GLASGOW INDEPENDENT SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS

For the Year Ended June 30, 2012

GLASGOW INDEPENDENT SCHOOL DISTRICT

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GLASGOW INDEPENDENT SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Glasgow Independent School District
Glasgow, Kentucky 42141

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 Glasgow 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 Glasgow 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; *and the audit requirements prescribed by the Kentucky State Committee for the School District Audits in Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Instructions for Completion and Electronic Submission of the Audit Contract.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Glasgow 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 October 25, 2012, on our consideration of the Glasgow 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and pages 37 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Glasgow Independent School District's financial statements as a whole. The combining and individual nonmajor fund financial statements, and the Agency fund financial information on pages 39-42, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the Agency fund financial information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Campbell, Myers & Rutledge, PLLC
Certified Public Accountants

Glasgow, Kentucky
October 25, 2012

The management of Glasgow Independent Schools presents the financial overview and analysis of financial activities of this district for the fiscal year 2011-2012.

FINANCIAL HIGHLIGHTS

The beginning cash balances were $2,163,547 in General Fund, $3,964,789 in Building Fund, and $283,675 in Food Service.

The General Fund received $13,242,032 in revenue. Of that $4,446,348 was from local sources such as taxes and interest. $7,306,589 was from state SEEK funds and $3,366 was from other funding. This does not include on-behalf payments of $2,832,488 made by the state.

Property taxes increased by approximately $12,884 from FY11. Motor vehicle taxes increased by $22,390. This is the second year that motor vehicle taxes have increased. There was a small decrease in revenue in lieu of taxes of $2,821. Other general fund revenue was comparable to prior years. Preschool tuition of $4,805 was received in FY11-12. Preschool was a new program last fiscal year, beginning January, 2011.

Food Service revenue increased slightly from last year from $1,421,973 to $1,498,683.

The largest expense of salaries and employee benefits is 80.8% of all expenditures in General Fund and 78.4% of all expenditures in Fund 2. In fiscal year 2008-09 that percentage was 82.3, 80 in 9-10, and 77.6 in 10-11. The reduction in 9-10 and 10-11 was partially attributed to the American Recovery & Reinvestment Act and the EduJobs package. These funds were used for salaries that would have been paid from General Fund and expired 9-30-12. General Fund then paid salaries that had previously been paid in Fund 2.

$177,171 was received in the Capital Outlay Fund. This was an increase of $35 from the prior year. This entire amount is spent as a portion of bond principal and interest payments.

Building Fund expenses of $2,873,896 were for bond and interest payments and a fund transfer of $1,583,084 to the construction fund. The ending balance in the Building Fund was $3,101,009.

Food Service expenses were $1,474,940, an increase of $91,205 from the prior year. Of this amount 51.8% was spent for salaries and 44.74% for food and supplies. The remaining 3.5% was used for miscellaneous items and equipment repair.

Construction began in April, 2011 on a new Glasgow High School academic building and renovation of the existing gym, band room and vocational education buildings. Construction related expenses were $3,266,414 in FY11 and $16,685,530 in FY12. The new building and renovations are expected to be completed by December, 2012.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

The governmental fund financial statements can be found on pages 10 - 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 - 36 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $ 15,422,987 as of June 30, 2012.

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

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

Net Assets for the period ending June 30, 2012

This is the third year that the District is following GASB 34 and Company assets, liabilities and net assets. 2012 Government Wide Net Assets compared to 2012 are as follows:

	June 30, 2012	June 30, 2011
Current Assets	$ 15,302,690	$ 27,982,873
Noncurrent Assets	33,536,112	18,717,091
Total Assets	**$ 48,838,802**	**$ 46,699,964**
Current Liabilities	$ 7,455,333	$ 4,334,838
Noncurrent Liabilities	25,493,644	26,377,779
Total Liabilities	**$ 32,948,977**	**$ 30,712,617**
Net Assets		
Investment in capital assets (net of debt)	$ 7,213,538	$ 11,778,364
Restricted	9,240,831	3,404,785
Unreserved Fund Balance	(564,544)	804,198
Total Net Assets	**$ 15,889,825**	**$ 15,987,347**

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

	June 30, 2012	June 30, 2011
Revenues:		
Local revenue sources	$ 5,769,464	$ 6,135,459
State revenue sources	10,212,130	9,968,753
Federal revenues	4,289,710	5,646,658
Investments	19,589	55,146
Other sources	142,352	185,642
Bonds proceeds	-	-
	$ 20,433,245	**$ 21,991,658**
Expenses:		
Instruction	$ 12,512,134	$ 14,152,457
Student support services	693,081	735,728
Instructional support	895,159	599,964
District administration	851,052	769,745
School administration	1,083,423	921,503
Business support	264,747	203,598
Plant operations	1,379,853	1,353,808
Student transportation	551,704	434,276
Facilities acquisition and construction	20,000	-
Community support	136,827	145,167
Other	2,138,007	1,037,823
Total expenses	**20,525,987**	**20,354,069**
Change in net assets	**$ (92,742)**	**$ 1,637,589**

BUGET COMPARISONS

The total budgeted revenues and beginning balances in all funds for fiscal year 2011-12 were $29,258,163.

General fund budgeted revenue compared to actual revenue varied slightly from line to line except Delinquent Property Tax revenue increased by 52% and omitted property tax was considerably more than budgeted. SEEK funding comprises 45.4% of General Fund revenue as compared to 44% in 10-11. In 2011-12 donations were made to the Glasgow Independent School System totaling $51,421 compared to $26,956 in the prior year and $39,463 two years ago. The budgeted amount of $20,000. This amount is unknown from year to year. Telecommunications revenue in lieu of taxes of $54,172 remained very close to the prior year of $54,883 and very close to the budget amount of $54,000. Sale of surplus equipment generated $32,348 in FY12 which was much more than the budget amount of $1000. This was mainly due to the sale of surplus property from Glasgow High School.

$571,016 was budgeted for General Fund contingency. School boards are required to budget a minimum of 2% in a contingency account. $4,438,475 was budged in Building Fund for contingency also.

General Fund Revenue derived from state taxes totaled 55.7% of total revenue; with local funding making up 33.6%. Instructional expenses including school administration account for 78.8% of expenditures; Central Office administration makes up 6.95%; Maintenance is 9.25%; and transportation is 4.25%. FY10 figures are: General Fund state Revenue was 68% of total revenue and local 40%. Instructional expenses were 67.9% of total expenditures with Central Office and administration 10.7%, maintenance 8.8%, and transportation 3.2%.

LONG TERM DEBT

Long-term debt payments and interest in the amount of $1,467,983 were paid during the year for Glasgow Middle School, Highland Elementary, and Glasgow High School bond issues. Glasgow Middle School was paid in full in May of 2012. Highland Elementary will be completed in June of 2024. Glasgow High School is a new bond payment. Qzab bonds totaling $5,000,000 will be paid in full in 15 years. The remaining bond and interest payments will continue for 20 years. All payments are made from Capital Outlay and Building Funds.

