GRAYSON COUNTY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2013

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INDEPENDENT AUDITORS' REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Grayson County School District
Leitchfield, Kentucky

Report on the Financial Statements

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 **Grayson County School District,** as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of *Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – Audit Extension Request, and Appendix II of the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Grayson County School District, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 5 and 36 through 37 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grayson County School District's basic financial statements. The introductory section, and combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* and *OMB Circular A-133,* we have also issued our report dated August 21, 2014, on our consideration of the Grayson County 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 *OMB Circular A-133* in considering Grayson County School District's internal control over financial reporting and compliance.

Respectfully submitted,

Buckles, Travis, VanMeter & Hart

Buckles, Travis, VanMeter & Hart, PLLC
Certified Public Accountants
Leitchfield, Kentucky
August 21, 2014

GRAYSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

As management of the Grayson County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was $8,366,436.
- The board started the High School and Wilkey Plumbing Renovation projects totaling $2,131,213. The board acquired the Ed Ladder property for $286,000 and spent $37,316 on renovations of that preschool center. The district anticipates an additional $10,000 will be expended school year (SY) 14 to finalize those renovations.
- The general fund had $30,557,788 in revenue, which primarily consisted of the state program (SEEK), property, local, utilities, and motor vehicle taxes. There was $30,249,684 in general fund expenditures.
- With the exception of one, federal stimulus funding awards were completed SY 13.
- Board is in the process of constructing a new central office with a BG-1 cost of $3.75m.

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) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

District-wide financial statements

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

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

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

The district-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 are also supported by taxes and intergovernmental revenues. The district-wide financial statements can be found on pages 6 and 7 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. It should be noted that our district migrated to "cloud based" services March SY 12. 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, and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our food service operations and daycare. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 8 through 16 of this report.

Notes to financial statements
The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 35 of this report.

DISTRICT-WIDE FINANCIAL STATEMENTS
Net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by $25,688,876 of June 30, 2013.

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

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

Net assets for the periods ending June 30, 2012 and 2013

	06/30/12	06/30/13
Current assets	$9,628,437	$9,327,355
Non-current assets	43,787,549	44,082,470
Total assets	53,415,986	53,409,825
Current liabilities	3,199,546	3,551,720
Non-current liabilities	25,252,303	24,169,229
Total liabilities	28,451,849	27,720,949
Net assets		
Invested in capital assets (net of debt)	17,877,549	19,472,470
Restricted	6,274,028	5,411,020
Unrestricted fund balance	812,560	805,386
Total net assets	$24,964,137	$25,688,876

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

Comments on Budget Comparisons

- The District's total general fund revenues for the fiscal year ended June 30, 2013, were $30,557,788.
- General Fund revenue accounted for 81% of all governmental revenues. Program specific revenues in the form of grants accounted for 13% of total revenues. Other financing sources and construction accounted for 6%.

- The School District had expenditures of $35,044,695 related to General Fund and Special Revenue Fund activities. Instruction comprised 59% of these expenses. Support service expenses make up 32% of these expenditures, and the expenses for facility acquisition, construction, and improvement and debt service rounded down to 9%.

The following table presents a summary of revenues and expenses for the fiscal year ended June 30, 2012 and 2013:

Revenues	06/30/12	06/30/13
Charges for services	$838,711	$807,524
Operating grants and contributions	7,685,964	6,744,326
Capital grants and contributions	1,131,645	1,131,862
General revenues	30,692,162	31,316,131
Special items	70,730	89,529
	40,419,212	40,089,372
Expenses		
Instructional	22,203,566	22,479,708
Student support services	1,710,668	1,689,664
Staff support services	2,207,392	2,038,659
District administration	818,377	967,584
School administration	2,130,787	2,492,491
Business support services	432,682	513,412
Plant operation and maintenance	3,125,856	2,856,612
Student transportation	2,450,835	2,486,807
Community service operations	343,098	339,804
Facility acquisition and construction	124,744	0
Other	2,164	2,385
Debt service	961,700	891,522
Food service	2,544,087	2,493,594
Daycare	91,727	112,391
Total expenses	39,147,683	39,364,633
Revenues in excess of expenses	$1,271,529	$724,739

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1 through June 30; other programs operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The beginning cash balance for the fiscal year was $8,366,436. Significant Board action that impacts finances includes facility construction projects, step pay raises, and other supplemental raises for all eligible employees. Additionally, each year the employer KTRS match increases until it reaches 3% in fiscal year 2016. Further, in SY 14, our district anticipates a final assessment of about $200,000 through the KSBIT Insurance Pool we participated in during the 1990's and early 2000's.

Questions regarding this report should be directed to Kerry White, Finance Officer at (270) 259-4011 or by mail at P.O. Box 4009, Leitchfield, KY 42755.

GRAYSON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 7,936,716	$ 298,469	$ 8,235,185
Investments	197,397	0	197,397
Interest receivable	1,042	0	1,042
Accounts receivable:			
Accounts	757,015	114,123	871,138
Inventories for consumption	0	22,593	22,593
TOTAL CURRENT ASSETS	8,892,170	435,185	9,327,355
NON-CURRENT ASSETS			
Bond discounts and issue costs, net of accumulated amortization of $340,584	348,806	0	348,806
Non-depreciated capital assets	2,686,215	0	2,686,215
Depreciated capital assets	61,851,061	1,139,418	62,990,479
Less: Accumulated depreciation	(21,162,024)	(781,006)	(21,943,030)
TOTAL NON-CURRENT ASSETS	43,724,058	358,412	44,082,470
TOTAL ASSETS	52,616,228	793,597	53,409,825
LIABILITIES			
CURRENT LIABILITIES			
Cash overdraft	402,531	0	402,531
Accounts payable	691,036	1,097	692,133
Accrued payroll and related expenses	112,505	0	112,505
Deferred revenues	113,028	0	113,028
Interest payable	891,523	0	891,523
Current portion of bond obligations	1,340,000	0	1,340,000
TOTAL CURRENT LIABILITIES	3,550,623	1,097	3,551,720
NON-CURRENT LIABILITIES			
Non-current sick leave	878,284	20,945	899,229
Bond obligations	24,610,000	0	24,610,000
Less: Current portion of bond obligations	(1,340,000)	0	(1,340,000)
TOTAL NON-CURRENT LIABILITIES	24,148,284	20,945	24,169,229
TOTAL LIABILITIES	27,698,907	22,042	27,720,949
NET POSITION			
Net investment in capital assets	19,114,058	358,412	19,472,470
Restricted for:			
Capital projects	2,250,023	0	2,250,023
Debt service	489,190	0	489,190
Accrued sick leave	370,000	0	370,000
KSFCC escrow	743	0	743
Other purposes	2,693,307	413,143	3,106,450
Unrestricted	0	0	0
TOTAL NET POSITION	$ 24,917,321	$ 771,555	$ 25,688,876

See accompanying auditors' report and accompanying notes to financial statements.

