working budget for FY 2012 based upon unexpected changes in the revenues received or expenditures. The working budget is amended only if there is a significant change in revenues or expenditures. Expenditure appropriation adjustments were made to reflect actual staffing, restoration of previously cut programs, increased cost of contracted services, and other changes during the year.

Major differences between final budget amounts and actual revenues and expenditures are identified as follows:

- On behalf adjustment

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year, the district had \$5,963,499 invested in land, building, equipment (including computer equipment, furniture and vehicles), and construction in progress. Table 5 Capital Assets shows FY 2012 balances as compared to FY 2011.

	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>Change</u>	<u>Percentage Change</u>
Land	\$ 21,193	\$ 21,193	\$ -	0.00%
Land Improvements	42,469	42,469	-	0.00%
Buildings and improvements	4,360,565	4,380,085	19,520	0.45%
Technology Equipment	806,759	630,594	(176,165)	-21.84%
Vehicles	735,257	735,257	-	0.00%
General equipment	162,597	153,901	(8,696)	-5.35%
Construction in progress	-	-	-	0.00%
Total	6,128,840	5,963,499	(165,341)	-2.70%
Less: Accumulated Depreciation	2,983,904	2,984,547	643	0.02%
<i>Net Capital Assets</i>	<u>\$ 3,144,936</u>	<u>\$ 2,978,952</u>	<u>\$ (165,984)</u>	<u>-5.28%</u>

For more information see Note C to the Basic Financial Statements.

Long-Term Debt

At June 30, 2012 the district had \$2,282,233 in long term debt obligations. The bulk of this total is debt service on general obligation bonds issued by the district to finance its construction and modernization program. The remaining \$111,688 in long term obligations is the amount of compensated absences liability recorded by the district at year end.

Table 6 (Long-Term Debt) shows the district's outstanding debt as of June 30, 2012 as well as comparable data for the prior year. A more detailed discussion is included in Note D to the Basic Financial Statements.

	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>Change</u>	<u>Percentage Change</u>
General obligation bonds	\$ 3,088,389	\$ 2,170,545	\$ (917,844)	-29.72%
Compensated absences	47,219	111,688	64,469	136.53%
<i>Net Long-Term Debt</i>	<u>\$ 3,135,608</u>	<u>\$ 2,282,233</u>	<u>\$ (853,375)</u>	<u>-27.22%</u>

Factors bearing on the District's Future

- Attendance percentage.
- Continued decrease of area population.
- Property valuation flux.
- Economic downturn.
- State budget shortfalls.
- Changes in SEEK Allotment allocation

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District's Finance Department at PO Box 74 • Jenkins, Kentucky 41537 • Phone: 606.832-2182 • Fax: 606.832-2181.

Jenkins Independent School District
Statement of Net Assets - District Wide
As of June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 572,321	\$ 22,055	\$ 594,376
Accounts receivable			
Taxes	22,644	-	22,644
Intergovernmental - State	106,422	-	106,422
Intergovernmental - Federal	111,084	-	111,084
Other	1,887	4,621	6,508
Inventory	-	7,584	7,584
Total current assets	<u>814,358</u>	<u>34,260</u>	<u>848,618</u>
Noncurrent Assets			
Capital assets	5,963,502	135,255	6,098,757
Less: Accumulated depreciation	<u>(2,984,547)</u>	<u>(87,422)</u>	<u>(3,071,969)</u>
Total noncurrent assets	<u>2,978,955</u>	<u>47,833</u>	<u>3,026,788</u>
Total assets	<u>\$ 3,793,313</u>	<u>\$ 82,093</u>	<u>\$ 3,875,406</u>
LIABILITIES			
Current Liabilities			
Overdraft of cash and cash equivalents	\$ 146,663	\$ -	\$ 146,663
Accounts payable	49,011	-	49,011
Deferrred Revenue	36,246	-	36,246
Current portion of KISTA payable	45,720	-	45,720
Current portion of bonds payable	85,000	-	85,000
Total current liabilities	<u>369,503</u>	<u>-</u>	<u>369,503</u>
Noncurrent Liabilities			
Sick leave payable	111,688	-	111,688
KISTA Payable	353,634	-	353,634
Bonds payable	<u>1,730,000</u>	<u>-</u>	<u>1,730,000</u>
Total noncurrent liabilities	<u>2,195,322</u>	<u>-</u>	<u>2,195,322</u>
Total liabilities	<u>\$ 2,564,825</u>	<u>\$ -</u>	<u>\$ 2,564,825</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 978,472	\$ 55,417	\$ 1,033,889
Restricted	213,871	-	213,871
Unrestricted	<u>36,145</u>	<u>26,676</u>	<u>62,821</u>
Total net assets	<u>\$ 1,228,488</u>	<u>\$ 82,093</u>	<u>\$ 1,310,581</u>

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

Jenkins Independent School District
Balance Sheet - Governmental Funds
As of June 30, 2012

	General Fund	Special Revenue	Building	Construction Fund	Nonmajor	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 292,891	\$ -	\$ 166,305	\$ 19,924	\$ 59,238	\$ 538,358
Accounts receivable						
Taxes	22,644	-	-	-	-	22,644
Intergovernmental - State	-	72,197	-	-	-	72,197
Intergovernmental - Federal	-	111,084	-	-	-	111,084
Other	1,887	-	-	-	-	1,887
Total assets	<u>\$ 317,422</u>	<u>\$ 183,281</u>	<u>\$ 166,305</u>	<u>\$ 19,924</u>	<u>\$ 59,238</u>	<u>\$ 746,170</u>
LIABILITIES						
Amount in excess of deposits	\$ -	\$ 146,663	\$ -	\$ -	\$ -	\$ 146,663
Accounts payable	17,157	372	-	31,482	-	49,011
Payroll taxes payable	6,863	-	-	-	-	6,863
Deferred revenue	-	36,246	-	-	-	36,246
Total liabilities	<u>24,020</u>	<u>183,281</u>	<u>-</u>	<u>31,482</u>	<u>-</u>	<u>238,783</u>
FUND BALANCE						
Restricted	-	-	166,305	(11,558)	59,124	213,871
Assigned	1,237	17,179	-	-	-	18,416
Unassigned	292,165	(17,179)	-	-	114	275,100
Total fund balances	<u>293,402</u>	<u>-</u>	<u>166,305</u>	<u>(11,558)</u>	<u>59,238</u>	<u>507,387</u>
Total liabilities and fund balances	<u>\$ 317,422</u>	<u>\$ 183,281</u>	<u>\$ 166,305</u>	<u>\$ 19,924</u>	<u>\$ 59,238</u>	<u>\$ 746,170</u>

Total liabilities and fund balance \$ 507,387

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 2,978,955

Bond issue costs are not current financial resources and, therefore, are not reported as assets in governmental funds. 33,963

Accounts receivables for SFCC are not current financial resources and therefore are not reported as revenues in governmental funds. 34,225

Long-term portion of accumulated sick leave is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net assets. (176,157)

Interest payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but is presented in the statement of net assets. -

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (2,149,885)

