

**GRAYSON COUNTY SCHOOL DISTRICT  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2014**

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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, 2014, 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, 2014, 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.

### Emphasis of Matter

As discussed in Note W to the financial statements, in 2014 the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## 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 October 6, 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, PLLC  
Certified Public Accountants  
Leitchfield, Kentucky  
October 6, 2014

**GRAYSON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

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, 2014. 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 general fund was \$8,134,113.
- The board completed the High School and Wilkey Plumbing Renovation projects totaling \$2,131,213.
- The board started construction of a new central office with restricted funds of \$3.86m.
- The general fund had \$30,775,203 in revenue, which primarily consisted of the state program (SEEK), property, local, utilities, and motor vehicle taxes. There was \$31,015,298 in general fund expenditures. (Page 10)
- Board also started and completed a new roof for the GCMS gym for \$250,000.
- The district invested \$200k in technology upgrades and has budgeted an additional \$200k for technology enhancements for SY 15, excluding KETS award and match.

**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.

**GRAYSON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2014**

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 position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$25,280,735 of June 30, 2014. (Page 6)

The largest portion of the District's net position 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 position for the periods ending June 30, 2013 and 2014**

	06/30/13	06/30/14
Current assets	\$9,327,355	\$10,728,428
Non-current assets	44,082,470	46,848,760
<b>Total assets</b>	<b>53,409,825</b>	<b>57,577,188</b>
Current liabilities	3,551,720	3,750,436
Non-current liabilities	24,169,229	28,546,017
<b>Total liabilities</b>	<b>27,720,949</b>	<b>32,296,453</b>
Net position		
Invested in capital assets (net of debt)	19,472,470	17,708,760
Restricted	6,216,406	7,571,975
<b>Total net position</b>	<b>\$25,688,876</b>	<b>\$25,280,735</b>

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

**Comments on Budget Comparisons**

- The District's total general fund revenues for the fiscal year ended June 30, 2014, were \$30,775,203.

**GRAYSON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONCLUDED  
FOR THE YEAR ENDED JUNE 30, 2014**

- General Fund revenue accounted for 83% of all governmental revenues. Program specific revenues in the form of grants accounted for 12% of total revenues. Other, financing sources, and construction accounted for 5%. (Page 10)
- The School District had expenditures of \$35,447,373 related to General Fund and Special Revenue Fund activities. Instruction comprised 64% of these expenses. Support service expenses make up 36% of these expenditures. Debt service and bond issue costs were \$2,324,554 and \$48,980 respectively.

The following table presents a summary of revenues and expenses for the fiscal year ended June 30, 2013 and 2014:

Revenues	06/30/13	06/30/14
Charges for services	\$807,524	\$844,614
Operating grants and contributions	6,744,326	6,446,093
Capital grants and contributions	1,131,862	1,127,758
General revenues	31,316,131	31,513,968
Special items	89,529	17,965
	<u>40,089,372</u>	<u>39,950,398</u>
<b>Expenses</b>		
Instructional	22,479,708	22,264,985
Student support services	1,689,664	1,752,608
Staff support services	2,038,659	2,138,869
District administration	967,584	1,054,259
School administration	2,492,491	2,161,358
Business support services	513,412	500,442
Plant operation and maintenance	2,856,612	3,662,593
Student transportation	2,486,807	2,556,893
Community service operations	339,804	364,257
Facility acquisition and construction	0	0
Other	2,385	3,512
Debt service	891,522	1,153,869
Food service	2,493,594	2,492,054
Daycare	112,391	81,610
Total expenses	<u>39,364,633</u>	<u>40,187,309</u>
Revenues in excess of expenses	<u>\$724,739</u>	<u>(\$236,911)</u>

**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 \$8,134,113. 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 15, our district received final assessment of \$110,263 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, 2014**