GRAYSON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

		PROGRAM REVENUES			NET (EXPENSE) REVENUE CHANGES		
	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instructional	$ 22,479,708	$ 69,227	$ 3,376,257	$ 0	$ (19,034,224)		$ (19,034,224)
Student support services	1,689,664	133,068	161,537	0	(1,395,059)		(1,395,059)
Staff support services	2,038,659	0	808,259	0	(1,230,400)		(1,230,400)
District administration	967,584	0	2,277	0	(965,307)		(965,307)
School administration	2,492,491	0	102,100	0	(2,390,391)		(2,390,391)
Business support services	513,412	0	0	0	(513,412)		(513,412)
Plant operation and maintenance	2,856,612	3,456	47,427	0	(2,805,729)		(2,805,729)
Student transportation	2,486,807	0	0	0	(2,486,807)		(2,486,807)
Community service operations	339,804	90	297,154	0	(42,560)		(42,560)
Facility acquisition and construction	0	0	0	1,131,862	1,131,862		1,131,862
Other	2,385	0	0	0	(2,385)		(2,385)
Debt service	891,522	0	0	0	(891,522)		(891,522)
Total governmental activities	36,758,648	205,841	4,795,011	1,131,862	(30,625,934)		(30,625,934)
Business-type activities:							
Food service	2,493,594	506,618	1,943,305	0		$ (43,671)	(43,671)
Daycare	112,391	95,065	6,010	0		(11,316)	(11,316)
Total business-type activities	2,605,985	601,683	1,949,315	0		(54,987)	(54,987)
Total school district	$ 39,364,633	$ 807,524	$ 6,744,326	$ 1,131,862	(30,625,934)	(54,987)	(30,680,921)
General revenues:							
Property taxes					4,611,418	0	4,611,418
Delinquent property taxes					104,632	0	104,632
Motor vehicle taxes					689,408	0	689,408
Unmined mineral taxes					294,388	0	294,388
Utility taxes					1,632,874	0	1,632,874
Other taxes					73,382	0	73,382
Revenue in lieu of taxes					11,200	0	11,200
State aid-formula grants					23,543,037	0	23,543,037
Investment earnings					56,406	825	57,231
Proceeds from bonds					0	0	0
Miscellaneous					473,927	3,692	477,619
Special items:							
Gain (loss) on sale of assets					(88,384)	(1,145)	(89,529)
Loss compensation					0	0	0
Transfers					0	0	0
Total general and special					31,402,288	3,372	31,405,660
Change in net position					776,354	(51,615)	724,739
Net position – Beginning					24,140,967	823,170	24,964,137
Net position – Ending					$ 24,917,321	$ 771,555	$ 25,688,876

See accompanying auditors' report and notes to financial statements.

GRAYSON COUNTY SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2013

	GENERAL FUND	SPECIAL REVENUE FUND	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	$ 6,775,148	$ 0	$ 671,635	$ 489,933	$ 7,936,716
Investments	197,397	0	0	0	197,397
Interest receivable	1,042	0	0	0	1,042
Accounts receivable:					
Accounts	236,200	520,815	0	0	757,015
TOTAL ASSETS	$ 7,209,787	$ 520,815	$ 671,635	$ 489,933	$ 8,892,170
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Cash overdraft	$ 0	$ 402,531	$ 0	$ 0	$ 402,531
Accounts payable	139,168	5,256	546,612	0	691,036
Accrued payroll and related expenses	112,505	0	0	0	112,505
Deferred revenues	0	113,028	0	0	113,028
TOTAL LIABILITIES	251,673	520,815	546,612	0	1,319,100
FUND BALANCE					
Nonspendable	0	0	0	0	0
Restricted for:					
Accrued sick leave	370,000	0	0	0	370,000
KSFCC escrow	0	0	0	743	743
Capital projects	2,125,000	0	125,023	0	2,250,023
Debt service	0	0	0	489,190	489,190
Other	0	0	0	0	0
Committed	0	0	0	0	0
Assigned	3,657,719	0	0	0	3,657,719
Unassigned	805,395	0	0	0	805,395
TOTAL FUND BALANCE	6,958,114	0	125,023	489,933	7,573,070
TOTAL LIABILITIES AND FUND BALANCE	$ 7,209,787	$ 520,815	$ 671,635	$ 489,933	$ 8,892,170

See accompanying auditors' report and notes to financial statements.

GRAYSON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

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

Total governmental fund balance		$ 7,573,070
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets:		
Non-depreciated capital assets	$ 2,686,215	
Depreciated capital assets	61,851,061	
Accumulated depreciation	(21,162,024)	43,375,252
Bond discounts and issue costs are financial uses and are reported as expenditures in governmental funds. This amount should be capitalized in the district-wide financial statements and expensed over the life of the bond.		
Bond discounts and issue costs	689,390	
Accumulated amortization	(340,584)	348,806
Certain liabilities (such as bonds payable, accrued interest, and other notes payable) are not reported in the fund financial statements because they are not due and payable, however, they are presented in the statement of net assets.		
Interest payable	(891,523)	
Sick leave payable	(878,284)	
Bond obligations	(24,610,000)	(26,379,807)
TOTAL NET POSITION - GOVERNMENTAL		$ 24,917,321

See accompanying auditors' report and notes to financial statements.

GRAYSON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	GENERAL FUND	SPECIAL REVENUE FUND	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	$6,764,303	$ 0	$ 0	$ 652,999	$ 7,417,302
Earnings on investments	54,603	315	617	871	56,406
Other local revenues	195,845	31,808	0	0	227,653
State sources	23,438,605	1,587,765	0	1,378,640	26,405,010
Federal sources	104,432	3,113,376	0	94,080	3,311,888
Other sources	0	0	0	205,127	205,127
TOTAL REVENUES	30,557,788	4,733,264	617	2,331,717	37,623,386
EXPENDITURES					
Instructional	19,078,364	3,376,257	0	0	22,454,621
Student support services	1,499,087	161,537	0	0	1,660,624
Staff support services	1,157,056	808,259	0	0	1,965,315
District administration	939,626	2,277	0	0	941,903
School administration	1,525,805	102,100	0	0	1,627,905
Business support services	513,412	0	0	0	513,412
Plant operation and maintenance	2,638,474	47,427	0	0	2,685,901
Student transportation	2,565,392	0	0	0	2,565,392
Community service operations	42,650	297,154	0	0	339,804
Facility acquisition, construction and improvement	287,433	0	1,098,515	0	1,385,948
Other	2,385	0	0	0	2,385
Debt service	0	0	0	2,232,248	2,232,248
Bond issue costs	0	0	0	0	0
TOTAL EXPENDITURES	30,249,684	4,795,011	1,098,515	2,232,248	38,375,458
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	308,104	(61,747)	(1,097,898)	99,469	(752,072)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of bonds	0	0	0	0	0
Proceeds from sale of assets	92,969	0	0	0	92,969
Bond discount	0	0	0	0	0
Operating transfers in	286,000	61,747	1,099,963	1,929,960	3,377,670
Operating transfers out	(1,039,156)	0	(280,723)	(2,057,791)	(3,377,670)
TOTAL OTHER FINANCING SOURCES (USES)	(660,187)	61,747	819,240	(127,831)	92,969
NET CHANGE IN FUND BALANCES	(352,083)	0	(278,658)	(28,362)	(659,103)
FUND BALANCES – BEGINNING	7,310,197	0	403,681	518,295	8,232,173
FUND BALANCES – ENDING	$6,958,114	$ 0	$ 125,023	$ 489,933	$ 7,573,070

See accompanying auditors' report and notes to financial statements.