The energy conservation bond was paid in full in FY11-12. This bond was paid before final due date to save interest.Payments and interest for school buses through the KISTA program totaled $39,115. Energy bond payments and KISTA bus payments were made from General Fund.

NET ASSETS

Current governmental assets in FY12 totaled $33,404,587 and in FY11 $18,560,165. Current business assets, which are Food Service assets, totaled $131,526. All Food Service assets are equipment.

FUTURE BUDGETARY IMPLICATIONS

In Kentucky, the public schools' fiscal year is July 1 to June 30; other programs including some federal programs operate on a different fiscal calendar year, but are reflected in the District overall budget. Legally, the budget must have a minimum 2% contingency. Glasgow Independent Board of Education adopted a Working Budget for 2012-13 totaling $24,148,424 and included a 2.4% contingency. Significant Board action that impacts the finances includes a reduction in the majority of federal grants. Kentucky Retirement Systems matching retirement has continually risen in the past years from 16.16% in FY10, to 16.93% in FY11 and 18.96% in FY12, and another increase in FY13 to 19.55%. Beginning July 1, 2010 all Kentucky School districts began to pay a match of .25% for all employees paying into Kentucky Retirement Systems. This amount increased to .5% in FY12 and 1% in FY13. Additional spending for fuel costs for buses and building repair were included in this budget.

An additional nickel tax passed which increased bonding potential to the level that construction could began on a new high school in April, 2011. The architectural firm of Sherman, Carter, and Barnhart are currently at work on this project and expected completion date is December, 2012. Former Interim Superintendent, Charlie Campbell is working as a consultant with the new construction.

Beginning in January, 2011, both elementary schools began all day preschool. Two new teachers and assistants were hired and these salaries were paid by the EduJob program. The EduJob grant ended 9-30-12 and those salaries will be paid from General Fund dollars. Increased enrollment due to preschool is expected and that increase will fund the preschool program.

Questions regarding this report may be directed to Mr. D. Sean Howard, Superintendent, at (270)651-6757, or by mail at P.O. Box 1239, Glasgow, KY 42142-1239.

GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities	Business Type Activities	Total
Assets:			
Current Assets:			
Cash and cash equivalents	$ 13,703,021	$ 310,819	$ 14,013,840
Inventory	-	27,895	27,895
Accounts receivable			
Taxes - current	62,970	-	62,970
Intergovernmental - indirect federal	901,247	-	901,247
Bond issuance costs, net	296,738	-	296,738
Total current assets	14,963,976	338,714	15,302,690
Noncurrent Assets:			
Capital assets	43,661,870	559,633	44,221,503
Less: accumulated depreciation	(10,257,283)	(428,108)	(10,685,391)
Total noncurrent assets	33,404,587	131,525	33,536,112
Total assets	48,368,563	470,239	48,838,802
Liabilities:			
Current Liabilities:			
Accounts payable	2,287,881	3,401	2,291,282
Checks issued in excess of cash	3,568,063	-	3,568,063
Deferred revenue	128,772	-	128,772
Current portion of bond obligations	1,181,277	-	1,181,277
Current portion of capital lease obligations	52,152	-	52,152
Interest payable	233,787	-	233,787
Total current liabilities	7,451,932	3,401	7,455,333
Noncurrent Liabilities:			
Noncurrent portion of bond obligations	24,948,723	-	24,948,723
Noncurrent portion of capital lease obligations	203,373	-	203,373
Noncurrent portion of accrued sick leave	341,548	-	341,548
Total noncurrent liabilities	25,493,644	-	25,493,644
Total liabilities	32,945,576	3,401	32,948,977
Net Assets:			
Invested in capital assets, net of related debt	7,082,013	131,525	7,213,538
Restricted for:			
Capital projects	(730,974)	-	(730,974)
Debt service	9,630,257	-	9,630,257
Other purposes (nonexpendable)	341,548	-	341,548
Unrestricted	(899,857)	335,313	(564,544)
Total net assets	$ 15,422,987	$ 466,838	$ 15,889,825

See independent auditor's report and
accompanying notes to basic financial statements.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business - Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental Activities:							
Instruction	$ 12,512,134	$ -	$ 4,289,710	$ -	$ (8,222,424)	$ -	$ (8,222,424)
Support Services							
Student	693,081	-	-	-	(693,081)	-	(693,081)
Instruction staff	895,159	-	-	-	(895,159)	-	(895,159)
District administrative	851,052	-	-	-	(851,052)	-	(851,052)
School administrative	1,083,423	-	-	-	(1,083,423)	-	(1,083,423)
Business	264,747	-	-	-	(264,747)	-	(264,747)
Plant operations and maintenance	1,379,853	-	-	-	(1,379,853)	-	(1,379,853)
Student Transportation	551,704	-	-	-	(551,704)	-	(551,704)
Central office	-	-	-	-	-	-	-
Facilities acquisition and construction	20,000	-	-	-	(20,000)	-	(20,000)
Community service activities	136,827	-	-	-	(136,827)	-	(136,827)
Other	174,284	-	-	-	(174,284)	-	(174,284)
Interest on long-term debt	1,257,769	-	-	-	(1,257,769)	-	(1,257,769)
Depreciation (unallocated)	705,954	-	-	-	(705,954)	-	(705,954)
Total governmental activities	20,525,987	-	4,289,710	-	(16,236,277)	-	(16,236,277)
Business-Type Activities							
Food Service	1,503,463	389,929	802,489	304,658	-	(6,387)	(6,387)
Total business-type activities	1,503,463	389,929	802,489	304,658	-	(6,387)	(6,387)
Total primary government	$ 22,029,450	$ 389,929	$ 5,092,199	$ 304,658	(16,236,277)	(6,387)	(16,242,664)
General Revenues:							
Taxes:							
Property taxes					5,067,233	-	5,067,233
Motor vehicle taxes					337,940	-	337,940
Other					364,291	-	364,291
Investments earnings					19,589	1,607	21,196
State and formula grants					10,212,130	-	10,212,130
Miscellaneous					142,352	-	142,352
Total general revenues					16,143,535	1,607	16,145,142
Change in net assets					(92,742)	(4,780)	(97,522)
Net assets - beginning					15,515,729	471,618	15,987,347
Net assets - ending					$ 15,422,987	$ 466,838	$ 15,889,825

See independent auditor's report and accompanying notes to basic financial statements.