Net assets of governmental activities \$ 1,228,488

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

Jenkins Independent School District

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

For the year ended June 30, 2012

	General Fund	Special Revenue	Building	Construction Fund	Nonmajor	Total Governmental Funds
Revenues						
From local sources						
Ad valorem tax	\$ 696,499	\$ -	\$ 43,423	\$ -	\$ -	\$ 739,922
Sales & use tax	180,551	-	-	-	-	180,551
Other tax	6,620	-	-	-	-	6,620
Earnings on investments	1,450	-	-	-	-	1,450
Other local revenues	17,684	4,500	-	-	-	22,184
State sources						
SEEK	2,691,009	-	-	-	-	2,691,009
Other	7,924	296,634	128,723	-	48,972	482,253
On behalf payments	886,469	-	-	-	-	886,469
SFCC	-	-	-	-	87,614	87,614
Federal sources						
Restricted through state	-	759,648	-	-	-	759,648
Reimbursements	1,306	-	-	-	-	1,306
Total revenues	\$ 4,489,512	\$ 1,060,782	\$ 172,146	\$ -	\$ 136,586	\$ 5,859,026
Expenditures						
Instruction	\$ 2,517,076	\$ 919,041	\$ -	\$ -	\$ -	\$ 3,436,117
Support services						
Student	170,065	15,461	-	-	-	185,526
Instruction staff	86,916	64,599	-	-	-	151,515
District administration	420,482	-	-	-	-	420,482
School administration	285,594	-	-	-	-	285,594
Business	309,611	-	-	-	-	309,611
Plant operation and maintenance	335,458	-	-	-	-	335,458
Student transportation	223,764	12,757	-	-	-	236,521
Community service activities	23,163	58,718	-	-	-	81,881
Facilities acquisition and construction	-	-	-	56,086	-	56,086
Debt Service	59,074	-	-	-	279,690	338,764
Total expenditures	4,431,203	1,070,576	-	56,086	279,690	5,837,555
Excess (deficit) of revenues over expenditures	58,309	(9,794)	172,146	(56,086)	(143,104)	21,471
Other Financing Sources (Uses)						
Operating transfers in	6,428	9,794	-	22,500	192,076	230,798
Operating transfers out	(9,794)	-	(172,146)	-	(48,858)	(230,798)
Total other financing sources (uses)	(3,366)	9,794	(172,146)	22,500	143,218	-
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	54,943	-	-	(33,586)	114	21,471
Fund balance, Beginning	238,459	-	166,305	22,028	59,124	485,916
Fund balance, Ending	\$ 293,402	\$ -	\$ 166,305	\$ (11,558)	\$ 59,238	\$ 507,387

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

Jenkins Independent School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the year ended June 30, 2012

Net change in fund balances--total governmental funds \$ 21,471

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(149,404)
Bond and capital lease payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions of liabilities in the statement of net assets.	253,032
Interest payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are expensed as incurred in the statement of activities.	-
Proceeds from the sale of assets are recognized as revenue in the governmental fund financial statements, but only the gain on the sale of assets is recognized as revenue in the statement of activities	(3,347)
Accounts receivable for SFCC are not recognized as revenue of current financial resources in the governmental fund financial statements, but are increases of assets in the statement of net assets.	34,225
Changes in non-current sick leave payable are not recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions or additions of liabilities in the statement of net assets.	(64,469)
Rounding	-
	<hr/>
Change in net assets of governmental activities	<u>\$ 91,508</u>

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

Jenkins Independent School District
Statement of Net Assets - Proprietary Funds
As of June 30, 2012

ASSETS	<u>Food Service Fund</u>
Current Assets	
Cash and cash equivalents	\$ 22,055
Accounts receivable	
Other	4,621
Inventory	<u>7,584</u>
Total current assets	<u>34,260</u>
Noncurrent Assets	
Furniture and equipment	135,255
Less: Accumulated depreciation	<u>(87,422)</u>
Total noncurrent assets	<u>47,833</u>
Total assets	<u><u>\$ 82,093</u></u>
LIABILITIES	
Current Liabilities	
Total current liabilities	<u>-</u>
Noncurrent Liabilities	
Total noncurrent liabilities	<u>-</u>
Total liabilities	<u><u>-</u></u>
NET ASSETS	
Invested in capital assets, net of related debt	52,156
Unrestricted	<u>29,937</u>
Total net assets	<u><u>\$ 82,093</u></u>

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

Jenkins Independent School District

**Statement of Revenues, Expenses, and Changes in
Net Assets - Proprietary Funds**

For the year ended June 30, 2012

	<u>Food Service Fund</u>
Operating Revenues	
Food service sales	\$ 10,694
Total operating revenues	<u>10,694</u>
Operating Expenses	
Salaries and wages	169,479
Professional and contract services	4,022
Supplies and materials	159,735
Depreciation	4,323
Total operating expenses	<u>337,559</u>
Operating income (loss)	<u>(326,865)</u>
Nonoperating revenues (expenses)	
Federal grants	306,600
State grants	3,575
On-Behalf payments	20,630
Commodities Received	17,105
Total nonoperating revenues (expenses)	<u>347,910</u>
Operating transfers	
Transfers in (out)	<u>-</u>
Net income (loss)	<u>21,045</u>
Total net assets, beginning	<u>61,048</u>
Total net assets, ending	<u>\$ 82,093</u>

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

Jenkins Independent School District

Statement of Cash Flows - Proprietary Funds

For the year ended June 30, 2012

	Food Service Fund
Cash Flows from Operating Activities	
Cash received from lunchroom sales	\$ 28,987
Cash received from other activities	-
Cash payments to employees for services	(169,479)
Cash payments to suppliers for goods and services	(147,679)
Net cash from operating activities	<u>(288,171)</u>
Cash Flows from Capital Financing Activities	
Net cash from capital financing activities	<u>-</u>
Cash Flows from Noncapital Financing Activities	
Nonoperating grants received	<u>330,805</u>
Net cash from noncapital financing activities	<u>330,805</u>
Cash Flows from Investing Activities	
Net cash flows from investing activities	<u>-</u>
Net increase in cash and cash equivalents	42,634
Cash and cash equivalents - beginning	<u>(20,579)</u>
Cash and cash equivalents - ending	<u>\$ 22,055</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ (326,865)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	4,323
Commodities usage	17,105
Changes in assets and liabilities:	
Receivables	18,293
Inventory	(1,027)
Net Cash Provided by Operating Activities	<u>\$ (288,171)</u>

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

Jenkins Independent School District
Statement of Fiduciary Net Assets - Fiduciary Funds
 As of June 30, 2012

	<u>Trust/Agency Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ <u>37,187</u>
Total current assets	<u>37,187</u>
Noncurrent Assets	
Total noncurrent assets	<u>-</u>
Total assets	<u>\$ 37,187</u>
LIABILITIES	
Current Liabilities	
Due to student groups	\$ <u>37,187</u>
Total current liabilities	<u>37,187</u>
Noncurrent Liabilities	
Total noncurrent liabilities	<u>-</u>
Total liabilities	<u>37,187</u>
NET ASSETS	
Net Assets	
Total net assets	<u>\$ -</u>

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

Jenkins Independent School District

Statement of Changes in Fiduciary Net Assets - Fiduciary Funds

For the year ended June 30, 2012

	<u>Trust/Agency Fund</u>
Additions	
Other additions	\$ 152,149
Total additions	<u>152,149</u>
Deductions	
Other deductions	<u>156,722</u>
Total deductions	<u>156,722</u>
Change in net assets	(4,573)
Net assets - beginning	<u>41,760</u>
Net assets - ending	<u><u>\$ 37,187</u></u>

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

Note A – Summary of Significant Accounting Policies

The accounting and reporting framework and the more significant accounting principles and practices of Jenkins Independent School District (District) are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the District's financial activities for the fiscal year ended June 30, 2012.

Accounting Principles

The District accounts for its financial transactions in accordance with the policies, procedures, applicable laws and regulations of the State of Kentucky. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the U.S. Governmental Accounting Standards Board ("GASB"); and it complies with the requirements of the appropriate version of contracts and grants of agencies from which it receives funds.

Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials whom, together constitute the Board of Education. The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's elected officials to exercise over-sight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Accordingly, for the year ended June 30, 2012, the District is not a component unit of any other reporting entity.