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS- TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 5,172,158	\$ 490,179	\$ 5,662,337
Investments	4,217,164	0	4,217,164
Interest receivable	13,988	0	13,988
Accounts receivable:			
Accounts	737,987	41,495	779,482
Inventories for consumption	0	55,457	55,457
<b>TOTAL CURRENT ASSETS</b>	<b>10,141,297</b>	<b>587,131</b>	<b>10,728,428</b>
<b>NON-CURRENT ASSETS</b>			
Bond discounts, net of accumulated amortization of \$99,769	258,159	0	258,159
Non-depreciated capital assets	4,586,941	0	4,586,941
Depreciated capital assets	64,115,980	1,143,782	65,259,762
Less: Accumulated depreciation	(22,420,275)	(835,827)	(23,256,102)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>46,540,805</b>	<b>307,955</b>	<b>46,848,760</b>
<b>TOTAL ASSETS</b>	<b>56,682,102</b>	<b>895,086</b>	<b>57,577,188</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Cash overdraft	335,982	0	335,982
Accounts payable	567,448	9,990	577,438
Accrued payroll and related expenses	111,916	0	111,916
Judgments payable	88,210	22,053	110,263
Deferred revenues	133,999	0	133,999
Interest payable	1,060,838	0	1,060,838
Current portion of bond obligations	1,420,000	0	1,420,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,718,393</b>	<b>32,043</b>	<b>3,750,436</b>
<b>NON-CURRENT LIABILITIES</b>			
Non-current sick leave	802,531	23,486	826,017
Bond obligations	29,140,000	0	29,140,000
Less: Current portion of bond obligations	(1,420,000)	0	(1,420,000)
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>28,522,531</b>	<b>23,486</b>	<b>28,546,017</b>
<b>TOTAL LIABILITIES</b>	<b>32,240,924</b>	<b>55,529</b>	<b>32,296,453</b>
<b>NET POSITION</b>			
Net investment in capital assets	17,400,805	307,955	17,708,760
Restricted for:			
Capital projects	3,332,651	0	3,332,651
Debt service	539,760	0	539,760
Accrued sick leave	370,000	0	370,000
KSFCC escrow	0	0	0
Other purposes	2,797,962	531,602	3,329,564
Unrestricted	0	0	0
<b>TOTAL NET POSITION</b>	<b>\$ 24,441,178</b>	<b>\$ 839,557</b>	<b>\$ 25,280,735</b>

See accompanying auditors' report and notes to financial statements.

**GRAYSON COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

	PROGRAM REVENUES			NET (EXPENSE) REVENUE CHANGES		
	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>						
Instructional	\$ 22,264,985	\$ 3,115,931	\$ 0	\$ (19,052,748)		\$ (19,052,748)
Student support services	1,752,608	162,693	0	(1,467,370)		(1,467,370)
Staff support services	2,138,869	692,210	0	(1,446,659)		(1,446,659)
District administration	1,054,259	4,244	0	(1,050,015)		(1,050,015)
School administration	2,161,358	96,047	0	(2,065,311)		(2,065,311)
Business support services	500,442	0	0	(500,442)		(500,442)
Plant operation and maintenance	3,662,593	63,223	0	(3,599,370)		(3,599,370)
Student transportation	2,556,893	0	0	(2,556,893)		(2,556,893)
Community service operations	364,257	297,727	0	(66,530)		(66,530)
Facility acquisition and construction	0	0	1,127,758	1,127,758		1,127,758
Other	3,512	0	0	(3,512)		(3,512)
Debt service	1,153,869	0	0	(1,153,869)		(1,153,869)
Total governmental activities	37,613,645	4,432,075	1,127,758	(31,834,961)		(31,834,961)
<b>Business-type activities:</b>						
Food service	2,492,054	2,008,828	0		\$ 60,595	60,595
Daycare	81,610	5,190	0		5,522	5,522
Total business-type activities	2,573,664	2,014,018	0		66,117	66,117
Total school district	\$ 40,187,309	\$ 6,446,093	\$ 1,127,758	(31,834,961)	66,117	(31,768,844)
<b>General revenues:</b>						
Property taxes				4,878,675	0	4,878,675
Delinquent property taxes				122,293	0	122,293
Motor vehicle taxes				729,547	0	729,547
Unmined mineral taxes				265,460	0	265,460
Utility taxes				1,715,245	0	1,715,245
Other taxes				68,151	0	68,151
Revenue in lieu of taxes				8,875	0	8,875
State aid-formula grants				23,315,549	0	23,315,549
Investment earnings				70,793	870	71,663
Proceeds from bonds				0	0	0
Miscellaneous				337,495	1,015	338,510
<b>Special items:</b>						
Bond issue costs				(48,980)	0	(48,980)
Gain (loss) on sale of assets				66,945	0	66,945
Loss compensation				0	0	0
Transfers				0	0	0
Total general and special				31,530,048	1,885	31,531,933
Change in net position				(304,913)	68,002	(236,911)
Net position - Beginning (Restated)				24,746,091	771,555	25,517,646
Net position - Ending				\$ 24,441,178	\$ 839,557	\$ 25,280,735