GLASGOW INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2012

	General Fund	Special Revenue	Building Fund	Construction Fund	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets and resources:							
Cash and cash equivalents	$ 2,488,577	$ -	$ 3,101,009	$ -	$ 8,113,435	$ -	$ 13,703,021
Inventories	-	-	-	-	-	-	-
Accounts receivable:							
Taxes-current	62,970	-	-	-	-	-	62,970
Taxes-delinquent	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-
Intergovernmental-state	-	-	-	-	-	-	-
Intergovernmental - indirect federal	-	901,247	-	-	-	-	901,247
Due from other funds	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-
Total assets and resources	$ 2,551,547	$ 901,247	$ 3,101,009	$ -	$ 8,113,435	$ -	$ 14,667,238
Liabilities and fund balance:							
Liabilities:							
Accounts payable	$ 91,521	$ 15,236	$ -	$ 2,181,124	$ -	$ -	$ 2,287,881
Checks issued in excess of cash	-	757,239	-	2,810,824	-	-	3,568,063
Due to other funds	-	-	-	-	-	-	-
Accrued payroll and related expenses	-	-	-	-	-	-	-
Current portion of accumulated sick leave		-	-	-	-	-	-
Deferred revenues	-	128,772	-	-	-	-	128,772
Total liabilities	91,521	901,247	-	4,991,948	-	-	5,984,716
Fund balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted:							
Debt Service	-	-	1,516,822	-	8,113,435	-	9,630,257
Committed:							
Accrued sick leave	341,548	-	-	-	-	-	341,548
Capital Projects	2,676,787	-	1,584,187	(4,991,948)	-	-	(730,974)
Assigned:							
Unassigned	(558,309)	-	-	-	-	-	(558,309)
Total fund balances	2,460,026	-	3,101,009	(4,991,948)	8,113,435	-	8,682,522
Total liabilities and fund balances	$ 2,551,547	$ 901,247	$ 3,101,009	$ -	$ 8,113,435	$ -	$ 14,667,238

See independent auditor's report and
Accompanying notes to basic financial statements.

GLASGOW INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2012

Total fund balance per fund financial statements	$ 8,682,522
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.	33,404,587
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets.	(26,664,122)
Net assets for governmental activities	$ 15,422,987

See independent auditor's report and accompanying notes to basic financial statements.

GLASGOW 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 Fund	Construction Fund	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
From local sources:							
Taxes:							
Property	$ 3,614,533	$ -	$ 1,452,700	$ -	$ -	$ -	$ 5,067,233
Motor vehicle	337,940	-	-	-	-	-	337,940
Other	364,291	-	-	-	-	-	364,291
Tuition and fees	16,012	-	-	-	-	-	16,012
Earnings on investments	19,581	-	-	-	8	-	19,589
Other local revenues	93,991	-	-	-	-	-	93,991
Intergovernmental-state	10,212,130	499,771	557,416	-	501,795	177,171	11,948,283
Intergovernmental-indirect federal	-	2,546,776	-	-	-	-	2,546,776
Intergovernmental-direct federal	6,781	-	-	-	-	-	6,781
Total revenues	14,665,259	3,046,547	2,010,116	-	501,803	177,171	20,400,896
Expenditures:							
Instruction	10,021,561	2,655,508	-	-	-	-	12,677,069
Support services:							
Student	630,545	62,536	-	-	-	-	693,081
Instructional staff	695,854	199,305	-	-	-	-	895,159
District administration	851,052	-	-	-	-	-	851,052
School administration	1,082,789	634	-	-	-	-	1,083,423
Business	244,989	19,758	-	-	-	-	264,747
Plant operations and maintenance	1,379,853	-	-	-	-	-	1,379,853
Student transportation	669,974	11,094	-	-	-	-	681,068
Facilities acquisition and construction	20,000	-	-	15,308,618	-	-	15,328,618
Community service activities	-	136,827	-	-	-	-	136,827
Other	63,421	-	-	-	5,777,367	-	5,840,788
Total expenditures	15,660,038	3,085,662	-	15,308,618	5,777,367	-	39,831,685
Excess (deficit) of revenues over expenditures	(994,779)	(39,115)	2,010,116	(15,308,618)	(5,275,564)	177,171	(19,430,789)
Other financing sources (uses):							
Proceeds from sale of bonds	-	-	-	-	3,835,000	-	3,835,000
Proceeds from sale of fixed assets	32,349	-	-	-	-	-	32,349
Operating transfers in	1,376,912	39,115	-	13,583,084	1,546,871	-	16,545,982
Operating transfers out	(118,003)	-	(2,873,896)	(1,376,912)	(12,000,000)	(177,171)	(16,545,982)
Total other financing sources (uses)	1,291,258	39,115	(2,873,896)	12,206,172	(6,618,129)	(177,171)	3,867,349
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	296,479	-	(863,780)	(3,102,446)	(11,893,693)	-	(15,563,440)
Fund balance, July 1, 2011	2,163,547	-	3,964,789	(1,889,502)	20,007,128	-	24,245,962
Fund balance, June 30, 2012	$ 2,460,026	$ -	$ 3,101,009	$ (4,991,948)	$ 8,113,435	$ -	$ 8,682,522

See independent auditor's report and
accompanying notes to basic financial statements.

GLASGOW INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Net changes in total fund balances per fund financial statements	$ (15,563,440)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation exceeds capital outlays expense for the year.	14,844,422
Proceeds received from bond issuances and bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets.	882,541
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	(256,265)
Change in net assets of governmental activities	$ (92,742)

GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	Food Service Fund	Total
Assets		
Current Assets		
Cash and cash equivalents	$ 310,819	$ 310,819
Inventory	27,895	27,895
Total current assets	338,714	338,714
Noncurrent		
Capital assets	559,633	559,633
Less: accumulated depreciation	(428,108)	(428,108)
Total noncurrent assets	131,525	131,525
Total assets	470,239	470,239
Liabilities		
Current Liabilities		
Accounts payable	3,401	3,401
Total current liabilities	3,401	3,401
Net Assets		
Invested in capital assets net of related debt	131,525	131,525
Unrestricted	335,313	335,313
Total net assets	$ 466,838	$ 466,838

See independent auditor's report and
accompanying notes to basic financial statements.

GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Food Service Fund	Totals
Operating Revenues:		
Lunchroom sales	$ 389,679	$ 389,679
Other operating revenues	250	250
Total operating revenues	389,929	389,929
Operating Expenses:		
Salaries and wages	764,175	764,175
Material and supplies	714,217	714,217
Depreciation	25,041	25,041
Other operating expenses	30	30
Total operating expenses	1,503,463	1,503,463
Operating loss	(1,113,534)	(1,113,534)
Non-Operating Revenues (Expenses)		
Federal grants	790,376	790,376
Donated commodities	68,282	68,282
On behalf payments	236,376	236,376
State funding	12,113	12,113
Interest income	1,607	1,607
Total non-operating revenues	1,108,754	1,108,754
Net income (loss)	(4,780)	(4,780)
Net assets, July 1, 2011	471,618	471,618
Net assets, June 30, 2012	$ 466,838	$ 466,838

See independent auditor's report and
accompanying notes to basic financial statements.

GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

Cash Flows From Operating Activities:		
Cash received from:		
Lunchroom sales	$	389,679
Other activities		250
Cash paid to/for:		
Employees		(527,799)
Supplies		(633,286)
Net cash provided (used) by operating activities		(771,156)
Cash Flows from NonCapital and Financing Activities:		
Cash received for operating grants		802,489
Cash Flows from Investing Activities:		
Receipt of interest income		1,607
Net increase in cash and cash equivalents		32,940
Balances, beginning of year		277,879
Balances, end of year	$	310,819
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Net income (loss)	$	(1,113,534)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation		25,041
On-behalf revenues		236,376
Donated Commodities used in operations		68,282
Change in assets and liabilities		
Inventory		80
Accounts receivable		17,253
Accounts payable		(4,654)
Net cash provided (used) by operating activities	$	(771,156)
Schedule of non-cash transactions:		
On Behalf payments	$	236,376
Donated commodities received from federal government	$	68,282

See independent auditor's report and
accompanying notes to basic financial statements.

GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FUDICIARY FUNDS
June 30, 2012

	Agency Funds
Assets	
Cash and cash equivalents	$ 351,599
Accounts receivable	4,296
Total assets	$ 355,895
Liabilities	
Accounts payable	$ 3,477
Due to student groups	352,418
Total liabilities	355,895
Net Assets Held in Trust	$ -

See independent auditor's report and
accompanying notes to basic financial statements.

1. Summary of Significant Accounting Policies:

Reporting Entity

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

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

The District is not involved in budgeting or managing these organizations, is not responsible for any debt of the organizations, and has no influence over the operation of these organizations.

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

Management has evaluated subsequent events through October 25, 2012, the date which the financial statements were available to be issued.

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

Glasgow Independent School District Finance Corporation - On May 12, 1992, the Glasgow Board of Education resolved to authorize the establishment of the Glasgow 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:

District-wide Financial Statements – The statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the District, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

1. Summary of Significant Accounting Policies, Continued:

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

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

In the District-Wide Financial Statement of Net Assets and Statement of Activities both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

1. Summary of Significant Accounting Policies, Continued:

The District has the following funds:

I. Governmental Fund Types:

a. The General Fund is the primary operating fund of the District and is always classified as a major fund. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. Reservations have been placed on the fund balance for accrued sick leave and other contingencies.

b. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds.

The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District. The Kentucky Department of Education has deemed this fund to always be classified as a major fund.

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

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

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

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

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

1. Summary of Significant Accounting Policies, Continued

II. Proprietary Funds (Enterprise Fund):

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind 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 other contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds):

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

District-Wide Financial Statements

Equity is classified as net assets and displayed in three components:

Invested in Capital Assets, Net of Related Debt – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, or laws or regulations, or 2) law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – All other net assets that do not meet the definition of "restricted" or " invested in capital assets, net of related debt".

Fund Financial Statements

Under GASB Statement 54, fund balance is separated into five categories, as follows:

Nonspendable - Permanently nonspendable by decree of the donor, such as endowment, or items which may not be used for another purpose, such as amounts used to prepay future expenses or already purchased inventory on hand.

Restricted – Legally restricted under federal or state law, bond authority, or grantor contract.

Committed – Commitments passed by the Board.

Assigned – Funds assigned to management priority including issued encumbrances.

Unassigned – Funds available for future operations.

1. Summary of Significant Accounting Policies, Continued:

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board, or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Basis of Accounting:

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing reports, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

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

In order to present Special Revenue Fund on the accrual basis of accounting, and because the awards are not yet available as assets, cash awards received in advance for the 2011-2012 school year have been classified as deferred revenues. Likewise, all awards requested as a result of 2011-2012 expenditures have been classified as receivables. Revenues of the Special Revenue Fund are considered earned when reimbursable expenditures are made or obligations are incurred, and of an equal amount.

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

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

1. Summary of Significant Accounting Policies, Continued

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

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 60 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited onto the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2012, to finance the General Fund operations were $.777 per $100 valuation for real property, $.791 per $100 valuation for business personal property and $.554 per $100 valuation for motor vehicles.

Capital Assets

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

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

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

1. Summary of Significant Accounting Policies, Continued

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

Interfund Balances

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

Accumulated Unpaid Sick Leave Benefits

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 and has no maximum accumulation.

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 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 expandable 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.

Budgetary Process

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

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

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

1. Summary of Significant Accounting Policies, Continued

Once the budget is approved, it can be amended.

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

Cash and Cash Equivalents

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

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the Proprietary Fund. Inventory consists of donated and purchased foods held for resale and are expensed when used. Purchased food is valued at cost (first-in, first-out method) and U.S. Government donated commodities value is determined by the U.S. Department of Agriculture.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2012 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Investments

The private purpose trust funds record investments at their quoted market price. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Assets.

The permanent funds record investments at their quoted market value prices for purposes of the Statement of Net Assets. All realized gains and losses and changes in fair market value are recorded in the Statement of Activities. Long-term investments are not recorded on the fund financial statements nor are unrealized gains and losses.

Accrued Liabilities and Long-Term Obligations

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

1. Summary of Significant Accounting Policies, Continued

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

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 and for child care services provided.

On-Behalf Payments

During the year ended June 30, 2012, the Kentucky Division of Finance made payments on behalf of Glasgow Independent School District in amount of $3,068,864. These payments were paid for fringe benefits for the District personnel. These payments have been included in both revenue and expenditures on the District's financial statements for the year ended June 30, 2012.

Contributions of Capital

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

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).

Interfund Activity

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

2. 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 financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

3. Cash and Cash Equivalents:

At year-end, the carrying amount of the District's cash and cash equivalents was $10,797,376. Of the total cash balance, $617,107 was covered by Federal Depository insurance, with the remainder covered by a collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in certificates of deposits with a maturity of 90 days or less.

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

	Bank Balance	Book Balance
South Central Bank	$ 348,996	$ 333,487
BB&T	12,607,744	10,445,777
Citizens First Bank	18,112	18,112
	$ 12,974,852	$ 10,797,376

Breakdown per financial statements:

Governmental funds	$ 10,134,958
Proprietary funds	310,819
Agency funds	351,599
	$ 10,797,376

All deposits are in financial institutions and brokerage accounts. The District's bank deposits are categorized below to give an indication of the custodial credit risk assumed by the District at June 30, 2012.

Category 1 – Insured by FDIC or collateralized with securities held by the District or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name; or collateralized with no writer or approved collateral agent.

3. Cash and Cash Equivalents, Continued:

	Category			Total Bank	Carrying
	One	Two	Three	Balance	Amount
Deposits with Financial institutions	$ 617,107	$ 12,357,745	$ -	$ 12,974,852	$ 10,797,376

Interest Rate Risk

The District invests in certificates of deposits with numerous financial institutions with maturities typically less than one year. No certificates of deposits are obtained from any financial institution in excess of FDIC limits.

Currently, there are no Certificates of Deposits held by the District.