Jenkins Independent Board of Education Finance Corporation

The Board of Education resolved to authorize the establishment of the Jenkins 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) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. Eliminations have been made to minimize the effect of interfund activities.

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, includes a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

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

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

Agency funds have no measurement focus.

Basis of Accounting

Basis of account refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Agency funds use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each part gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected with 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 collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements 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 to be used or the fiscal year when use is first permitted; matching requirement, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with nonexchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/Expenditures:

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. In the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortizations, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses as appropriate. The District’s resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District’s accounts are organized into major, non-major, and fiduciary funds as follows:

Jenkins Independent School District
Notes to the Basic Financial Statements
June 30, 2012

Major Governmental Funds:

The General Fund – The general fund is the District’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Non-major Governmental Funds:

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

Capital Outlay Fund – 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.

Construction (Capital Projects) Fund – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Debt Service Funds – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Funds:

Agency Funds – The District accounts for activities of student groups and others in a custodial capacity in agency funds. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

Proprietary Funds:

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 contribution of commodities from the USDA. The Food Service Fund is a major fund.

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.

Permanent Funds:

Trust Funds – Trust Funds report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting governments programs. These funds do not apply to the Jenkins Independent School District.

Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated on June 30.

Estimates

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

Assets, Liabilities, and Equity

Cash and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation.

The District is authorized to deposit cash and invest excess fund pursuant to the regulations set forth by Kentucky Revised Statute. The funds maintained by the District are either secured by federal depository insurance or are collateralized.

Investments are reported at fair value which is determined using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds are related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash deposits are reported at carrying amount which reasonably estimates fair value. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less. Additional cash and investment information, and fair values are presented in Note B.

Inventories and Prepaid Expenditures

Inventories

Inventories are recorded using the purchases method, in that inventory acquisitions are initially recorded as expenditures. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets. The District's inventory is valued at cost and consists of expendable supplies held for consumption.

Prepaid Expenditures

The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period, thus recording a prepaid expenditure in the Statement of Net Assets.

Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

Capital Assets

Capital assets are those purchased or acquired with an original cost of \$1,000 or more and are reported at historical cost or estimated historical costs. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciation assets are as follows:

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

Deferred Revenue

Cash received for federal and state special project and programs are recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

Donated Commodities

The fair value of donated commodities received during the year is reported in the proprietary fund statement of revenues, expenses, and changes in net assets as an expense and as donated commodities revenue (non-operating revenue).

Compensated Absences

Employees are allowed to accrue ten days of sick leave each year without limit. Since the employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

Teachers and administrative personnel do not receive paid vacations but are paid only for the number of days they are required to work each year (180 days for teachers and 240 days for administrative personnel).

Maintenance employees are granted vacation leave in varying amounts. In the event of termination an employee is reimbursed for any unused accumulated leave. The District has no liability for unused vacation pay since all vacation leave is used or lost if not taken each year. Vacation pay is charged to operations when taken by the employees of the District.

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated 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 probable 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 governmental 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 noncurrent portion of the liability is not reported.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as prepaid expenditures and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs during the current period. The face amounts of the debt issued, premiums, or discounts are reported as other financing sources/uses.

Fund Balance Reserves and Designations

Fund balance is divided into five categories as defined by GASB 54 as follows:

Nonspendable:	Permanently nonspendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.
Restricted	Legally restricted under legislation, bond authority, or grantor contract.
Committed	Commitments of future funds for specific purposes passed by the Board.
Assigned	Funds that are intended by management to be used for a specific purpose, including encumbrances.
Unassigned	Funds available for any purpose.

The Board has adopted a GASB 54 spending policy which states that the spending order of funds is to first use restricted funds, followed by committed, assigned, and unassigned fund funds when an expenditure is incurred for which those fund balances are available.

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 District or through external restrictions imposed by creditors, grantors, laws or regulations

of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing.

Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year. The assessed value of the certified roll, upon which the levy for the 2011 fiscal year was based upon, was in excess of \$86,845,375.

Taxes are due on November 1 and become delinquent by February 1 following the October 1 levy date.

The property tax rates assessed for the year ended June 30, 2012, to finance the General Fund operations were \$.769 per \$100 valuation for real property, \$.769 per \$100 valuation for business personal property, and \$.690 per \$100 valuation for motor vehicles.

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

Risk Management

The district is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District purchases insurance coverage, from a private insurance agent, through a cooperative on a competitive bidding basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss.

There were no significant reductions in insurance coverage in the current fiscal year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Interfund Transactions

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivable and payable, as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are eliminated in the government-wide financial statements.

On-Behalf Payments for Fringe Benefits

The District receives on-behalf payments from the State of Kentucky to be used for Kentucky Teacher Retirement contributions, vocational education, health insurance, administrative fees, flexible spending and federal reimbursement. On-behalf payments to the District totaled \$903,574 for the fiscal year ended June 30, 2012. Such payments are recorded as intergovernmental revenue and employee benefit expenses/expenditures in the GAAP basis government-wide and general fund and proprietary financial statements, but are not budgeted and therefore are not included in the general fund budgetary basis financial statements.

Operating and Non-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.

Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments

Note B – Cash and Investments

The District maintains their cash and investments with various local banks. Due to the liquidity nature of these accounts the carrying value is the fair market value. Federal depository insurance and pledged securities covers all account balances as shown below.

Cash and cash equivalents consist of demand deposit accounts that are interest bearing at a rate determined by the bid of the depository.

Investments are time deposits with various maturity dates that consist of certificates of deposits with the various local banks. Federal depository insurance and pledged securities cover these deposits as shown below.

	<u>Whitaker Bank</u>
Cash Balances - interest bearing	\$ 787,453.05
Cash Balances - non intrest bearing	-
Less: FDIC Coverage	<u>(250,000.00)</u>
Unsecured Cash Balances	\$ 537,453.05
Less: Pledged Security Coverage (C-8)	<u>2,250,000.00</u>
(Over) Under Secured Balance	<u>\$ (1,712,546.95)</u>

Custodial credit risk Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District’s policy requires deposits to be 100 percent secured by collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service, as determined by a rating of C minus or above by independent rating agencies. Collateral agreements must be approved prior to deposit of funds as provided by law. The District council approves and designates a list of authorized depository institutions based on evaluation of solicited responses and

Notes to the Basic Financial Statements

June 30, 2012

certifications provided by financial institutions and recommendations of an evaluation committee or the District treasurer, or both.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The district does not retain any long-term investments.

Concentration of Credit Risk. The Board places no limit on the amount the District may invest in any one issuer. All of the organization's cash is held at a local financial institution.

Foreign Currency Risk Foreign currency risk is the risk of changes in exchange rates affecting foreign investments. The District does not hold any foreign investments.

For discussion of adopted deposit and investment policy and other related information, see Note A.