See accompanying auditors' report and notes to financial statements.

**GRAYSON COUNTY SCHOOL DISTRICT  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	GENERAL FUND	SPECIAL REVENUE FUND	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,087,577	\$ 0	\$ 1,544,821	\$ 539,760	\$ 5,172,158
Investments	4,217,164	0	0	0	4,217,164
Interest receivable	13,988	0	0	0	13,988
Accounts receivable:					
Accounts	249,829	488,158	0	0	737,987
<b>TOTAL ASSETS</b>	<u>\$ 7,568,558</u>	<u>\$ 488,158</u>	<u>\$ 1,544,821</u>	<u>\$ 539,760</u>	<u>\$ 10,141,297</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Cash overdraft	\$ 0	\$ 335,982	\$ 0	\$ 0	\$ 335,982
Accounts payable	212,101	18,177	337,170	0	567,448
Accrued payroll and related expenses	111,916	0	0	0	111,916
Judgments payable	88,210	0	0	0	88,210
Deferred revenues	0	133,999	0	0	133,999
<b>TOTAL LIABILITIES</b>	<u>412,227</u>	<u>488,158</u>	<u>337,170</u>	<u>0</u>	<u>1,237,555</u>
<b>FUND BALANCE</b>					
Nonspendable	0	0	0	0	0
Restricted for:					
Accrued sick leave	370,000	0	0	0	370,000
KSFCC escrow	0	0	0	0	0
Capital projects	2,125,000	0	1,207,651	0	3,332,651
Debt service	0	0	0	539,760	539,760
Other	0	0	0	0	0
Committed	0	0	0	0	0
Assigned	3,910,495	0	0	0	3,910,495
Unassigned	750,836	0	0	0	750,836
<b>TOTAL FUND BALANCE</b>	<u>7,156,331</u>	<u>0</u>	<u>1,207,651</u>	<u>539,760</u>	<u>8,903,742</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 7,568,558</u>	<u>\$ 488,158</u>	<u>\$ 1,544,821</u>	<u>\$ 539,760</u>	<u>\$ 10,141,297</u>

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, 2014**

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

Total governmental fund balance		\$ 8,903,742
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	\$ 4,586,941	
Depreciated capital assets	64,115,980	
Accumulated depreciation	<u>(22,420,275)</u>	46,282,646
Bond discounts 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	357,928	
Accumulated amortization	<u>(99,769)</u>	258,159
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 position.		
Interest payable	(1,060,838)	
Sick leave payable	(802,531)	
Bond obligations	<u>(29,140,000)</u>	<u>(31,003,369)</u>
<b>TOTAL NET POSITION - GOVERNMENTAL</b>		<u><u>\$ 24,441,178</u></u>