4. Capital Assets:

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

Governmental Activities	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Capital Assets, not being Depreciated:				
Construction in Progress	$ 3,359,609	$ 15,308,618	$ -	$ 18,668,227
Land	65,181	-	-	65,181
Total Capital, not being Depreciated	3,424,790	15,308,618	-	18,733,408
Capital Assets, being Depreciated:				
Land Improvements	652,000	-	-	652,000
Buildings and Improvements	21,132,469	-	-	21,132,469
Technology Equipment	1,291,851	164,935	(79,909)	1,376,877
General Equipment	993,895	-	-	993,895
Vehicles	696,398	76,823	-	773,221
Total Capital Assets, being Depreciated	24,766,613	241,758	(79,909)	24,928,462
Less: Accumulated Depreciation				
Land Improvements	(652,000)	-	-	(652,000)
Buildings and Improvements	(7,010,871)	(422,252)	-	(7,433,123)
Vehicles	(436,166)	(88,141)	-	(524,307)
Technology Equipment	(907,329)	(179,614)	79,909	(1,007,034)
General Equipment	(624,872)	(15,947)	-	(640,819)
Total Accumulated Depreciation	(9,631,238)	(705,954)	79,909	(10,257,283)
Governmental Activities Capital Assets - Net	$ 18,560,165	$ 14,844,422	$ -	$ 33,404,587
Business-Type Activities				
Capital Assets, being Depreciated:				
Food service and Equipment	$ 555,515	$ -	$ -	$ 555,515
Technology Equipment	4,118	-	-	4,118
Total Capital Assets, being Depreciated	559,633	-	-	559,633
Less: Accumulated Depreciation				
Food Service and Equipment	(3,927)	(191)	-	(4,118)
Technology Equipment	(398,780)	(25,210)	-	(423,990)
Total Accumulated Depreciation	(402,707)	(25,401)	-	(428,108)
Business-Type Activities Capital Assets - Net	$ 156,926	$ (25,401)	$ -	$ 131,525

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

5. Bonded Debt and Lease Obligations:

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

	Balance June 30, 2011	Additions	Debt Payments and Reductions	Balance June 30, 2012	Amount Due within one year
Series 1998	$ 400,000	$ -	$ 400,000	$ -	$ -
Series 2001	75,000	-	75,000	-	-
Series 2004	6,075,000	-	3,930,000	2,145,000	915,000
Series 2011	15,410,000	-	200,000	15,210,000	175,000
QZAB	5,000,000	-	30,000	4,970,000	31,277
Series 2012	-	3,835,000	30,000	3,805,000	60,000
	$ 26,960,000	$ 3,835,000	$ 4,665,000	$ 26,130,000	$ 1,181,277

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

In connection with the school revenue bonds issued after May 1, 1996 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, the total principal outstanding has been recorded in the financial statements.

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

Year	Principal	Interest	Commission Participation	District's Portion
2012-13	$ 1,181,277	$ 789,176	$ 585,679	$ 1,384,774
2013-14	1,227,617	747,812	590,291	1,385,138
2014-15	1,254,010	705,186	589,640	1,369,556
2015-16	1,291,264	680,186	595,864	1,375,586
2016-17	1,329,475	663,826	591,629	1,401,672
2017-18	1,372,860	639,006	592,008	1,419,858
2018-19	1,412,358	612,936	591,938	1,433,356
2019-20	1,462,962	585,412	591,013	1,457,361
2020-21	1,514,229	556,012	589,214	1,481,027
2021-22	1,561,404	524,312	586,113	1,499,603
2022-23	1,614,017	491,712	587,913	1,517,816
2023-24	1,672,341	456,592	583,988	1,544,945
2024-25	1,301,399	403,306	149,426	1,555,279
2025-26	1,354,787	356,342	149,425	1,561,704
2026-27	1,200,000	306,030	149,426	1,356,604
2027-28	1,255,000	252,030	149,425	1,357,605
2028-29	1,310,000	194,300	149,425	1,354,875
2029-30	1,375,000	133,712	149,425	1,359,287
2030-31	1,440,000	68,400	149,426	1,358,974
	$ 26,130,000	$ 9,166,288	$ 8,121,268	$ 27,175,020

5. Bonded Debt and Lease Obligations, Concluded:

Long-term debt activities for the year ended June 30, 2012, are as follows:

Issue Date	Proceeds	Rates	Maturity Date
1998 (refunding of 1992)	$ 3,250,000	3.70% - 4.125%	May 1, 2012
2001	$ 265,000	4.15% - 4.90%	April 1, 2014
2004	$ 8,705,000	4.00% - 4.75%	June 1, 2024
2011	$ 15,410,000	4.00% - 4.75%	April 1, 2031
QZAB	$ 5,000,000	5.25%	April 1, 2026
2012	$ 3,835,000	0.65% - 2.25%	June 1, 2024

In October, 1998, the Board approved the issuance of refunding revenue bonds in the amount of $3,250,000. These proceeds were used to call the remainder of the outstanding bonds of the issue of 1992. These bonds and accumulated interest costs related to the 1992 issue, were paid on November 19, 1998, from the Bond Escrow Account. The estimated savings to the District as a result of the refunding is approximately $200,000.

In May, 2001, the Board approved the issuance of the Energy Conservation Revenue Bonds, Series of 2001 in the amount of $265,000. These bonds have a final maturity on April 1, 2014.

In March, 2004, the Board approved the issuance of revenue bonds in the amount of $8,705,000. These funds were used for the construction of Highland Elementary School. As of June 30, 2006, the construction was complete and the building was placed in service. These bonds have a final maturity on June 1, 2024.

In April, 2011, the Board approved the issuance of revenue bonds in the amount of $15,410,000 and Qualified Zone Academy Bonds (QZAB) in the amount of $5,000,000. These funds were used for construction and renovation of Glasgow High School. Construction is set to be complete on October 30, 2012. The bond series for 2011 has a maturity date of April 1, 2031 and QZAB bonds mature on April 1, 2026.

In March, 2012, the Board approved the refinance of 2004 revenue bonds in the amount of $3,835,000. The newly refinanced 2012 revenue bonds have a final maturity on June 1, 2024.

Capitalization of Interest

Interest costs incurred during construction are capitalized, net of interest income from proceeds of tax-exempt debt as part of the cost of the related assets of the District. Interest capitalized for the year ended June 30, 2012 was $464,033.

6. Capital Lease Payable:

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

Classes of Property	Book Value as of June 30, 2012
Buses	$ 529,130

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:

Year Ended June 30	Capital Lease Payable
2013	$ 61,277
2014	60,942
2015	49,742
2016	46,447
2017	42,125
Thereafter	24,011
Total minimum lease payments	284,544
Less: Amount representing interest	(29,019)
Present Value of Net Minimum Lease Payments	$ 255,525

Commitments Under Noncapitalized Leases:

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

Year ending June 30:	
2013	$ 27,051
2014	20,543
2015	7,223
2016	3,173
Total Minumum Rentals	$ 57,990

Rent expense for the year ended June 30, 2012 was $0.

7. Retirement Plans:

The Glasgow Independent School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky.

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

7. Retirement Plans, Continued:

Contribution rates are established by KRS. Members are required to contribute 10.355% of their salaries to KTRS. Effective July 1, 2008 new members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.605% of salaries to those hired before July 1, 2008 and 14.105% of salaries to those hired after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions. KRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, and public employer's retirement system. Funding for the Plan is provided through payroll withholdings of 5.00% and a District contribution of 18.96% of the employee's total compensation subject to contribution. Effective September 1, 2008 new members are required to contribute 6% of their salaries.