Note C – Capital Assets

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

Notes to the Basic Financial Statements

June 30, 2012

	Balance			Balance
<u>Governmental Activities</u>	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2012</u>
Land	\$ 21,196	\$ -	\$ -	\$ 21,196
Land improvements	42,469	-	-	42,469
Buildings and improvements	4,360,565	19,520	-	4,380,085
Technology Equipment	806,759	21,728	197,893	630,594
Vehicles	735,257	-	-	735,257
General equipment	162,597	-	8,696	153,901
Construction in progress	-	-	-	-
Totals at historical cost	<u>\$ 6,128,843</u>	<u>\$ 41,248</u>	<u>\$ 206,589</u>	<u>\$ 5,963,502</u>
Less: accumulated depreciation				
Land improvements	42,469	-	-	42,469
Buildings and improvements	1,851,849	87,923	-	1,939,772
Technology Equipment	652,741	57,462	196,635	513,568
Vehicles	352,612	49,114	-	401,726
General equipment	84,234	9,385	6,607	87,012
Total accumulated depreciation	<u>\$ 2,983,905</u>	<u>203,884</u>	<u>203,242</u>	<u>2,984,547</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 3,144,938</u>	<u>\$ (162,636)</u>	<u>\$ 3,347</u>	<u>\$ 2,978,955</u>
Business-Type Activities				
Food service and equipment	\$ 154,816	\$ -	\$ 19,561	\$ 135,255
Totals at historical cost	<u>\$ 154,816</u>	<u>\$ -</u>	<u>\$ 19,561</u>	<u>\$ 135,255</u>
Less: accumulated depreciation				
Food service and equipment	102,660	4,323	19,561	87,422
Total accumulated depreciation	<u>102,660</u>	<u>4,323</u>	<u>19,561</u>	<u>87,422</u>
Capital Assets - Net	<u>\$ 52,156</u>	<u>\$ (4,323)</u>	<u>\$ -</u>	<u>\$ 47,833</u>

Depreciation expense was charged to governmental activities as follows:

Jenkins Independent School District
Notes to the Basic Financial Statements
 June 30, 2012

Governmental Activities Depreciation Expense by Function

	June 30, 2012
Instruction	\$ 60,392
Support services	
Student	637
Instruction staff	149
District administration	2,025
School administration	541
Business	397
Plant operation and maintenance	90,068
Student transportation	49,114
Community services	<u>560</u>
Total	<u>\$ 203,883</u>

Note D – Capital Lease Payable

The following is an analysis of the leased property under capital lease:

Description	Maturity	Interest Rates	Original Issue	Principal	Debt	Debt	Principal	Due Within
				Balance 6/30/2011	Issued	Paid	Balance 6/30/2012	One Year
2009 KISTA 2nd Series Bond	Mar-19	2.00% to 3.90%	\$ 231,403	\$ 181,725	\$ -	\$ 21,510	\$ 160,215	\$ 22,022
2009 KISTA 3rd Series Bond	Mar-20	2.00% to 3.60%	154,690	138,606	-	17,063	121,543	14,476
2011 KISTA Bond Issue	Mar-21	1.00% to 3.60%	83,246	83,246	-	9,459	73,787	8,986
Total			<u>\$ 469,339</u>	<u>\$ 403,577</u>	<u>\$ -</u>	<u>\$ 48,032</u>	<u>\$ 355,545</u>	<u>\$ 45,484</u>

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2012:

Fiscal Year	District			
	Ending June 30,	Interest	Principal	Total
2013		\$ 10,717	\$ 45,484	\$ 56,201
2014		9,687	45,486	55,173
2015		8,554	46,604	55,158
2016		7,274	47,637	54,911
2017		5,868	48,825	54,693
2018 to 2022		<u>8,429</u>	<u>121,509</u>	<u>129,938</u>
Total		<u>\$ 50,529</u>	<u>\$ 355,545</u>	<u>\$ 406,074</u>

Total minimum lease payments	\$ 406,074
Less: Amount representing interest	<u>50,529</u>
Present Value of Net Minimum Lease Payments	<u>\$ 355,545</u>

Jenkins Independent School District
Notes to the Basic Financial Statements
 June 30, 2012

Note E – Long-Term Obligations

The amount shown in the accompanying financial statements as bonded debt and lease obligations represent the District’s future obligations to make payments relating to the bonds issued by the Jenkins Independent School District Finance Corporation aggregating \$1,815,000 and \$85,000 is the portion due within one year.

The District, through the General Fund (including utility taxes), Building (FSPK) Fund, and the SEEK Capital Outlay Fund is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued to construct and repair school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The long-term obligation activity including the original amount of each issue, the issue date, and interest rates and summary of changes are summarized below:

Description	Maturity	Interest Rates	Original	Principal	Debt	Debt	Principal	Due Within
			Issue	Balance	Issued	Paid	Balance	One
				6/30/2011			6/30/2012	Year
1997 Bond Fund	Aug-11	2.00% to 3.60%	\$ 1,775,000	\$ 190,000	\$ -	\$ 190,000	\$ -	\$ -
2007 Bond Fund	Nov-27	1.00% to 3.60%	1,875,000	1,830,000	-	15,000	1,815,000	85,000
Total			\$ 3,650,000	\$ 2,020,000	\$ -	\$ 205,000	\$ 1,815,000	\$ 85,000

Payments on the General Obligation Bonds are made from the Debt Service Fund using local revenues and SFCC Contributions. Compensated absences are paid by the general fund.

In connection with the school revenue bonds issued after May 1, 1989 the District entered into “participation agreements” with the School Facility 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, to total principal outstanding has been recorded in the financial statements.

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

Fiscal Year			SFCC		District		
Ending			Interest	Principal	Interest	Principal	Total
June 30,							
	2013		\$ 9,681	\$ 12,222	\$ 58,559	\$ 72,778	\$ 153,240
	2014		9,251	12,651	55,969	77,349	155,220
	2015		8,794	13,109	53,231	76,891	152,025
	2016		8,313	13,589	50,382	81,411	153,695
	2017		7,808	14,094	47,327	85,906	155,135
2018	to	2022	30,456	79,055	185,611	470,945	766,067
2023	to	2027	13,269	96,243	82,631	568,757	760,900
2028	to	2032	334	16,685	2,466	123,315	142,800
2033	to	2037	-	-	-	-	-
Total			\$ 87,906	\$ 257,648	\$ 536,176	\$ 1,557,352	\$ 2,439,082

Note F – Commitments under Noncapitalized Leases

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

Year Ending June 30,	Noncapital Lease Payable
2013	\$ 9,065
2014	8,686
2015	8,686
2016	8,686
2017	8,686
Total minimum lease payments	\$ 43,809

Note G – Retirement Plans

Kentucky Teachers Retirement System:

Plan Description – The Jenkins Independent School System 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 Kentucky Department of Education (KDE).

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, Kentucky 40601 or from the KTRS web site at <http://ktrs.ky.gov/>.

Funding Policy – Contribution rates are established by KRS. For members who have established an account in the retirement system administered by the Commonwealth prior to July 1, 2008, are required to contribute 9.855% of their salaries to KTRS and the Commonwealth of Kentucky is required to contribute 13.105% of salaries. For members hired after July 1, 2008, they are required to contribute 10.855% of their salaries to KTRS and the Commonwealth of Kentucky is required to contribute 14.105% of salaries. The federal program for any salaries paid by that program pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by Kentucky Department of Education (KDE).

The Jenkins Independent School System’s total payroll for the year was \$3,362,417. The payroll for employees covered under KTRS was \$2,711,600. For the year ended June 30, 2012, the Commonwealth contributed \$305,915 in matching to KTRS for the benefit of our participating employees. The School District’s contributions to KTRS for the year ending June 30, 2012, were \$55,624, which represents those employees covered by federal programs.

County Employees Retirement System

Substantially all other employees (classified personnel) are covered under the County Employees Retirement System of Kentucky (CERS) which is a cost sharing, multiple-employer public employees retirement system created by and operating under Kentucky law. The County Employees Retirement System covers substantially all regular non-certified full-time employees of each county and school board, and any additional local agencies electing to participate. The plan provides for retirement, disability and death benefits. CERS issues a

Jenkins Independent School District
Notes to the Basic Financial Statements
 June 30, 2012

publicly available financial report that includes financial statement and required supplementary information. The report may be obtained in writing from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky 40601.