GRAYSON COUNTY 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, 2013

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

Net changes - governmental funds		$ (659,103)
Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.		
Depreciation expense	$ (2,056,764)	
Gain on disposal of assets	(181,353)	
Capital outlays	2,630,928	392,811
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, issuing debt increases the long-term liabilities and does not affect the statement of activities. Similarly repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.		
Bond proceeds	0	
Bond discount	0	
Bond issue costs	0	
Principal paid	1,300,000	1,300,000
Bond discounts and issue costs are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of activities, these costs are capitalized and amortized over the life of the respective bond.		
Amortization expense		(41,998)
In the statement of activities the change in accumulated sick leave payable and interest payable is reported. Whereas, in the governmental funds this change in liability is not reported. Thus the change in net assets differs from the change in fund balances by the amount of increase or decrease in this account.		
Increase in accumulated sick leave payable	(256,082)	
Decrease in interest payable	40,726	(215,356)
CHANGES – NET POSITION – GOVERNMENTAL FUNDS		$ 776,354

See accompanying auditors' report and notes to financial statements.

GRAYSON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2013

	FOOD SERVICE	OTHER ENTERPRISE FUNDS (Daycare)	TOTAL
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 272,921	$ 25,548	$ 298,469
Accounts receivable:			
Accounts	107,723	6,400	114,123
Inventories for consumption	22,593	0	22,593
TOTAL CURRENT ASSETS	403,237	31,948	435,185
NON-CURRENT ASSETS			
Depreciated capital assets	1,139,418	0	1,139,418
Less: Accumulated depreciation	(781,006)	0	(781,006)
TOTAL NON-CURRENT ASSETS	358,412	0	358,412
TOTAL ASSETS	761,649	31,948	793,597
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	731	366	1,097
Cash overdraft	0	0	0
TOTAL CURRENT LIABILITIES	731	366	1,097
NON-CURRENT LIABILITIES			
Non-current sick leave	20,945	0	20,945
TOTAL NON-CURRENT LIABILITIES	20,945	0	20,945
TOTAL LIABILITIES	21,676	366	22,042
NET POSITION			
Net investment in capital assets	358,412	0	358,412
Restricted	381,561	31,582	413,143
TOTAL NET POSITION	$ 739,973	$ 31,582	$ 771,555

See accompanying auditors' report and notes to financial statements.

GRAYSON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	FOOD SERVICE	OTHER ENTERPRISE FUNDS (Daycare)	TOTAL
OPERATING REVENUES			
Lunchroom sales	$ 506,618	$ 0	$ 506,618
Tuition	0	95,065	95,065
TOTAL OPERATING REVENUES	506,618	95,065	601,683
OPERATING EXPENSES			
Salaries and benefits	1,169,754	96,883	1,266,637
Contract services	35,782	3,497	39,279
Materials and supplies	1,229,081	9,201	1,238,282
Depreciation	55,827	0	55,827
Other operating expenses	3,150	2,810	5,960
TOTAL OPERATING EXPENSES	2,493,594	112,391	2,605,985
OPERATING INCOME (LOSS)	(1,986,976)	(17,326)	(2,004,302)
NON-OPERATING REVENUES (EXPENSES)			
Federal grants	1,675,302	0	1,675,302
State grants	24,919	0	24,919
Donated commodities	70,602	0	70,602
On-behalf payments	172,482	6,010	178,492
Interest income	825	0	825
Miscellaneous revenue	3,542	150	3,692
Gain (loss) on disposal of assets	(1,145)	0	(1,145)
Operating transfers in	0	0	0
Operating transfers out	0	0	0
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,946,527	6,160	1,952,687
CHANGE IN NET POSITION	(40,449)	(11,166)	(51,615)
NET POSITION – BEGINNING	780,422	42,748	823,170
NET POSITION – ENDING	$ 739,973	$ 31,582	$ 771,555

See accompanying auditors' report and notes to financial statements.

GRAYSON COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from:		
Lunchroom sales	$	402,712
Tuition		92,446
Governmental grants		1,700,221
Operating transfers in		0
Cash paid to/for:		
Salaries and benefits		(1,087,301)
Materials and supplies		(1,172,403)
Contract services		(39,279)
Operating transfers out		0
Other activities		(2,268)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		(105,872)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Fixed asset activity		(1,080)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		(1,080)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of interest income		825
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		825
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(106,127)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR		404,596
CASH AND CASH EQUIVALENTS – END OF YEAR	$	298,469
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Income (loss)	$	(51,295)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation		55,827
Change in assets and liabilities:		
(Increase) decrease in accounts receivable		(106,525)
(Increase) decrease in inventories for consumption		2,348
Increase (decrease) in accounts payable		(7,071)
Increase (decrease) in accrued sick leave payable		844
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$	(105,872)
SCHEDULE OF NON-CASH TRANSACTIONS		
Donated commodities received from federal government	$	70,602
On-behalf payments	$	178,492

See accompanying auditors' report and notes to financial statements.

GRAYSON COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2013

	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUND
ASSETS		
Cash and cash equivalents	$ 0	$ 348,735
Accounts receivable	0	742
Investments	11,810,804	0
TOTAL ASSETS	11,810,804	349,477
LIABILITIES		
Accounts payable	0	53,854
Due to student groups	0	295,623
TOTAL LIABILITIES	0	349,477
NET POSITION HELD IN TRUST	$ 11,810,804	$ 0

See accompanying auditors' report and notes to financial statements.

GRAYSON COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2013

	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUND
ADDITIONS		
Contributions	$ 1,991,367	$ 0
TOTAL ADDITIONS	1,991,367	0
DEDUCTIONS		
District support	473,507	0
TOTAL DEDUCTIONS	473,507	0
CHANGE IN NET POSITION	1,517,860	0
NET POSITION – BEGINNING OF YEAR	10,292,944	0
NET POSITION – END OF YEAR	$ 11,810,804	$ 0

See accompanying auditors' report and notes to financial statements.

NOTE A - REPORTING ENTITY

The Grayson County 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 Grayson County 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, as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly 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 Grayson County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc. The 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 the organizations.