The District's total payroll for the year was $13,173,832. The payroll for employees covered under KTRS was $9,650,836 and for CERS was $2,337,480. For the year ended June 30, 2012, the Commonwealth contributed $168,524 to KTRS for the benefit of our participating employees. The School District's contributions to KTRS for the year ending June 30, 2012 were $42,112, which represents those employees covered by federal programs.

The contribution requirement for CERS for the year ended June 30, 2012, was $564,032 which consisted of $443,186 from the District and $120,846 from the employees.

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

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

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

	CERS as of June 30, 2011	CERS as of June 30, 2010 (In Thousands)	CERS as of June 30, 2009
Assets available for benefits, at fair value	$ 7,409,156	$ 7,296,322	$ 7,402,278
Pension benefit obligation	11,777,126	11,131,174	10,491,358
(Under funded)/ over funded pension benefit obligations	$ (4,367,970)	$ (3,834,852)	$ (3,089,080)

7. Retirement Plans, Continued:

The following table presents the last three years of the total of all employer contributions to the Plan and the Company's contributions for the year ending June 30:

Total Plan Contributions - CERS

Fiscal Year Ended	Annual Required Contributions	Actual Contributions	Percentage Contributed
2011	$ 432,414,052	$ 435,404,150	100.69%
2010	$ 453,055,709	$ 382,839,930	84.50%
2009	$ 425,830,683	$ 310,669,790	72.96%

District's Contributions - CERS

Fiscal Year Ended	Annual Required Contributions	Actual Contributions	Percentage Contributed
2012	$ 564,032	$ 564,032	100.00%
2011	$ 501,020	$ 501,020	100.00%
2010	$ 370,154	$ 370,154	100.00%

	KTRS as of June 30, 2011	KTRS as of June 30, 2010 (In Thousands)	KTRS as of June 30, 2009
Assets available for benefits, at fair value	$ 14,908,100	$ 14,851,330	$ 14,885,981
Pension benefit obligation	25,968,700	24,344,316	23,400,426
(Under funded)/ over funded pension benefit obligations	$ (11,060,600)	$ (9,492,986)	$ (8,514,445)

Total Plan Contributions - KTRS

Fiscal Year Ended	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2011	$ 678,700,000	$ 1,038,411,000	153.00%
June 30, 2010	$ 633,900,000	$ 481,764,000	76.00%
June 30, 2009	$ 600,300,000	$ 444,222,000	74.00%

District's Contributions - KTRS

Fiscal Year Ended	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2012	$ 1,270,112	$ 1,270,112	100.00%
June 30, 2011	$ 1,270,112	$ 1,270,112	100.00%
June 30, 2010	$ 1,189,788	$ 1,189,788	100.00%

7. Retirement Plans, Concluded:

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

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

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans. Total employee contributions to the 403(B) plan for the year was $33,302.

8. 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 benefit is a cost-sharing multiple employer defined benefit plan. Changes 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, 1.5% of the gross annual payroll of all members before July 1, 2008 is contributed. One-half (1/2) of this amount is derived from member contributions and one-half (1/2) from State appropriation. Members joining the Plan after July 1, 2008 contribute an additional 1% to the medical insurance fund. Also, the premiums collected from retirees as described in the Plan description and investment interest help meet the medical expenses of the Plan.

9. Arbitrage:

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the insurance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service(IRS) at least every five years. During the current year, the Company performed calculations of excess investment earnings on various bonds and financings and at June 30, 2012 does not expect to incur a liability.

10. Contingencies:

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor's may request a refund of monies advanced, or refuse to reimburse the District for its disbursements.

The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

In addition, the District operates in a heavily regulated environment. The operations of the District are subjected to the administrative directives, rules and regulations of federal and state regulatory agencies, including but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress or the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional burden to comply with a change.

11. Insurance and Related Activities:

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

12. Risk Management:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association.

The District pays an annual premium to each fund for coverage. Contributions to the Workers Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

12. Risk Management, Continued:

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

13. Deficit Operating Balances:

Construction fund has a deficit fund balance of $4,991,948 and is the only fund that currently has a deficit fund balance. The following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

Building	$	863,780
Construction	$	3,102,446
Debt Service	$	11,893,693

14. 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).

15. Transfer of Funds:

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose		Amount
Operating	General	Debit Service	Debt Service	$	78,888
Operating	Construction	General	Reimburse Capital Expenditures	$	1,376,912
Matching	General	Special Revenue	Technology Match	$	39,115
Operating	Capital Outlay	Debit Service	Debt Service	$	177,171
Operating	Building	Debit Service	Debt Service	$	1,290,812
Operating	Building	Construction	Capital Expenditures	$	1,583,084
Operating	Debit Service	Construction	Capital Expenditures	$	12,000,000

16. Bond Issuance Costs:

As of June 30, 2012, bond issuance costs consisted of the following:

Bond Discount - Series 2011	$	231,150
Bond Discount - Series 2012		47,785
Qualified Zone Academy Bonds Discount		75,000
	$	353,935
Less: Amortization		(57,197)
Balance of Prepaids June 30, 2012	$	296,738

SUPPLEMENTARY INFORMATION

GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
From local sources:				
Taxes:				
Property	$ 3,520,000	$ 3,520,000	$ 3,614,533	$ 94,533
Motor vehicles	300,000	300,000	337,940	37,940
Other	324,100	324,100	364,291	40,191
Tuition and fees	5,000	5,000	16,012	11,012
Earnings on investments	46,000	46,000	19,581	(26,419)
Other local revenues	28,000	28,000	93,991	65,991
Intergovernmental-state	7,557,000	7,557,000	10,212,130	2,655,130
Intergovernmental-direct federal	20,000	20,000	6,781	(13,219)
Total revenues	11,800,100	11,800,100	14,665,259	2,865,159
Expenditures:				
Instruction	7,578,677	7,578,677	10,021,561	(2,442,884)
Support services:				
Student	597,936	597,936	630,545	(32,609)
Instructional staff	529,393	529,393	695,854	(166,461)
District administration	1,471,359	1,471,359	851,052	620,307
School administration	858,740	858,740	1,082,789	(224,049)
Business	200,984	200,984	244,989	(44,005)
Plant operations and maintenance	2,002,207	2,002,207	1,379,853	622,354
Student transportation	567,250	567,250	669,974	(102,724)
Facilities acquisition and construction	25,000	25,000	20,000	5,000
Other	63,422	63,422	63,421	1
Total expenditures	13,894,968	13,894,968	15,660,038	(1,765,070)
Excess (deficit) of revenues over expenditures	(2,094,868)	(2,094,868)	(994,779)	1,100,089
Other financing sources (uses):				
Proceeds from sale of fixed assets	1,000	1,000	32,349	31,349
Operating transfers in	-	-	1,376,912	1,376,912
Operating transfers out	-	-	(118,003)	(118,003)
Total other financing sources (uses)	1,000	1,000	1,291,258	1,290,258
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(2,093,868)	(2,093,868)	296,479	2,390,347
Fund balance, July 1, 2011	2,093,868	2,093,868	2,163,547	69,679
Fund balance, June 30, 2012	$ -	$ -	$ 2,460,026	$ 2,460,026

GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – SPECIAL REVENUE
For the Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
From local sources:				
Taxes:				
Intergovernmental-state	$ 510,192	$ 510,192	$ 499,771	$ (10,421)
Intergovernmental-indirect federal	1,749,233	1,749,233	2,546,776	797,543
Total revenues	2,259,425	2,259,425	3,046,547	787,122
Expenditures:				
Instruction	1,924,204	1,924,204	2,655,508	(731,304)
Support services:				
Student	64,355	64,355	62,536	1,819
Instructional staff	144,171	144,171	199,305	(55,134)
School administration	-	-	634	(634)
Business	-	-	19,758	(19,758)
Student transportation	-	-	11,094	(11,094)
Community service activities	136,827	136,827	136,827	-
Total expenditures	2,269,557	2,269,557	3,085,662	(816,105)
Excess (deficit) of revenues over expenditures	(10,132)	(10,132)	(39,115)	(28,983)
Other financing sources (uses):				
Operating transfers in	-	-	39,115	39,115
Total other financing sources (uses)	-	-	39,115	39,115
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(10,132)	(10,132)	-	10,132
Fund balance, July 1, 2011	-	-	-	-
Fund balance, June 30, 2012	$ (10,132)	$ (10,132)	$ -	$ 10,132

GLASGOW INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	SEEK CAPITAL OUTLAY FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Total Assets and Resources	$ -	$ -
Total Liabilities	$ -	$ -
Total Fund Balances	$ -	$ -
Total Liabilities and Fund Balances	$ -	$ -

GLASGOW INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	Seek Capital Outlay Fund	Total Nonmajor Governmental Funds
Revenues:		
Intergovernmental-State	$ 177,171	$ 177,171
Total revenues	177,171	177,171
Excess (deficit) of revenues over expenditures	177,171	177,171
Other financing sources (uses):		
Operating transfers out	(177,171)	(177,171)
Total other financing sources (uses)	(177,171)	(177,171)
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	-
Fund balance, July 1, 2011	-	-
Fund balance, June 30, 2012	$ -	$ -

GLASGOW INDEPENDENT SCHOOL DISTRICT
GLASGOW HIGH SCHOOL ACTIVITY FUNDS
ALL FUNDS COMBINED BALANCES
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
For the Year Ended June 30, 2012

	Cash Balance July 1, 2011	(1) Receipts	(1) Disbursements	Cash Balance June 30, 2011	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2012
Academic Team	$ 2,662	$ 120	$ 1,439	1,343	$ 545	$ -	$ 1,888
Archery Club	8	1,134	973	169	-	-	169
Advantage Network	874	1,790	815	1,849	-	-	1,849
Arts / Humanities	14	-	14	-	-	-	-
Art Club	542	5,010	5,535	17	-	-	17
Art Department	458	10	263	205	-	-	205
Athletics - General	58,954	179,661	199,858	38,757	-	126	38,631
Ath. - Baseball	1,310	6,082	5,266	2,126	-	-	2,126
Ath. - Girls Soccer	2,228	7,055	3,928	5,355	-	-	5,355
Ath. - Softball	2,574	16,361	16,385	2,550	3,733	1,151	5,132
Ath. - Swimming	77	737	770	44	-	-	44
Ath. - Boys Tennis	146	800	842	104	-	-	104
Ath. - Girls Tennis	58	950	583	425	-	-	425
Ath. - Boys Track	249	1,484	1,313	420	-	-	420
Ath. - Officials	-	23,003	22,523	480	-	-	480
Ath. - Miscellaneous	-	5,501	5,501	-	-	-	-
Ath. - Boys Basketball	145	5,290	5,435	-	-	-	-
Ath. - Volleyball	554	1,253	1,137	670	-	-	670
Ath. - Girls Track	598	2,474	1,760	1,312	-	-	1,312
Ath. - Girls Basketball	88	6,353	6,399	42	-	-	42
Ath. - Cheerleaders	-	4,894	4,889	5	-	-	5
Ath. - Cross Country	340	663	764	239	-	-	239
Ath. - Football	1	11,200	11,111	90	-	-	90
Ath. - Boys Golf	365	5,993	6,358	-	-	-	-
Ath. - Girls Golf	7,255	8,178	6,630	8,803	-	-	8,803
Ath. - Boys Soccer	-	8,604	8,333	271	-	-	271
BC 9 Diamond Bosot Base/Sof	3,194	24,340	23,139	4,395	-	-	4,395
BC 1 Booster Club Lady Scotties	2,490	4,430	6,406	514	-	68	446
BC 11 BC-G-Basketball	2,759	7,905	9,637	1,027	-	-	1,027
BC-12 BC Boys Track	30	-	30	-	-	-	-
BC 2 Booster Club Girls Golf	775	-	-	775	-	-	775
BC 3 GHS Ath. Booster Club	5,445	15,603	15,962	5,086	-	-	5,086
BC 4 BC-Boys Basketball	1,864	6,935	8,528	271	-	-	271
BC 5 BC- Boys Golf	41	1,000	-	1,041	-	-	1,041
BC 6 BC Cheerleaders	8,742	43,243	51,985	-	-	-	-
BC 7 Booster Club Football	1,256	27,657	27,473	1,440	-	-	1,440
BC 8 Booster Club Volleyball	183	1,810	1,267	726	-	-	726
Beta Club	238	8,065	6,645	1,658	-	-	1,658
DE Bookstore	380	6,246	4,165	2,461	-	-	2,461
Choir	1,607	-	1,055	552	-	-	552
Class of 2016	-	186	186	-	-	-	-
Computer Lab Fees	148	10	158	-	-	-	-
Drama / Speech	296	-	-	296	-	-	296
Deca Club	2,127	16,017	14,694	3,450	-	-	3,450
English Department	1,177	75	1,155	97	-	-	97
Film Club	76	-	-	76	-	-	76
FCA - Fellow Christian	5	-	-	5	-	-	5
FCCLA	59	308	351	16	-	-	16
FEES	-	17,081	4,060	13,021	-	-	13,021
Faculty Flower Fund	-	1,358	1,320	38	-	-	38
Faculty Machines	1,384	2,449	3,244	589	-	-	589
Freshmen Core	2,352	1,460	1,415	2,397	-	-	2,397
G & C- Glitter & Glues	15	-	15	-	-	-	-
GHSPTSO PTO	101	-	101	-	-	-	-
Gym Rental	250	-	250	-	-	-	-
High School Misc. Sp Ed.	197	180	343	34	-	-	34
High School Misc.	1,732	16,347	5,375	12,704	-	1,500	11,204
High School Misc. Guidance	800	4,180	3,990	990	-	-	990
Home Economics	88	126	198	16	-	-	16
Industrial Arts	425	235	660	-	-	-	-
Journalism	11,597	15,180	21,538	5,239	-	-	5,239
Jr. Guard	325	285	-	610	-	-	610
Kids Benefiting Kids	-	3,108	-	3,108	-	-	3,108
KY Youth Assembly	34	13,015	13,045	4	-	-	4
Lacross	385	2,324	2,704	5	-	-	5
Laminator	245	-	245	-	-	-	-
Landscape	80	-	80	-	-	-	-
Library	1,149	347	180	1,316	-	-	1,316
Magazines	13,758	10,032	8,834	14,956	-	-	14,956
Marketing	308	5,150	5,044	414	-	-	414
Math Lab Fees	1,015	1,326	1,011	1,330	-	-	1,330
Newspaper	33	-	33	-	-	-	-
Now Account	638	136	-	774	-	-	774
Parking Tags	811	2,880	308	3,383	-	-	3,383
Pep Club	453	-	351	102	-	-	102
Relay For Life	178	-	178	-	-	-	-
School Pictures	1,117	829	-	1,946	-	-	1,946
SADD	197	-	-	197	-	-	197
Science Lab Fees	3,436	268	1,946	1,758	-	-	1,758
Student Machines	4,324	8,339	12,282	381	-	-	381
Spanish Club	1,350	14	1,159	205	-	-	205
Seniors	2,225	9,953	10,774	1,404	-	-	1,404
Social Studies	984	57	448	593	-	-	593
Student Incentives	1,783	30	877	936	-	-	936
Student Travel	1,322	554	1,876	-	-	-	-
TSA	418	2,827	2,898	347	-	-	347
Textbooks	15,060	2,684	11,378	6,366	-	-	6,366
Uniform Rotation	-	6,225	6,225	-	-	-	-
Workbooks	6,158	123	2,354	3,927	-	-	3,927
	$ 189,119	$ 597,532	$ 618,399	$ 168,252	$ 4,278	$ 2,845	$ 169,685