Funding for the plan is provided through payroll withholdings of 5.00% and a district contribution of 16.17% of the employee's total compensation subject to contributions. Total payroll for employees covered under CERS was \$650,817.

The contribution requirement for CERS for the year ended June 30, 2012, was \$139,696 which consisted of \$109,346 from the District and \$30,350 from the employees.

The following is a summary of contributions paid on-behalf of the employees for the past three years:

Year Ended June 30,	KTRS		CERS
	District	State	
2012	\$ 55,624	\$ 305,915	\$ 139,696
2011	\$ 55,840	\$ 392,023	\$ 133,918
2010	\$ 31,352	\$ 335,923	\$ 130,713

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

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

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following table presents certain information regarding the plans' status as a whole, derived from actuarial valuations performed as of the dates indicates:

	KTRS	CERS
	as of June 30, 2011	as of June 30, 2011
	(in 1,000's of dollars)	
Actuarial accrued liabilities	\$ 25,968,692	\$ 8,918,085,025
Actuarial value of assets	14,908,138	5,629,611,183
Unfunded (overfunded) actuarial accrued liabilities	\$ 11,060,554	\$ 3,288,473,842

Historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2011 comprehensive annual financial reports.

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

Note H - Medical Insurance Plan

Plan Description – In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-retirement healthcare benefits to eligible members and dependents. The KTRS Medical insurance benefits 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 – The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefit, one and five tenths percent (1.5%) of the gross annual payroll of all active members is contributed. One-half (1/2) of this amount is derived from member contributions and one-half (1/2) from state appropriations. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Note I – Deferred Compensation

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

Note J – Deficit Operating / Fund Balances

There are no funds that currently have a deficit fund balance. However, the following fund(s) have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

Fund	Reduction in Fund Balance
Construction Fund	\$ (33,586)
Fiduciary Fund	(4,573)

Note K – Transfer of Funds

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs.

The government-wide statement of activities eliminates transfers reported within the segregated governmental and business-type activities columns. Only transfers *between* the two columns appear in this statement.

Jenkins Independent School District
Notes to the Basic Financial Statements
 June 30, 2012

The following schedule reports transfers and payments within the reporting entity:

For	From Fund	Amount	To Fund	Amount
Matching	General Fund	\$ 9,794	Special Revenue Fund	\$ 9,794
	Capital Outlay	48,858	General Fund	6,428
			Construction Fund	22,500
Debt Service Payments			Non-Major Fund	19,930
Debt Service Payments	Building Fund	172,146	Non-Major Fund	172,146

Note L – Commitments and Contingencies

Grant Programs

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor’s review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Districts 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.

Litigation

The District is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the District.

Future Construction

No further construction is ongoing at this time.

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).

Note M – On-Behalf Payments

The State of Kentucky makes certain health insurance, life insurance, flexible spending, administrative fees and pension plan payments on behalf of the District for its employees. The District records these payments as both a revenue and expenditure in the General Fund and Food Service Fund based upon percentage of payroll. The total of the on-behalf payments for the fiscal year ended June 30, 2012 was \$886,469 for the General Fund and \$20,630 for the Food Service Fund. The District is not legally responsible for these contributions.

Note N – Annual Financial Report Differences

All adjustments were made to the District’s accounting system and all difference between the audited financial statement and the District’s Annual Financial Report are attributed to rounding.

Note O – Subsequent Events

The District has evaluated subsequent events through February 13, 2013, the date which the financial statements were available to be issued. During that review the following was discovered and determined should be disclosed.

Kentucky School Board Insurance Trust was founded in the late 1970's to provide liability insurance and workers compensation insurance to local governments. Since its inception it has not been self-sufficient. As a result it can no longer pay its liabilities. To ensure its viability it has decided to rebill all its current and former clients to recoup losses attributed to each by recalculating premiums and claims. As of the date of this report the amount that will be associated with the District has yet to be determined. This amount could have an impact on the financial statements.

Required Supplemental Information

Jenkins Independent School District
Budgetary Comparison Schedules

Required Supplementary Information
 For the year ended June 30, 2012

	General Fund					Variance with Final Budget Favorable (Unfavorable)
	Budgeted Amounts		Actual	Adjustments	Actual	
	Original	Final	GAAP Basis	Budget Basis	Budget Basis	
Revenues						
From local sources						
Ad valorem tax	\$ 534,000	\$ 552,885	\$ 696,499	\$ -	\$ 696,499	\$ 143,614
Sales & use tax	170,000	190,000	180,551	-	180,551	(9,449)
Other tax	-	7,000	6,620	-	6,620	(380)
Earnings on investments	5,000	2,500	1,450	-	1,450	(1,050)
Other local revenues	4,000	12,000	17,684	-	17,684	5,684
State sources						
SEEK	2,638,364	2,690,678	2,691,009	-	2,691,009	331
Other	-	6,000	7,924	-	7,924	1,924
On behalf payments	-	-	886,469	(886,469)	-	-
Federal sources						
Reimbursements	-	14,000	1,306	-	1,306	(12,694)
Total revenues	<u>\$ 3,351,364</u>	<u>\$ 3,475,063</u>	<u>\$ 4,489,512</u>	<u>\$ (886,469)</u>	<u>\$ 3,603,043</u>	<u>\$ 127,980</u>
Expenditures						
Instruction	1,888,673	2,016,700	2,517,076	(536,567)	1,980,509	36,191
Support services						
Student	121,040	121,287	170,065	(39,495)	130,570	(9,283)
Instruction staff	48,770	49,087	86,916	(37,052)	49,864	(777)
District administration	440,105	482,433	420,482	(38,761)	381,721	100,712
School administration	220,550	262,565	285,594	(26,773)	258,821	3,744
Business	234,167	212,360	309,611	(110,339)	199,272	13,088
Plant operation and maintenance	271,870	264,920	335,458	(77,300)	258,158	6,762
Student transportation	184,840	205,905	223,764	(20,182)	203,582	2,323
Community service activities	1,394	23,995	23,163	-	23,163	832
Debt Service	53,500	54,270	59,074	-	59,074	(4,804)
Total expenditures	<u>3,464,909</u>	<u>3,693,522</u>	<u>4,431,203</u>	<u>(886,469)</u>	<u>3,544,734</u>	<u>148,788</u>
Excess (deficit) of revenues over expenditures	<u>(113,545)</u>	<u>(218,459)</u>	<u>58,309</u>	<u>-</u>	<u>58,309</u>	<u>276,768</u>
Other Financing Sources (Uses)						
Operating transfers in	-	-	6,428	-	6,428	6,428
Operating transfers out	(20,000)	(20,000)	(9,794)	-	(9,794)	10,206
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(3,366)</u>	<u>-</u>	<u>(3,366)</u>	<u>16,634</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(133,545)</u>	<u>(238,459)</u>	<u>54,943</u>	<u>-</u>	<u>54,943</u>	<u>293,402</u>
Fund balance, beginning	<u>133,545</u>	<u>238,459</u>	<u>238,459</u>	<u>-</u>	<u>238,459</u>	<u>-</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 293,402</u>	<u>\$ -</u>	<u>\$ 293,402</u>	<u>\$ 293,402</u>

The accompanying notes to the required supplementary schedules are an integral part of these financial statements.