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, 2014**

	GENERAL FUND	SPECIAL REVENUE FUND	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>					
Taxes	\$7,132,314	\$ 0	\$ 0	\$ 655,933	\$ 7,788,247
Earnings on investments	64,552	217	3,610	2,414	70,793
Other local revenues	262,788	32,000	0	0	294,788
State sources	23,217,073	1,437,421	0	1,395,666	26,050,160
Federal sources	98,476	2,900,997	0	87,306	3,086,779
Other sources	0	0	0	0	0
<b>TOTAL REVENUES</b>	<b>30,775,203</b>	<b>4,370,635</b>	<b>3,610</b>	<b>2,141,319</b>	<b>37,290,767</b>
<b>EXPENDITURES</b>					
Instructional	19,395,232	3,115,931	0	0	22,511,163
Student support services	1,557,335	162,693	0	0	1,720,028
Staff support services	1,373,933	692,210	0	0	2,066,143
District administration	1,022,077	4,244	0	0	1,026,321
School administration	1,470,048	96,047	0	0	1,566,095
Business support services	500,442	0	0	0	500,442
Plant operation and maintenance	2,954,730	63,223	0	0	3,017,953
Student transportation	2,671,459	0	0	0	2,671,459
Community service operations	66,530	297,727	0	0	364,257
Facility acquisition, construction and improvement	0	0	3,977,345	0	3,977,345
Other	3,512	0	0	0	3,512
Debt service	0	0	0	2,324,554	2,324,554
Bond issue costs	0	0	0	48,980	48,980
<b>TOTAL EXPENDITURES</b>	<b>31,015,298</b>	<b>4,432,075</b>	<b>3,977,345</b>	<b>2,373,534</b>	<b>41,798,252</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>(240,095)</b>	<b>(61,440)</b>	<b>(3,973,735)</b>	<b>(232,215)</b>	<b>(4,507,485)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of bonds	0	0	0	5,870,000	5,870,000
Proceeds from sale of assets	63,740	0	0	0	63,740
Bond discount	0	0	0	(95,583)	(95,583)
Operating transfers in	977,409	61,440	6,033,772	2,307,171	9,379,792
Operating transfers out	(602,837)	0	(977,409)	(7,799,546)	(9,379,792)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>438,312</b>	<b>61,440</b>	<b>5,056,363</b>	<b>282,042</b>	<b>5,838,157</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>198,217</b>	<b>0</b>	<b>1,082,628</b>	<b>49,827</b>	<b>1,330,672</b>
<b>FUND BALANCES – BEGINNING</b>	<b>6,958,114</b>	<b>0</b>	<b>125,023</b>	<b>489,933</b>	<b>7,573,070</b>
<b>FUND BALANCES – ENDING</b>	<b>\$7,156,331</b>	<b>\$ 0</b>	<b>\$ 1,207,651</b>	<b>\$ 539,760</b>	<b>\$ 8,903,742</b>

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, 2014**

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

Net changes - governmental funds		\$ 1,330,672
<p>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.</p>		
Depreciation expense	\$ (2,194,751)	
Gain on disposal of assets	3,205	
Capital outlays	5,098,940	2,907,394
<p>Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, 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 position.</p>		
Bond proceeds	(5,870,000)	
Bond discount	95,583	
Principal paid	1,340,000	(4,434,417)
<p>Bond discounts 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.</p>		
Amortization expense		(15,000)
<p>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 position differs from the change in fund balances by the amount of increase or decrease in this account.</p>		
Decrease in accumulated sick leave payable	75,753	
Increase in interest payable	(169,315)	(93,562)
<b>CHANGES – NET POSITION – GOVERNMENTAL FUNDS</b>		<b>\$ (304,913)</b>

See accompanying auditors' report and notes to financial statements.