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

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

On June 30, 1991, the Grayson County Board of Education authorized and directed that a corporation be organized and formed pursuant to the provisions of Sections 273.161 through 273.390 of the Kentucky Revised Statutes. The purposes of the corporation are to act as an agency of the Board of Education in the acquisition and financing of any public school project which may be undertaken by the Board, to acquire real estate or any interest therein, and to issue bonds, notes, or other obligations on behalf of the Board for the acquisition and financing of one or more public school projects.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

In June 1999, GASB unanimously approved *Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Certain significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the District's activities, including capital assets.
- A change in the fund financial statements to focus on the major funds.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The District adopted GASB Statement No. 34 in the fiscal year ended June 30, 2003.

Basis of Presentation

District-wide financial statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered to be business-type activities.

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

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

In the district-wide Statement of Net Position and Statement of Activities both governmental and business-type 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

The District has the following funds:

1. Governmental Fund Types

   a. The General Fund is the main operating fund of the Board. 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. This is a major fund of the District.

   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 the 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 on pages 40 through 41. This is a major fund of the District.

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

      i. 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. The SEEK Fund is not a major fund.

      ii. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is not a major fund of the District.

      iii. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. The Construction Fund is a major fund of the District but is not required to adopt a budget; therefore no budgetary comparison information is presented.

   d. 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 costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law. The Debt Service Fund is not a major fund of the District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District did not have any nonspendable resources at June 30, 2013.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified sick leave, KSFCC escrow, capital projects and debt service resources as being restricted.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of June 30, 2013.

Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District's manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District had assigned resources as of June 30, 2013.

Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balances of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

2. Proprietary Fund Types (Enterprise Fund)

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

   b. The Family Resource Center Fund is used to account for daycare activities. The Family Resource Center Fund is not a major fund.

   The District defines operating revenues as revenues derived from proprietary fund operations. All other revenues are considered non-operating.

3. Fiduciary Fund Type (Agency Funds)

   a. 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 the Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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.

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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 position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

Property Taxes

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 30 days after the tax bill mailing. A discount is offered through November 30 and a penalty is assessed after December 31. Property taxes collected are recorded as revenues in the fiscal year for which they are levied. Property taxes collected are recorded as revenues in the Fund for which they were levied.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide statement of net position 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 district-wide statement of net position 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 five hundred 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 the assets life are not.

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

	Governmental Activities
Description	**Estimated Lives**
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
General equipment	10 years

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Inter-fund Balances

On the fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as "inter-fund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, 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.

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

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

For governmental fund financial statements these amounts are recorded in the account "accumulated sick leave payable" in the general fund.

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).

Once the budget is approved, it can be amended. Such amendments are not made after fiscal year-end as dictated by law.

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

On district-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2013 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 prices.

The permanent funds record investments at their quoted market value prices for purposes of the Statement of Net Position. 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.

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

Net Position

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

Operating Revenues and Expenses

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

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.

Inter-fund Activity

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

NOTE C – ESTIMATES

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

NOTE D - CASH AND INVESTMENTS

At year end, the carrying amount of the District's cash and investments was $8,378,786. Of the total institutional balance of $9,381,934, $804,900 was covered by Federal depository insurance. The remaining balance of $8,577,034 would require collateralization. As of June 30, 2013, $14,825,000 was pledged with securities held by the pledging banks' trust departments but not in the name of the District.

Kentucky Revised Statues provide for investment of governmental funds into certain investment types including obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of the Commonwealth of Kentucky and its agencies, insured savings and loans or interest bearing deposits of insured national or state banks. The deposits in excess of insurance coverage must be fully collateralized. All balances held are considered acceptable and compliant per Kentucky Revised Statutes, however, to be considered fully collateralized by Governmental Accounting Standards, any securities held in a pledging financial institution must be held in the District's name.

Any certificates of deposit or other fixed term investments are purchased in the name of the District. Therefore, these purchases are federally insured up to $250,000 and/or collateralized with U.S. Government Securities at 110% market value or 100% collateralized (principal and interest) by irrevocable letters of credit issued by the Federal Home Loan Bank of San Francisco.

NOTE D - CASH AND INVESTMENTS, CONCLUDED

Due to the nature of the accounts and limitations imposed by bond issue requirements, construction projects, and federal financial assistance programs, each bank account or fund balance, as applicable, within the following funds is considered to be restricted:

SEEK Capital Outlay Fund
Facility Support Program (FSPK)
Debt Service Fund
Daycare Fund
School Construction Fund
Grant Fund
School Lunchroom Fund
Activity Fund

NOTE E - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2013, was as follows:

Governmental Activities	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Land	$ 1,676,739	$ 0	$ 0	$ 1,676,739
Buildings and improvements	48,457,765	2,844,002	829,500	50,472,267
Technology equipment	3,354,245	222,015	223,366	3,352,894
Vehicles	4,271,990	421,468	15,809	4,677,649
General equipment	3,397,520	156,863	206,132	3,348,251
Construction in progress	2,022,896	1,009,476	2,022,896	1,009,476
Totals at historical cost	63,181,155	4,653,824	3,297,703	64,537,276
Less: Accumulated depreciation				
Buildings and improvements	13,498,705	1,166,324	677,966	13,987,063
Technology equipment	2,221,376	415,022	196,206	2,440,192
Vehicles	2,322,630	332,911	15,809	2,639,732
General equipment	2,156,003	142,507	203,473	2,095,037
Total accumulated depreciation	20,198,714	2,056,764	1,093,454	21,162,024
Governmental Activities Capital Assets - Net	$42,982,441	$ 2,597,060	$ 2,204,249	$ 43,375,252
Business-Type Activities				
Food service and equipment	$ 1,197,873	$ 0	$ 70,002	$ 1,127,871
Technology equipment	11,258	1,080	791	11,547
Construction in progress	0	0	0	0
Totals at historical cost	1,209,131	1,080	70,793	1,139,418
Less: Accumulated depreciation				
Food service equipment	787,317	53,826	68,857	772,286
Technology equipment	7,510	2,001	791	8,720
Total accumulated depreciation	794,827	55,827	69,648	781,006
Business-Type Activities Capital Assets – Net	$ 414,304	$ (54,747)	$ 1,145	$ 358,412

NOTE F - BONDED DEBT AND LEASE OBLIGATIONS

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

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

Issue Date	Proceeds	Rates
2001	8,110,000	3.80% - 4.900%
2002A	5,190,000	1.25% - 3.75%
2002B	370,000	1.60% - 3.55%
2008	5,160,000	3.00% - 3.75%
2009	9,095,000	2.25% - 4.375%
2010	8,175,000	2.00% - 3.25%
2011A	1,920,000	4.90%
2011B	500,000	2.00%

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

On October 4, 2002, the Grayson County School District issued $5,190,000 Series A and $370,000 Series B Refunding Bonds with interest rates ranging from 1.25% to 3.75% to refund the outstanding revenue bonds issued in 1993 and 1995. The net proceeds were deposited into the 2002A and 2002B Escrow Fund accounts with Cecilian Bank to provide for the appropriate future debt service payments on the aforementioned issues. Such proceeds are invested in certificates until needed periodically for debt service payments. The refunded portion of the 1995 bond issue (with an original amount of $8,360,000) was paid in full during 2005.