(1) Included in receipts and disbursements are inter-fund transfers in the amount of $106,748.

GLASGOW INDEPENDENT SCHOOL DISTRICT
MIDDLE SCHOOL AND ELEMENTARY SCHOOLS ACTIVITY FUNDS
ALL FUNDS COMBINED BALANCES
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
For the Year Ended June 30, 2012

	Cash Balance July 1, 2011	(1) Receipts	(1) Disbursements	Cash Balance June 30, 2012	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2012
Glasgow Middle School	$ 65,406	$ 111,888	$ 121,982	$ 55,312	$ -	$ 597	$ 54,715
Highland Elementary	77,798	87,652	55,527	109,923	18	35	109,906
South Green Elementary	18,430	49,297	49,615	18,112	-	-	18,112
	$ 161,634	$ 248,837	$ 227,124	$ 183,347	$ 18	$ 632	$ 182,733

(1) Included in receipts and disbursements are Inter-fund transfers in the amount of $2,943.

GLASGOW 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	Federal Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	7750002 12	$ 545,051
Summer Meal Program	10.559	7690024 11	9,653
National School Breakfast Program	10.553	7760005 12	235,672
Total Child Nutrition Cluster			790,376
Other Programs			
Commodity Supplement Food Program	10.565	7750002 12	68,282
State Matching	10.561	7750002 12	12,113
Total Other Programs			80,395
Total U.S. Department of Agriculture			$ 870,771
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I, Part A Cluster			
Title I Grants 10 & 11	84.010	3100002	$ 1,094,203
ARRA-American Recovery	84.389	4100002	19,955
Total Title I, Part A Cluster			1,114,158
Special Education Cluster (IDEA)			
Special Education Grants 11 & 12	84.027	3810002	364,063
Special Education Preschool Grants 11 & 12	84.173	3800002	24,595
ARRA-Special Education Preschool Grant	84.392	4800002	11,205
ARRA-Special Education Grant	84.391	481002	9,474
Total Special Education Cluster (IDEA)			409,337
Education Technology State Grants Cluster			
ARRA-Education Technology State Grant	84.386	4210002	16,769
Educationsl technology State Grant	84.318	3210002	1,522
Total Education Technology State Grants Cluster			18,291
Other Programs			
Career and Technical Education	84.048	4621032	37,499
Education Job Fund	84.410	EJOB00	337,815
21st Century-11	84.287	340001	192,575
Rural Education- 10	84.358	314002	12,056
Improving teacher Quality	84.367	323002	102,874
	84.126		26,592
Migrant- 2011	84.011	3110002	48,995
Total Other Programs			758,406
Total U.S. Department of Education			$ 2,300,192
Total expenditures of federal awards			$ 3,170,963

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2012

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Glasgow 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.

2. Food Distribution:

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

GLASGOW INDEPENDENT SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued (unqualified):

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes ___X___ No
- Significant deficiencies identified that are not considered to be material weaknesses?? _____ Yes ___X___ None reported

Noncompliance material to financial Statements noted? _____ Yes ___X___ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes ___X___ No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes ___X___ 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 Circular A-133? _____ Yes ___X___ No

Identification of major programs:

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

Auditee qualified as low-risk auditee? ___X___ Yes _____ No

Federal Grantor/Program Title	CFDA Number
Passed Through Department of Agriculture:	
Child Nutrition Cluster	
National School Lunch	10.555
Summer Food Service	10.559
School Breakfast	10.553
Passed Through Kentucky Department of Education:	
Education Jobs Fund	84.410

II. FINANCIAL STATEMENTS FINDINGS

a. No matters were reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

a. No matters were reported.

GLASGOW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2012

Prior Year Findings:

None

Recommendation:

None

Current Status:

None

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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*

Members of the Board of Education
Glasgow Independent School District
Glasgow, Kentucky 42141

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Glasgow Independent School District, as of and for the year ended June 30, 2012, which collectively comprise the Glasgow Independent School District's basic financial statements and have issued our report thereon dated October 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *and the audit requirements prescribed by the Kentucky State Committee for the School District Audits in Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Instructions for Completion and Electronic Submission of the Audit Contract.*

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Glasgow 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 regulation identified in *Appendix II of the Independent Auditor's Contract - State Audit Requirements.*

This report is intended solely for the information and use of Kentucky State Committee for School District Audits, the members of the Board of Education of Glasgow Independnet School District, the Kentucky Department of Education, others within the entity, 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.

Campbell, Myers & Ratledge, PLLC

Glasgow, Kentucky
October 25, 2012

CAMPBELL, MYERS, & RUTLEDGE, PLLC

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

Members of the Board of Education
Glasgow Independent School District
Glasgow, Kentucky 42141

Compliance

We have audited Glasgow 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 Glasgow Independent School District's major federal programs for the year ended June 30, 2012. Glasgow 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 Glasgow Independent School District's management. Our responsibility is to express an opinion on Glasgow 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*; *and the audit requirements prescribed by the Kentucky State Committee for the School District Audits in Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Instructions for Completion and Electronic Submission of the Audit Contract.* 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 Glasgow Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Glasgow Independent School District's compliance with those requirements.

In our opinion, Glasgow 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 Glasgow 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 Glasgow 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 Glasgow Independent School District's internal control over compliance.

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

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

This report is intended solely for the information and use of management, Glasgow Independent School District, others within the entity, 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.

Campbell, Myers & Ratledge, PLLC
Glasgow, Kentucky
October 25, 2012