**GRAYSON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**JUNE 30, 2014**

	<b>FOOD SERVICE</b>	<b>OTHER ENTERPRISE FUNDS (Daycare)</b>	<b>TOTAL</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 458,992	\$ 31,187	\$ 490,179
Accounts receivable:			
Accounts	35,390	6,105	41,495
Inventories for consumption	55,457	0	55,457
<b>TOTAL CURRENT ASSETS</b>	<b>549,839</b>	<b>37,292</b>	<b>587,131</b>
<b>NON-CURRENT ASSETS</b>			
Depreciated capital assets	1,143,782	0	1,143,782
Less: Accumulated depreciation	(835,827)	0	(835,827)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>307,955</b>	<b>0</b>	<b>307,955</b>
<b>TOTAL ASSETS</b>	<b>857,794</b>	<b>37,292</b>	<b>895,086</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	9,802	188	9,990
Judgments payable	22,053	0	22,053
<b>TOTAL CURRENT LIABILITIES</b>	<b>31,855</b>	<b>188</b>	<b>32,043</b>
<b>NON-CURRENT LIABILITIES</b>			
Non-current sick leave	23,486	0	23,486
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>23,486</b>	<b>0</b>	<b>23,486</b>
<b>TOTAL LIABILITIES</b>	<b>55,341</b>	<b>188</b>	<b>55,529</b>
<b>NET POSITION</b>			
Net investment in capital assets	307,955	0	307,955
Restricted	494,498	37,104	531,602
<b>TOTAL NET POSITION</b>	<b>\$ 802,453</b>	<b>\$ 37,104</b>	<b>\$ 839,557</b>

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, 2014**

	<b>FOOD SERVICE</b>	<b>OTHER ENTERPRISE FUNDS (Daycare)</b>	<b>TOTAL</b>
<b>OPERATING REVENUES</b>			
Lunchroom sales	\$ 543,821	\$ 0	\$ 543,821
Tuition	0	81,942	81,942
<b>TOTAL OPERATING REVENUES</b>	<u>543,821</u>	<u>81,942</u>	<u>625,763</u>
<b>OPERATING EXPENSES</b>			
Salaries and benefits	1,182,580	72,086	1,254,666
Contract services	36,673	515	37,188
Materials and supplies	1,211,167	5,911	1,217,078
Depreciation	56,287	0	56,287
Other operating expenses	5,347	3,098	8,445
<b>TOTAL OPERATING EXPENSES</b>	<u>2,492,054</u>	<u>81,610</u>	<u>2,573,664</u>
<b>OPERATING INCOME (LOSS)</b>	(1,948,233)	332	(1,947,901)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Federal grants	1,753,202	0	1,753,202
State grants	23,903	0	23,903
Donated commodities	56,523	0	56,523
On-behalf payments	175,200	5,190	180,390
Interest income	870	0	870
Miscellaneous revenue	1,015	0	1,015
Gain (loss) on disposal of assets	0	0	0
Operating transfers in	0	0	0
Operating transfers out	0	0	0
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>2,010,713</u>	<u>5,190</u>	<u>2,015,903</u>
<b>CHANGE IN NET POSITION</b>	62,480	5,522	68,002
<b>NET POSITION – BEGINNING</b>	<u>739,973</u>	<u>31,582</u>	<u>771,555</u>
<b>NET POSITION – ENDING</b>	<u>\$ 802,453</u>	<u>\$ 37,104</u>	<u>\$ 839,557</u>

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, 2014**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from:		
Lunchroom sales	\$	616,154
Tuition		82,237
Governmental grants		1,777,105
Operating transfers in		0
Cash paid to/for:		
Salaries and benefits		(1,071,735)
Materials and supplies		(1,184,526)
Contract services		(15,135)
Operating transfers out		0
Other activities		(7,430)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		<u>196,670</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Fixed asset activity		<u>(5,830)</u>
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>		(5,830)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Receipt of interest income		<u>870</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>		<u>870</u>

<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		191,710
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR</b>		<u>298,469</u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>		<u>\$ 490,179</u>

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Income (loss)	\$	67,132
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation		56,287
Change in assets and liabilities:		
(Increase) decrease in accounts receivable		72,628
(Increase) decrease in inventories for consumption		(32,864)
Increase (decrease) in accounts payable		8,893
Increase (decrease) in judgments payable		22,053
Increase (decrease) in accrued sick leave payable		2,541
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		<u>\$ 196,670</u>

**SCHEDULE OF NON-CASH TRANSACTIONS**

Donated commodities received from federal government	\$	<u>56,523</u>
On-behalf payments	\$	<u>180,390</u>

See accompanying auditors' report and notes to financial statements.