The District advance refunded the aforementioned bonds to reduce its total debt service payments by approximately $371,070 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of $304,922.

On July 14, 2010, the Grayson County School District issued $8,175,000 Series 2010 refunding bonds with interest rates ranging from 2.00% to 3.25% to refund the outstanding 2001 bond issue. The net proceeds were deposited into the 2001 Escrow Fund account with the Bank of New York Mellon Trust Company to provide for the appropriate future debt service payments on the aforementioned issue. Such proceeds were invested in U.S Government State and Local Series Securities until periodically needed for debt service payments. The District advance refunded the aforementioned bonds to reduce its total debt service payments by $632,576 and to obtain an economic gain of $538,987.

NOTE F - BONDED DEBT AND LEASE OBLIGATIONS, CONTINUED

On June 2, 2011, the Grayson County School District issued $1,920,000 Series A School Building Revenue Bonds with an interest rate of 4.90%. The 2011A bond issues were used to fund construction projects.

On June 2, 2011, the Grayson County School District issued $500,000 Series B School Building Refunding Revenue Bonds with an interest rate of 2.00% to refund the 1998C bond issue. The net proceeds were deposited into the 1998C Bond Fund account held at the Cecilian Bank to provide for the appropriate future debt service payments on the aforementioned issue. The District advance refunded the aforementioned bonds to reduce its total debt service payments by $20,944 and to obtain an economic gain of $19,466. The 1998C series bond was paid in full during the prior year.

NOTE F - BONDED DEBT AND LEASE OBLIGATIONS, CONCLUDED

The District has entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature 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 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 amount to be paid by the Commission, at June 30, 2013 for debt service (principal and interest) are as follows:

Year Ended	Interest	Grayson Co. School District Principal	Total	Interest	KY School Construction Commission Principal	Total	Total Interest	Total Principal	Grand Total
13-14	$ 826,546.20	$ 1,160,032.00	$ 1,986,578.20	$ 64,976.31	$ 179,968.00	$ 244,944.31	$ 891,522.51	$ 1,340,000.00	$ 2,231,522.51
14-15	790,446.26	1,190,065.00	1,980,511.26	60,503.74	154,935.00	215,438.74	850,950.00	1,345,000.00	2,195,950.00
15-16	745,948.02	1,221,908.00	1,967,856.02	56,376.98	128,092.00	184,468.98	802,325.00	1,350,000.00	2,152,325.00
16-17	716,414.20	1,244,184.00	1,960,598.20	52,403.30	135,816.00	188,219.30	768,817.50	1,380,000.00	2,148,817.50
17-18	680,984.34	1,286,351.00	1,967,335.34	48,270.66	138,649.00	186,919.66	729,255.00	1,425,000.00	2,154,255.00
18-19	640,335.30	1,318,405.00	1,958,740.30	44,024.70	141,595.00	185,619.70	684,360.00	1,460,000.00	2,144,360.00
19-20	598,416.60	1,365,341.00	1,963,757.60	40,310.90	79,659.00	119,969.90	638,727.50	1,445,000.00	2,083,727.50
20-21	554,254.21	1,402,155.00	1,956,409.21	37,124.54	82,845.00	119,969.54	591,378.75	1,485,000.00	2,076,378.75
21-22	507,293.01	1,448,841.00	1,956,134.01	33,810.74	86,159.00	119,969.74	541,103.75	1,535,000.00	2,076,103.75
22-23	477,245.62	1,210,395.00	1,687,640.62	30,364.38	89,605.00	119,969.38	507,610.00	1,300,000.00	1,807,610.00
23-24	429,567.32	1,256,811.00	1,686,378.32	26,780.18	93,189.00	119,969.18	456,347.50	1,350,000.00	1,806,347.50
24-25	378,867.62	1,307,967.00	1,686,834.62	22,936.14	97,033.00	119,969.14	401,803.76	1,405,000.00	1,806,803.76
25-26	324,854.02	3,283,843.00	3,608,697.02	18,812.24	101,157.00	119,969.24	343,666.26	3,385,000.00	3,728,666.26
26-27	173,943.76	1,419,493.00	1,593,436.76	14,462.48	105,507.00	119,969.48	188,406.24	1,525,000.00	1,713,406.24
27-28	113,965.96	1,474,877.00	1,588,842.96	9,846.56	110,123.00	119,969.56	123,812.52	1,585,000.00	1,708,812.52
28-29	51,627.58	1,180,059.00	1,231,686.58	5,028.66	114,941.00	119,969.66	56,656.24	1,295,000.00	1,351,656.24
	$ 8,010,710.02	$22,770,727.00	$30,781,437.02	$566,032.51	$1,839,273.00	$2,405,305.51	$8,576,742.53	$24,610,000.00	$33,186,742.53

NOTE G - RETIREMENT PLANS

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

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

Funding Policy - Contribution rates are established by KRS. Members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contribution.

Medical Insurance Plan

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

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

Funding Policy – In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Member contributions are 1.75% of salary. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.0% of members' salary for the 2012-2013 fiscal year.

The Grayson County School District's total payroll for the year was $22,808,233.17. The payroll for employees covered under KTRS was $17,279,618. For the year ended June 30, 2013, the Commonwealth contributed $2,035,358 to KTRS for the benefit of our participating employees. The School District's contributions to KTRS for the year ended June 30, 2013 were $263,662 which represents those employees covered by federal programs.

NOTE G - RETIREMENT PLANS, CONCLUDED

The required contribution (employee and employer) and the actual percentage contributed for the District for the current and previous two years are as follows:

Year	Required Contribution	Percentage Contributed
6/30/13	$ 2,299,767	100%
6/30/12	$ 2,246,631	100%
6/30/11	$ 2,203,198	100%

Substantially all other employees (classified personnel) are covered under County Employee's Retirement System (CERS), a cost-sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5.00% and a District contribution of 19.55% of the employee's total compensation subject to contribution.

The total payroll for employees covered under CERS was $5,105,591. The contribution requirement for CERS for the year ended June 30, 2013 was $1,259,662 which consisted of $998,145 from the District and $261,517 from the employees.

The required contribution (employee and employer) and the actual percentage contributed for the District for the current and previous two years are as follows:

Year	Required Contribution	Percentage Contributed
6/30/13	$ 1,259,662	100%
6/30/12	$ 1,224,097	100%
6/30/11	$ 1,105,456	100%

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

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

KTRS and CERS do not make separate measurements of assets and pension benefits obligations for individual employers.