Jenkins Independent School District
Budgetary Comparison Schedules

Required Supplementary Information
 For the year ended June 30, 2012

	Special Revenue Fund					Variance with Final Budget Favorable (Unfavorable)
	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	
	Original	Final				
Revenues						
From local sources						
Other local revenues	\$ 11,597	\$ 4,500	\$ 4,500	\$ -	\$ 4,500	\$ -
State sources						
Other	189,373	246,000	296,634	-	296,634	50,634
On behalf payments		-	-	-	-	-
Federal sources						
Restricted through state	973,538	718,795	759,648	-	759,648	40,853
Total revenues	<u>\$ 1,174,508</u>	<u>\$ 969,295</u>	<u>\$ 1,060,782</u>	<u>\$ -</u>	<u>\$ 1,060,782</u>	<u>\$ 91,487</u>
Expenditures						
Instruction	1,002,610	813,671	919,041	-	919,041	(105,370)
Support services						
Student	-	38,184	15,461	-	15,461	22,723
Instruction staff	104,267	45,759	64,599	-	64,599	(18,840)
Student transportation	8,554	18,911	12,757	-	12,757	6,154
Community service activities	69,077	65,824	58,718	-	58,718	7,106
Total expenditures	<u>\$ 1,184,508</u>	<u>\$ 982,349</u>	<u>\$ 1,070,576</u>	<u>\$ -</u>	<u>\$ 1,070,576</u>	<u>\$ (88,227)</u>
Excess (deficit) of revenues over expenditures	<u>(10,000)</u>	<u>(13,054)</u>	<u>(9,794)</u>	<u>-</u>	<u>(9,794)</u>	<u>3,260</u>
Other Financing Sources (Uses)						
Operating transfers in	10,000	17,420	9,794	-	9,794	(7,626)
Total other financing sources (uses)	<u>10,000</u>	<u>17,420</u>	<u>9,794</u>	<u>-</u>	<u>9,794</u>	<u>(7,626)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	4,366	-	-	-	(4,366)
Fund balance, beginning	-	-	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ 4,366</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,366)</u>

The accompanying notes to the required supplementary schedules are an integral part of these financial statements.

Jenkins Independent School District
Budgetary Comparison Schedules

Required Supplementary Information

For the year ended June 30, 2012

	Building Fund					Variance with Final Budget Favorable (Unfavorable)
	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	
	Original	Final				
Revenues						
From local sources						
Ad valorem tax	\$ 43,254	\$ 43,423	\$ 43,423	\$ -	\$ 43,423	\$ -
State sources						
Other	135,705	128,723	128,723	-	128,723	-
Total revenues	<u>\$ 178,959</u>	<u>\$ 172,146</u>	<u>\$ 172,146</u>	<u>\$ -</u>	<u>\$ 172,146</u>	<u>\$ -</u>
Expenditures						
Debt Service	178,959	172,146	-	-	-	172,146
Total expenditures	<u>178,959</u>	<u>172,146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>172,146</u>
Excess (deficit) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>172,146</u>	<u>-</u>	<u>172,146</u>	<u>172,146</u>
Other Financing Sources (Uses)						
Operating transfers out	-	-	(172,146)	-	(172,146)	(172,146)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(172,146)</u>	<u>-</u>	<u>(172,146)</u>	<u>(172,146)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>166,305</u>	<u>-</u>	<u>166,305</u>	<u>166,305</u>
Fund balance, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 166,305</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 166,305</u></u>	<u><u>\$ 166,305</u></u>

The accompanying notes to the required supplementary schedules are an integral part of these financial statements.

Jenkins Independent School District
Budgetary Comparison Schedules

Required Supplementary Information

For the year ended June 30, 2012

	Construction Fund					Variance with Final Budget Favorable (Unfavorable)
	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	
	Original	Final				
Revenues						
From local sources						
Earnings on investments	\$ (26,220)	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ (26,220)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures						
Facilities acquisition and const.	-	22,500	56,086	-	56,086	(33,586)
Total expenditures	<u>-</u>	<u>22,500</u>	<u>56,086</u>	<u>-</u>	<u>56,086</u>	<u>(33,586)</u>
Excess (deficit) of revenues over expenditures	<u>(26,220)</u>	<u>(22,500)</u>	<u>(56,086)</u>	<u>-</u>	<u>(56,086)</u>	<u>(33,586)</u>
Other Financing Sources (Uses)						
Operating transfers in	26,220	22,500	22,500	-	22,500	-
Total other financing sources (uses)	<u>26,220</u>	<u>22,500</u>	<u>22,500</u>	<u>-</u>	<u>22,500</u>	<u>-</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>-</u>	<u>-</u>	<u>(33,586)</u>	<u>-</u>	<u>(33,586)</u>	<u>(33,586)</u>
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>22,028</u>	<u>-</u>	<u>22,028</u>	<u>22,028</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,558)</u>	<u>\$ -</u>	<u>\$ (11,558)</u>	<u>\$ (11,558)</u>

The accompanying notes to the required supplementary schedules are an integral part of these financial statements.

Notes to the Required Supplementary Information

June 30, 2012

Note A – Budgets and Budgetary Accounting

Budget Policy and Practice

The district's budget is prepared according to Kentucky law and is based on the modified accrual basis of accounting. The budget is presented to the District board for review. In June, the District council adopts the annual fiscal year budgets for District operating funds. Once approved, the District council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Special Revenue funds are budgeted on a project-length basis and are also subjected to the council review and approval process. By state law, the District's board must adopt a final budget no later than July 1. The District's board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund and Special Revenue Fund are presented as Required Supplementary Information.

Basis of Budgeting

Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: Instruction, Support Services, Community Service Activities, Facilities Acquisition and Construction and Debt Service. Budget revisions at this level are managed administratively and reported to the District board. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made throughout the year.

The budgets for the operating funds and proprietary fund operations are prepared on a basis consistent with generally accepted accounting principles for all government funds, except for the Debt Service Fund. A legally adopted budget is not required for this fund. The budget and actual financial statements are reported on these bases. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

Note B – Excess of Expenditures over Appropriations

The District did not budget appropriations, in the General Fund, for on-behalf payments provided by the Kentucky Department of Education because they were not measurable at the time of budgeting. Therefore, these expenditures were adjusted out of the actual basis to mirror actual budget basis for review.

As of June 30, 2012, expenditures exceeded appropriation in individual funds as follows:

Notes to the Required Supplementary Information - Continued

June 30, 2012

General Fund:	
Support services	
Student	\$ 9,283
Instruction staff	777
Debt Service	4,804
Special Revenue Fund:	
Instruction	190,366
Support services	
Instruction staff	18,840
Building Fund:	
None	
Construction Fund:	
Facilities acquisition and const.	33,586

All the excess expenditures were covered by greater than anticipated revenues or available fund balance in the funds.

Other Supplemental Information

Jenkins Independent School District

Combining Balance Sheet - Nonmajor Governmental Funds

For the year ended June 30, 2012

	Capital Outlay Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 59,238	\$ -	\$ 59,238
Total assets	<u>\$ 59,238</u>	<u>\$ -</u>	<u>\$ 59,238</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances			
Restricted	59,124	-	59,124
Unassigned	114	-	114
Total fund balances	<u>59,238</u>	<u>-</u>	<u>59,238</u>
Total liabilities and fund balances	<u>\$ 59,238</u>	<u>\$ -</u>	<u>\$ 59,238</u>

Jenkins Independent School District

**Combining Statement of Revenues, Expenditures, and Changes in Fund
Balance - Nonmajor Governmental Funds**

For the year ended June 30, 2012

	Capital Outlay Fund	Debt Service Fund	Total Nonmajor Funds
Revenues			
State sources			
Other	\$ 48,972	\$ -	\$ 48,972
SFCC	-	87,614	87,614
Total revenues	<u>\$ 48,972</u>	<u>\$ 87,614</u>	<u>\$ 136,586</u>
Expenditures			
Debt Service	-	279,690	279,690
Total expenditures	<u>-</u>	<u>279,690</u>	<u>279,690</u>
Excess (deficit) of revenues over expenditures	<u>48,972</u>	<u>(192,076)</u>	<u>(143,104)</u>
Other Financing Sources (Uses)			
Operating transfers in	-	192,076	192,076
Operating transfers out	(48,858)	-	(48,858)
Total other financing sources (uses)	<u>(48,858)</u>	<u>192,076</u>	<u>143,218</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>114</u>	<u>-</u>	<u>114</u>
Fund balance, beginning	<u>59,124</u>	<u>-</u>	<u>59,124</u>
Fund balance, ending	<u>\$ 59,238</u>	<u>\$ -</u>	<u>\$ 59,238</u>