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

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

NOTE H - DEFERRED COMPENSATION PLAN

The District has deferred compensation plans created in accordance with the Internal Revenue Code Section 457. The plans are administered by independent plan administrators through administrative service agreements. The plans are available to all District employees. Employees defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. The deferred compensation plans are accounted for in the Agency Fund. The plans' assets are presented at fair market value and captioned as "investments" with corresponding liabilities captioned "net assets held in trust." All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the District (without being restricted to the provisions of benefits under the plan), subject only to the claims of the District's general creditors. Participants' rights under the plans are equal to those of general creditors of the District in an amount equal to the fair value of the deferred amount for each participant.

NOTE I - ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, a certified employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2013, this amount totaled $899,229 for those employees with 27 or more years of experience.

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

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

NOTE J - CONTINGENCIES

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE K - 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 workers' compensation insurance.

NOTE L - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

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

NOTE M - DEFICIT OPERATING FUND BALANCES

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

General Fund	$	352,083
Construction Fund		278,658
Daycare Fund		11,166
Food Service Fund		40,449
Seek Capital Outlay Fund		272,930

NOTE N - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the School District at risk for a substantial loss (contingency).

NOTE O – TRANSFER OF FUNDS

During the year, accounting personnel for the District have made several transfers among funds, generally to adjust for recording errors or reclassifications of transactions subsequent to the discovery of more information.

NOTE P – BUDGET VIOLATIONS

During the 2013 fiscal year, the District incurred line item expenditures in excess of budget. These expenditures were within the general fund, special revenue fund, seek capital outlay fund, FSPK building fund, construction fund, debt service fund, school food service fund, and daycare fund.

NOTE Q – ON-BEHALF PAYMENTS

During the 2013 fiscal year, the District received on-behalf payments from federal and state sources. These payments are recorded in the district-wide financial statements as both revenues and expenses during the current year. The on-behalf payments received are as follows:

Debt maturities – Principal	$ 176,921
Debt maturities – Interest	69,857
Technology	85,535
Life insurance fees	9,452
Health reimbursement account	205,625
Administrative fees	44,822
Health insurance	4,045,258
KTRS	2,034,160
Less: Federal reimbursement	(248,399)
	$ 6,423,231

NOTE R – INVESTMENTS

The investments of the District include the sick leave escrow and certificates of deposit.

NOTE S – SUBSEQUENT EVENTS

Subsequent to year end the District entered into an agreement to lease practice facilities. Under the lease agreement, a lease amount of $500 is due on a month-to-month basis. If both parties continue the current arrangement, minimum lease amounts of $6,000 will be incurred annually.

The District's management has evaluated and considered the need to recognize or disclose subsequent events through August 21, 2014 which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2013, have not been evaluated by management.

NOTE T – IMPAIRMENT OF LONG-LIVED ASSETS

The District reviews its property for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. For assets held and used, if the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of the asset, an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended June 30, 2013.

NOTE U – LITIGATION

Legal claims have been asserted against the District. The ultimate liability cannot now be determined because of considerable uncertainties that exist. However, it is in the opinion of legal counsel that the claimant's prospect of success is minimal. It is the opinion of management that possible losses, if any, would not have a material effect on the financial statements. Additionally, management is unaware of any unasserted claims that would have a material impact on the financial statements.

NOTE V – NEW ACCOUNTING STANDARDS

For 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."* GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the District's 2013 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE W – KENTUCKY SCHOOL BOARDS INSURANCE TRUST

The District is a member in the Kentucky School Boards Insurance Trust (KSBIT) which is a self-insured pool that allows school districts to combine their resources while sharing the risk. There are two separate self-insurance pools within KSBIT which are in a deficit position. They are the Workers' Compensation Pool and the Property and Liability Pool (Pools). An assessment is an additional premium contribution charged to participants to cover losses from prior years. Factors in the assessment methodology include premiums paid, the projected cost of claims in each pool by member, and the number of years of participation by each member in years generating a deficit. The District's preliminary estimated assessment amounts are $6,517 for general property and liability and $195,501 for workers' compensation. As these are assessment estimates, which are preliminary and may be subject to future litigation, these amounts have not been reflected in the financial statements as of June 30, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

GRAYSON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	$5,805,000	$5,805,000	$6,764,303	$ 959,303
Earnings on investments	50,000	50,000	54,603	4,603
Other local revenues	55,500	61,500	195,845	134,345
State sources	16,750,000	17,425,594	23,438,605	6,013,011
Federal sources	0	0	104,432	104,432
Other sources	0	0	0	0
TOTAL REVENUES	22,660,500	23,342,094	30,557,788	7,215,694
EXPENDITURES				
Instructional	14,806,794	14,811,026	19,078,364	(4,267,338)
Student support services	1,222,189	1,222,189	1,499,087	(276,898)
Staff support services	947,621	949,389	1,157,056	(207,667)
District administration	1,075,624	1,075,624	939,626	135,998
School administration	1,192,124	1,192,124	1,525,805	(333,681)
Business support services	390,748	390,748	513,412	(122,664)
Plant operation and maintenance	2,968,991	2,968,991	2,638,474	330,517
Student transportation	2,688,107	2,688,107	2,565,392	122,715
Community service operations	25,365	25,365	42,650	(17,285)
Facility acquisition, construction and improvement	0	0	287,433	(287,433)
Other	628,674	1,304,268	2,385	1,301,883
Debt service	365,000	365,000	0	365,000
Bond issue costs	0	0	0	0
TOTAL EXPENDITURES	26,311,237	26,992,831	30,249,684	(3,256,853)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(3,650,737)	(3,650,737)	308,104	3,958,841
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of bonds	0	0	0	0
Proceeds from sale of assets	5,000	5,000	92,969	87,969
Bond discount	0	0	0	0
Operating transfers in	0	0	286,000	286,000
Operating transfers out	(46,118)	(46,118)	(1,039,156)	(993,038)
TOTAL OTHER FINANCING SOURCES (USES)	(41,118)	(41,118)	(660,187)	(619,069)
NET CHANGE IN FUND BALANCES	(3,691,855)	(3,691,855)	(352,083)	3,339,772
FUND BALANCES – BEGINNING	3,691,855	3,691,855	7,310,197	3,618,342
FUND BALANCES – ENDING	$ 0	$ 0	$6,958,114	$ 6,958,114

NOTE: On-behalf payments are not included in original and final budgeted amounts. However, such payments are included in actual revenue and expenditure amounts.

See accompanying auditors' report and notes to financial statements.

GRAYSON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 0	$ 0	$ 0	$ 0
Earnings on investments	0	0	315	315
Other local revenues	29,708	28,000	31,808	3,808
State sources	1,503,179	1,495,993	1,587,765	91,772
Federal sources	2,964,630	3,153,851	3,113,376	(40,475)
Other sources	0	0	0	0
TOTAL REVENUES	4,497,517	4,677,844	4,733,264	55,420
EXPENDITURES				
Instructional	3,531,602	3,285,881	3,376,257	(90,376)
Student support services	141,581	173,790	161,537	12,253
Staff support services	379,127	819,087	808,259	10,828
District administration	20,253	2,253	2,277	(24)
School administration	106,327	106,294	102,100	4,194
Business support services	0	0	0	0
Plant operation and maintenance	63,516	55,032	47,427	7,605
Student transportation	3,575	100	0	100
Community service operations	297,654	297,154	297,154	0
Facility acquisition, construction and improvement	0	0	0	0
Other	0	0	0	0
Debt service	0	0	0	0
Bond issue costs	0	0	0	0
TOTAL EXPENDITURES	4,543,635	4,739,591	4,795,011	(55,420)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(46,118)	(61,747)	(61,747)	0
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of bonds	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Bond discount	0	0	0	0
Operating transfers in	46,118	61,747	61,747	0
Operating transfers out	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	46,118	61,747	61,747	0
NET CHANGE IN FUND BALANCES	0	0	0	0
FUND BALANCES – BEGINNING	0	0	0	0
FUND BALANCES – ENDING	$ 0	$ 0	$ 0	$ 0

See accompanying auditors' report and notes to financial statements.

OTHER SUPPLEMENTARY INFORMATION

GRAYSON COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	FSPK BUILDING FUND	DEBT SERVICE FUND	SEEK CAPITAL OUTLAY FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	$ 0	$ 489,190	$ 743	$ 489,933
Investments	0	0	0	0
Accounts receivable:				
Accounts	0	0	0	0
TOTAL ASSETS	$ 0	$ 489,190	$ 743	$ 489,933
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Cash overdraft	$ 0	$ 0	$ 0	$ 0
Accounts payable	0	0	0	0
Accrued payroll and related expenses	0	0	0	0
Deferred revenues	0	0	0	0
TOTAL LIABILITIES	0	0	0	0
FUND BALANCE				
Nonspendable	0	0	0	0
Restricted for:				
Accrued sick leave	0	0	0	0
KSFCC escrow	0	0	743	743
Capital projects	0	0	0	0
Debt service	0	489,190	0	489,190
Other	0	0	0	0
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned	0	0	0	0
TOTAL FUND BALANCE	0	489,190	743	489,933
TOTAL LIABILITIES AND FUND BALANCE	$ 0	$ 489,190	$ 743	$ 489,933

See accompanying auditors' report and notes to financial statements.

GRAYSON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	FSPK BUILDING FUND	DEBT SERVICE FUND	SEEK CAPITAL OUTLAY FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES				
Taxes	$ 652,999	$ 0	$ 0	$ 652,999
Earnings on investments	0	871	0	871
Other local revenues	0	0	0	0
State sources	745,946	246,778	385,916	1,378,640
Federal sources	0	94,080	0	94,080
Other sources	0	205,127	0	205,127
TOTAL REVENUES	1,398,945	546,856	385,916	2,331,717
EXPENDITURES				
Instructional	0	0	0	0
Student support services	0	0	0	0
Staff support services	0	0	0	0
District administration	0	0	0	0
School administration	0	0	0	0
Business support services	0	0	0	0
Plant operation and maintenance	0	0	0	0
Student transportation	0	0	0	0
Central office	0	0	0	0
Community service operations	0	0	0	0
Facility acquisition, construction and improvement	0	0	0	0
Other	0	0	0	0
Debt service	0	2,232,248	0	2,232,248
Bond issue costs	0	0	0	0
TOTAL EXPENDITURES	0	2,232,248	0	2,232,248
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	1,398,945	(1,685,392)	385,916	99,469
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of bonds	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Bond discount	0	0	0	0
Operating transfers in	0	1,929,960	0	1,929,960
Operating transfers out	(1,398,945)	0	(658,846)	(2,057,791)
TOTAL OTHER FINANCING SOURCES (USES)	(1,398,945)	1,929,960	(658,846)	(127,831)
NET CHANGE IN FUND BALANCES	0	244,568	(272,930)	(28,362)
FUND BALANCES – BEGINNING	0	244,622	273,673	518,295
FUND BALANCES – ENDING	$ 0	$ 489,190	$ 743	$ 489,933

See accompanying auditors' report and notes to financial statements.

GRAYSON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Education:			
Passed Through State Department of Education			
Special Education Cluster (IDEA):			
Special Education – Grants to States (IDEA, Part B)	84.027	3810002	$ 854,822
Special Education – Preschool Grants (IDEA Preschool)	84.173	3800002	1,182
		3800002	30,693
Total			31,875
Total Special Education Cluster (IDEA)			886,697
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	3100002	1,542,450
Improving Teacher Quality State Grants	84.367	3230002	201,254
Rural Education	84.358	3140002	75,838
Race to the Top	84.413	3960002	37,820
Career and Technical Education – Basic Grants to States (Perkins IV)	84.048	4621232 4621332 4621210 4621110 4621310	49,025
Twenty-First Century Community Learning Centers	84.287	3400002	192,484
Education Jobs Fund	84.410	EJOB00	50,404
ARRA – School Improvement Grants, Recovery Act	84.388	4100302	77,405
Total U.S. Department of Education			3,113,377
Department of Health and Human Services Centers for Disease Control and Prevention:			
Passed Through State Department of Education			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	2000001	3,176
U.S. Department of Agriculture:			
Passed Through State Department of Education			
Fresh Fruit and Vegetable Program	10.582	7720012	2,915
Passed Through State Department of Education			
Child Nutrition Cluster:			
Summer Food Service Program for Children (SFSPC)	10.559*	7760005	24,919
National School Lunch Program (NSLP)	10.555*	7750002	1,235,542
Non-cash Assistance (Commodities)-National School Lunch Program (NSLP)	10.555*	7750002	70,602
Total			1,306,144
School Breakfast Program (SBP)	10.553*	7760005	439,759
Total Child Nutrition Cluster			1,770,822
Total U.S. Department of Agriculture			1,773,737
Total			$ 4,890,290

(CONTINUED)

See accompanying auditors' report and notes to financial statements.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is prepared 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.

NOTE B – FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at fair value of the commodities received and disbursed. During the fiscal year, the District received donated food commodities valued at $70,602 in inventory.

NOTE C – SUBRECIPIENTS

During the current year no amounts were provided to subrecipients.

NOTE D – MAJOR PROGRAMS

Major programs are denoted by an asterisk (*).

See accompanying auditors' report and notes to financial statements.