Jenkins Independent School District

Statement of Revenues, Expenditures and Changes in Fund Balance - Jenkins Independent School Activity Funds

For the year ended June 30, 2012

	<u>Fund Balance Beginning</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Fund Balance Ending</u>
Jenkins High School	\$ 41,760	\$ 152,149	\$ 156,722	\$ 3,073	\$ 3,073	\$ 37,187
Total	<u>\$ 41,760</u>	<u>\$ 152,149</u>	<u>\$ 156,722</u>	<u>\$ 3,073</u>	<u>\$ 3,073</u>	<u>\$ 37,187</u>

Statement of Revenues, Expenditures and Changes in Fund Balance - Jenkins High School

For the year ended June 30, 2012

	Fund					Fund
	Balance					Balance
	Beginning	Receipts	Expenditures	Transfer In	Transfer Out	Ending
Annual	\$ 696	\$ 5,705	\$ 5,639	\$ 100	\$ -	\$ 862
Archery	205	1,000	-	-	-	1,205
Athletics	1,129	13,205	11,864	-	1,173	1,297
Attendance	2,450	2	1,874	-	-	578
Band	1,062	1,388	1,242	500	1	1,707
Baseball	159	4,102	3,553	-	-	708
Book fines	380	-	-	-	-	380
Boys Basketball	951	9,468	8,826	587	-	2,180
Burdine A.R.	472	10	358	-	-	124
Burdine Campus Gen	4,391	5,008	7,089	-	22	2,288
Burdine Staff	7	526	235	-	-	298
Change	-	350	350	-	-	-
Cheerleading	26	135	135	-	-	26
Class of 2011	40	-	-	-	40	-
Class of 2012	3,166	26,307	29,304	-	60	109
Class of 2013	526	11,521	10,142	-	-	1,905
Class of 2014	1,216	-	-	-	-	1,216
Class of 2015	509	-	-	-	-	509
Class of 2016	549	8,402	7,913	-	-	1,038
Class of 2017	1,027	-	-	-	-	1,027
Class of 2018	-	442	442	-	-	-
Concert	-	-	-	-	-	-
Cross Country	90	2,009	2,040	-	-	59
Curtains	696	-	-	-	-	696
Elem Academic Team	189	-	154	-	-	35
Elem Basketball	55	-	-	-	-	55
Elem Cheerleading	222	-	-	-	222	-
Elem Football	178	746	479	-	-	445
Elem Library	391	10,252	10,568	-	-	75
ESS	-	-	-	-	-	-
FCA	1	-	-	-	-	1
FCCLA	-	-	-	-	-	-
Field Trips	12	-	-	-	-	12
Flowers	-	-	-	-	-	-
Football	107	8,694	8,113	-	500	188
FRYSC	815	700	900	-	-	615
General Fund	797	1,376	594	-	400	1,179
Girls Basketball	3,976	4,641	8,735	587	-	469
Golf	78	125	30	-	-	173
Grants / Greenhouse	3,212	-	500	-	-	2,712
Interact Club	-	564	218	-	-	346

Statement of Revenues, Expenditures and Changes in Fund Balance - Jenkins High School

For the year ended June 30, 2012

	Fund Balance Beginning	Receipts	Expenditures	Transfer In	Transfer Out	Fund Balance Ending
Ipads	-	1,000	-	-	-	1,000
Key Club	3	-	-	-	-	3
KIDS Inc	22	4,476	3,937	-	-	561
Library	3	10	-	-	-	13
Lil Cavs Cheer	-	497	-	-	-	497
Locks	1,264	1,205	-	-	-	2,469
McRoberts A.R.	602	-	450	-	-	152
McRoberts Attendance	100	-	-	-	-	100
McRoberts Cheerleading	405	-	-	-	405	-
McRoberts Donation	100	275	75	-	-	300
McRoberts General	2,116	1,279	1,617	22	-	1,800
McRoberts Pee Wee	120	-	-	-	-	120
McRoberts Staff	33	288	185	-	-	136
MS Academic Team	3	-	-	-	-	3
MS Boys Basketball	712	3,018	3,204	-	-	526
MS Cheerleading	471	466	418	-	250	269
MS Football	-	325	270	-	-	55
MS Girls Basketball	1,760	2,240	3,305	-	-	695
PE	-	-	-	-	-	-
Pee Wee Cheer	310	3,854	4,924	877	-	117
Pee Wee Sports	25	4,109	3,930	-	-	204
Pencil Sales	77	-	-	-	-	77
Playground Burdine	-	500	-	-	-	500
PTO	116	-	-	-	-	116
SADD	-	-	-	-	-	-
Softball	845	2,938	3,421	-	-	362
Spirit Club	353	-	-	-	-	353
Staff Activities	1,621	1,247	2,010	-	-	858
STLP	-	87	46	-	-	41
Student Activities	273	-	-	-	-	273
Testing Incentives Elem	15	-	-	-	-	15
Track	553	2,221	3,072	400	-	102
Transcripts	75	30	47	-	-	58
V/B Uniforms Donations	-	150	150	-	-	-
Vending / Fitness	-	1,850	1,844	-	-	6
Volleyball	3	1,313	1,187	-	-	129
Wrestling	-	2,093	1,333	-	-	760
Total	\$ 41,760	\$ 152,149	\$ 156,722	\$ 3,073	\$ 3,073	\$ 37,187

Jenkins Independent School District

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Disbursements	Total per CFDA / Cluster	Total Per Department
<u>U.S. Department of Agriculture:</u>						
<i>Passed through State Department of Education:</i>						
School Breakfast Program	10.553	7760005-11	N/A	\$ 20,512		
School Breakfast Program	10.553	7760005-12	N/A	64,513		
National School Lunch Program	10.555	7750002-11	N/A	53,687		
National School Lunch Program	10.555	7750002-12	N/A	<u>166,628</u>		
Total Child Nutrition Cluster					305,340	
Fresh Fruit and Vegetable Program	10.582	7720012-11	N/A	3,758		
Fresh Fruit and Vegetable Program	10.582	7720012-12	N/A	<u>6,845</u>		
Total Fresh Fruit and Vegetable Program					10,603	
Commodity Supplemental Food Program	10.565	Fund51	N/A	<u>17,105</u>		
Total Commodity Supplemental Food Program					<u>17,105</u>	
Total U.S. Department of Agriculture						\$ 333,048
<u>U.S. Department of Education</u>						
<i>Passed Through State Department of Education:</i>						
Title I Grant to Local Educational Agencies	84.010	3100002-10	341,944	48,471		
Title I Grant to Local Educational Agencies	84.010	3100002-11	308,624	274,093		
Title I Grant to Local Educational Agencies	84.010	3102D	34,684	33,673		
Title I Grants to Local Educational Agencies - ARRA	84.389	3919	<u>254,918</u>	<u>5,074</u>		
Total Title I, Part A Cluster					361,310	
Special Education - Grants to States (IDEA, Part B)	84.027	3810002-10	122,701	13,174		
Special Education - Grants to States (IDEA, Part B)	84.027	3810002-11	119,053	119,053		
Special Education - Preschool Grants (IDEA Preschool)	84.173	3800002-10	8,366	526		
Special Education - Preschool Grants (IDEA Preschool)	84.173	3800002-11	8,362	8,028		
Special Education Grants to States (IDEA, Part B) ARRA	84.391	4810002-09	<u>125,716</u>	<u>1,456</u>		
Total Special Education Cluster (IDEA)					142,237	
Career and Technical Education - Basic Grants to States	84.048	4621232-10	7,386	2,445		
Career and Technical Education - Basic Grants to States	84.048	3481A	360	360		
Career and Technical Education - Basic Grants to States	84.048	4621232-11	<u>7,653</u>	<u>5,963</u>		
Total Career and Technical Education - Basic Grants to States					8,768	

The accompanying notes to the schedule of expenditures of federal awards are an integral part of these financial statements.