GRAYSON COUNTY SCHOOL DISTRICT
GRAYSON COUNTY HIGH SCHOOL – ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

ACTIVITY	BEGINNING BALANCE	RECEIPTS	DISBURSEMENTS	TRANSFERS	ENDING BALANCE
FCA	$ 164	$ 0	$ 0	$ 0	$ 164
Marion E. Higgs Scholarship	6,825	0	0	0	6,825
LEAD	0	287	0	0	287
Team Impact	0	0	0	0	0
Cats Awards	0	0	0	0	0
Accelerated Reader	0	0	0	0	0
Higgs Scholarship	57	44	62	0	39
Newspaper	856	2,783	2,197	0	1,442
Yearbook	21,579	16,006	18,563	0	19,022
STLP	327	0	0	0	327
Outdoors Club	205	583	250	0	538
Drama	0	0	0	0	0
BETA Club	1,072	125	244	(200)	753
FFA	5,080	26,264	23,473	(615)	7,256
FCCLA	1,695	16,409	12,835	260	5,529
FBLA	391	0	0	0	391
Spanish Club	0	0	0	0	0
Athletics	4,040	16,576	16,214	0	4,402
Prom	24,176	13,470	10,183	0	27,463
Just Say No	481	450	0	(10)	921
NHS	1,350	130	908	0	572
Student Government	237	3,340	2,908	90	759
Science Club	0	0	0	0	0
Football Coach	0	0	0	0	0
Vocational Tuition	1,695	0	0	0	1,695
DECA	2,281	4,990	5,751	625	2,145
HOSA	100	11,196	10,426	0	870
Carpentry VICA	5,801	290	213	(1,000)	4,878
Auto Mechanics VICA	2,260	1,187	1,601	295	2,141
Electricity VICA	373	0	0	0	373
Welding VICA	136	1,902	1,672	(295)	71
Senior Class	5,034	9,915	11,720	0	3,229
Parking Passes	1,799	1,455	548	0	2,706
Goodwill	331	0	0	0	331
Pep Club	836	95	300	(100)	531
French Club	0	0	0	0	0
Arts Club	307	2,004	1,444	0	867
TSA Club	60	0	0	0	60
Dual Credit	2,182	0	0	0	2,182
YMCA	68	434	502	0	0
Motorsports Club	0	0	0	0	0
Fieldtrip	0	84	84	0	0
Youth Crime Watch	0	0	0	0	0
Chorus	3,410	0	2,538	0	872
Administration	5,109	11,395	13,078	(50)	3,376
Books Lost or Stolen	20	0	0	0	20
Cold Checks	0	0	0	0	0
Community Donations	0	0	0	0	0
Special Ed	134	10	93	0	51
Jr. Historical Society	0	0	0	0	0
Library	872	360	303	0	929
Teacher's Lounge	415	5,792	5,943	1,000	1,264
Concessions	22,234	17,749	19,596	0	20,387
TOTAL	$ 123,992	$ 165,325	$ 163,649	$ 0	$ 125,668

See accompanying auditors' report and notes to financial statements.

GRAYSON COUNTY SCHOOL DISTRICT
ACTIVITY FUNDS BY SCHOOL – ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

ACTIVITY FUND	BEGINNING BALANCE	RECEIPTS	DISBURSEMENTS	TRANSFERS	ENDING BALANCE
Caneyville Elementary School	$ 71,785	$ 55,665	$ 52,027	$ 0	$ 75,423
Clarkson Elementary School	29,835	157,224	153,654	0	33,405
Oran P. Lawler Elementary School	18,386	59,276	61,853	0	15,809
H.W. Wilkey Elementary School	36,767	43,626	50,587	0	29,806
Grayson County Middle School	66,325	75,257	72,958	0	68,624
TOTAL	$ 223,098	$ 391,048	$ 391,079	$ 0	$ 223,067

See accompanying auditors' report and notes to financial statements.

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

Kentucky State Committee for School District Audits
Members of the Board of Education
Grayson County School District
Leitchfield, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the provisions of *Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations,* and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – Audit Extension Request, and Appendix II of the Independent Auditor's Contract – Instructions for Submission of the Audit Report,* the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grayson County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Grayson County School District's basic financial statements, and have issued our report thereon dated August 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grayson County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grayson County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Grayson County School District's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grayson County School District's financial statements are free from 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 test disclosed no instances of material noncompliance of specific state statutes or regulations identified in the Independent Auditor's Contract.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Buckles, Travis, VanMeter & Hart

Buckles, Travis, VanMeter & Hart, PLLC
Certified Public Accountants
Leitchfield, Kentucky
August 21, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Kentucky State Committee for School District Audits
Members of the Board of Education
Grayson County School District
Leitchfield, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the Grayson County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Grayson County School District's major federal programs for the year ended June 30, 2013. The Grayson County 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Grayson County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – Audit Extension Request, and Appendix II of the Independent Auditor's Contract – Instructions for Submission of the Audit Report.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Grayson County 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Grayson County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Grayson County School District complied, in all material respects, with the types of 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, 2013.

Report on Internal Control over Compliance

Management of the Grayson County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Grayson County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Grayson County 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Buckles, Travis, VanMeter & Hart

Buckles, Travis, VanMeter & Hart, PLLC
Certified Public Accountants
Leitchfield, Kentucky
August 21, 2014

GRAYSON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Grayson County School District.

2. No significant deficiencies are reported in the 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* and identified in this Schedule (Section B).

3. No instances of noncompliance material to the financial statements of Grayson County School District were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the 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.

5. The auditors' report on compliance for the major federal award programs for Grayson County School District expresses an unmodified opinion.

6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Part C of this Schedule.

7. The programs tested as major programs include:

   U.S Department of Agriculture
   Child Nutrition Cluster:
   CFDA 10.555, 10.553, 10.559

8. The threshold for distinguishing Types A and B programs was $300,000.

9. Grayson County School District was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

The audit did not disclose any audit findings.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

The audit did not disclose any audit findings.

GRAYSON COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

Reference Number	Finding	Questioned Costs
The audit did not disclose any audit findings.		

Buckles, Travis, VanMeter & Hart, PLLC

Certified Public Accountants

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MANAGEMENT LETTER

Kentucky State Committee for School District Audits
Members of the Board of Education
Grayson County School District
Leitchfield, Kentucky

In planning and performing our audit of the financial statements of the Grayson County School District as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of certain inconsequential matters that provide opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated August 21, 2014, contains our report on significant deficiencies or material weaknesses in the District's internal control. This letter does not affect our report dated August 21, 2014 on the financial statements of the Grayson County School District.

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

Respectfully submitted,

Buckles, Travis, VanMeter & Hart

Buckles, Travis, VanMeter & Hart, PLLC
Certified Public Accountants
August 21, 2014

GRAYSON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENT
FOR THE YEAR ENDED JUNE 30, 2013

REPORTABLE MATTERS

During the prior and current fiscal years, the Grayson County School District had no items required to be communicated in a management letter as the matters that were noted during our audit and their corresponding comments and suggestions that were communicated to management were clearly inconsequential.