Jenkins Independent School District

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Disbursements	Total per CFDA / Cluster	Total Per Department
Twenty-First Century Community Learning Centers	84.287	5500	75,000	9,504		
Twenty-First Century Community Learning Centers	84.287	5500Q	2,000	2,000		
Twenty-First Century Community Learning Centers	84.287	5500Z	24,500	23,786		
Twenty-First Century Community Learning Centers	84.287	5501	75,000	51,206		
Twenty-First Century Community Learning Centers	84.287	5501S	5,000	5,000		
Twenty-First Century Community Learning Centers	84.287	5502S	5,000	500		
Total Twenty-First Century Community Learning Centers					91,997	
Educational Technology State Grants	84.318	3210002-10	1,070	1		
Educational Technology State Grants	84.318	3210002-09	15,561	11,831		
Total Educational Technology State Grants					11,832	
Improving Teacher Quality State Grants	84.367	3230002-09				
Improving Teacher Quality State Grants	84.367	3230002-10	64,867	9,389		
Improving Teacher Quality State Grants	84.367	3230002-11	54,812	34,998		
Total Improving Teacher Quality State Grants					44,387	
Education Jobs Fund	84.410	EJOB00	162,863	145,508		
Total Education Jobs Fund					145,508	
Total U.S. Department of Education						806,039
Total Expenditures of Federal Awards						<u>\$ 1,139,087</u>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of these financial statements.

Jenkins Independent School District

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2012

Note A –Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Jenkins 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

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2012, the District had received food commodities totaling \$17,105 in inventory. Since the district no longer tracks commodities individually, all commodities received are considered expended.



Gaw & Associates, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Education
Jenkins Independent School District

We have audited the financial statements of the Jenkins Independent School District, as of and for the year ended June 30, 2012, and have issued our report thereon dated February 13, 2013. 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Appendix I to the *Independent Auditor's Contract – General Audit Requirements*, Appendix II to the *Independent Auditor's Contract – State Audit Requirement*, Appendix III to 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 Jenkins Independent School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Jenkins Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jenkins Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Jenkins 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 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 considered to be material weakness, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jenkins 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*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We noted certain matters that we reported to management of Jenkins Independent School District in a separate letter dated February 13, 2013.

This report is intended solely for the information of members of the Kentucky State Committee for School District Audits, the Members of the Board of Education, 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. However, this report is a matter of public record and its distribution is not limited.



Troy A. Gaw, CPA
Partner

Gaw, & Associates, PLLC
Harlan, Kentucky

February 13, 2013



Gaw & Associates, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

**Report on Compliance with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control Over Compliance in Accordance with
OMB Circular A-133**

Independent Auditor's Report

To the Board of Education
Jenkins Independent School District

Compliance

We have audited the Jenkins 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 the Jenkins Independent School District's major federal programs for the year ended June 30, 2012. Jenkins 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 Jenkins Independent School District's management. Our responsibility is to express an opinion on Jenkins 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirement, Appendix III to 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 Jenkins 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 on Jenkins Independent School District's compliance with those requirements.

In our opinion, Jenkins 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 Jenkins 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 Jenkins 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 the Jenkins 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.

Jenkins Independent School District's responses to the findings identified in our audit, if any, are described in the accompanying schedule of findings and questioned costs. We did not audit Jenkins Independent School District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information of members of the Kentucky State Committee for School District Audits, the Members of the Board of Education, 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. However, this report is a matter of public record and its distribution is not limited.



Troy A. Gaw, CPA
Partner

Gaw, & Associates, PLLC
Harlan, Kentucky

February 13, 2013

Jenkins Independent School District
Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2012

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified
 Internal control over financial reporting:
 Material weakness identified? No
 Significant deficiencies identified? None Reported
 Noncompliance material to financial statements noted? No

Federal Awards

Internal Control over major programs:
 Material weakness identified? No
 Significant deficiencies identified? None Reported
 Type of auditor’s report issued on compliance for major programs: Unqualified

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

Identification of major programs:

Child Nutrition Cluster	10.553 & 10.555	
Title I Grant to Local Educational Agencies	84.010 & 84.389	
Education Jobs Fund	84.410	

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000
 Auditee qualified as low-risk auditee? No

Jenkins Independent School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section II – Financial Statement Findings

There were no findings that related to the financial statements.

Section III – Federal Award Findings and Questioned Costs

There were no findings that related to the federal awards.

Jenkins Independent School District
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2012

There were no findings in the prior audit.

Jenkins Independent School District

Corrective Action Plan

For the Year Ended June 30, 2012

The corrective actions of each individual finding was included as a response from management on each finding, if any. The corrective action completion date is to be within 30 days of receiving audit report.



Gaw & Associates, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Management Points Letter

To the Board of Education
Jenkins Independent School District

In planning and performing our audit of the financial statements of Jenkins Independent School District for the year ended June 30, 2012, we considered the District's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated February 13, 2013. This letter does not affect our report dated February 13, 2013, on the financial statements of the Jenkins Independent School District. The conditions observed are as follows:

Board Offices

12-01 Outstanding Checks

Condition: An employee has several outstanding checks.
Cause: A school employee has nineteen uncashed payroll checks totaling \$20,686.47 as of June 30, 2011.
Criteria: All uncashed checks should be followed-up to determine the reason. Lost checks should be reissued.
Effect: Outstanding checks are shown on the bank reconciliation for months.
Recommendation: The employee should be asked to negotiate the checks so they can be removed from the outstanding list. If they are not negotiated the District should seek proper procedure for turning funds over as unclaimed to the State for their distribution.
Response:

12-02 Credit Card Usage

Condition: District Board members are allowed to use the District credit card for outside purposes and then reimburse the District for expenditures.
Cause: A Board Member is allowed to charge expense for their duties on the State Board and then reimburse the district with the check from the State Board.
Criteria: Only expenditures for the operation of the District should be allowed to be charged on the District credit card.
Effect: Fees and interest could be applied to the credit card due to use of credit card for non-district related expenses. Also failure of reimbursement by individuals could cause the district to be responsible for non-allowable expenses of the District.
Recommendation: The credit card of the District should only be used for District related expenses.
Response:

Jenkins High School
None

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

Jenkins Independent School District's responses to the findings identified in our audit as management points, if any, are described above. We did not audit Jenkins Independent School District's responses and, accordingly, we express no opinion on the responses.

Condition number 12-1 is a repeat condition from the previous year. All prior year conditions have been implemented and corrected. Mrs. Deborah Watts, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.

We would like to thank the Finance Officer and their department for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Education, management, and others within the district and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Troy A. Gaw".

Troy A. Gaw, CPA
Partner

Gaw, & Associates, PLLC
Harlan, Kentucky

February 13, 2013

REPORT OF EXAMINATION

**JENKINS INDEPENDENT
SCHOOL DISTRICT**

**FOR THE SCHOOL YEAR
ENDED JUNE 30, 2012**

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June 30, 2012

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