**GRAYSON COUNTY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS  
JUNE 30, 2014**

	<b>PRIVATE PURPOSE TRUST FUNDS</b>	<b>AGENCY FUND</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 0	\$ 283,685
Accounts receivable	0	243
Investments	14,170,279	0
<b>TOTAL ASSETS</b>	14,170,279	283,928
<b>LIABILITIES</b>		
Accounts payable	0	30,739
Due to student groups	0	253,189
<b>TOTAL LIABILITIES</b>	0	283,928
<b>NET POSITION HELD IN TRUST</b>	\$ 14,170,279	\$ 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, 2014**

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUND</u>
<b>ADDITIONS</b>		
Contributions	\$ 2,607,781	\$ 0
<b>TOTAL ADDITIONS</b>	<u>2,607,781</u>	<u>0</u>
<b>DEDUCTIONS</b>		
District support	<u>248,306</u>	<u>0</u>
<b>TOTAL DEDUCTIONS</b>	<u>248,306</u>	<u>0</u>
<b>CHANGE IN NET POSITION</b>	2,359,475	0
<b>NET POSITION – BEGINNING OF YEAR</b>	<u>11,810,804</u>	<u>0</u>
<b>NET POSITION – END OF YEAR</b>	<u>\$ 14,170,279</u>	<u>\$ 0</u>

See accompanying auditors' report and notes to financial statements.

**GRAYSON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**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.

**GRAYSON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2014**

**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.

**GRAYSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**  
**JUNE 30, 2014**

**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.

**GRAYSON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2014**

**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, 2014.

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, 2014.

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, 2014.

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.

**GRAYSON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2014**

**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.

**GRAYSON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2014**

**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:

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

**GRAYSON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2014**

**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.

**GRAYSON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2014**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Prepaid Assets**

Payments made that will benefit periods beyond June 30, 2014 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.

**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.

**GRAYSON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2014**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED**

**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.

**Bonds and Related Premiums, Discounts, and Issuance Costs**

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred.

In governmental fund financial statements, bond premiums, discounts and issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt issuance expenditures.

**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 \$9,827,204. Of the total institutional balance of \$10,776,427, \$881,921 was covered by Federal depository insurance. The remaining balance of \$9,894,506 would require collateralization. As of June 30, 2014, \$14,786,357 was pledged with securities held by the pledging banks' trust departments but not in the name of the District.

Kentucky Revised Statutes 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.

**GRAYSON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2014**

**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	School Construction Fund
Facility Support Program (FSPK)	Grant Fund
Debt Service Fund	School Lunchroom Fund
Daycare Fund	Activity Fund

**NOTE E - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2014, was as follows:

Governmental Activities	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Land	\$ 1,676,739	\$ 0	\$ 0	\$ 1,676,739
Buildings and improvements	50,472,267	2,132,651	122,900	52,482,018
Technology equipment	3,352,894	346,660	314,379	3,385,175
Vehicles	4,677,649	494,727	474,275	4,698,101
General equipment	3,348,251	224,176	21,741	3,550,686
Construction in progress	1,009,476	2,910,202	1,009,476	2,910,202
Totals at historical cost	64,537,276	6,108,416	1,942,771	68,702,921
Less: Accumulated depreciation				
Buildings and improvements	13,987,063	1,268,768	122,899	15,132,932
Technology equipment	2,440,192	392,986	314,379	2,518,799
Vehicles	2,639,732	375,030	474,275	2,540,487
General equipment	2,095,037	157,967	24,947	2,228,057
Total accumulated depreciation	21,162,024	2,194,751	936,500	22,420,275
Governmental Activities Capital Assets - Net	\$43,375,252	\$ 3,913,665	\$ 1,006,271	\$ 46,282,646
<b>Business-Type Activities</b>				
Food service and equipment	\$ 1,127,871	\$ 0	\$ 0	\$ 1,127,871
Technology equipment	11,547	5,831	1,467	15,911
Construction in progress	0	0	0	0
Totals at historical cost	1,139,418	5,831	1,467	1,143,782
Less: Accumulated depreciation				
Food service equipment	772,286	53,463	0	825,749
Technology equipment	8,720	2,824	1,466	10,078
Total accumulated depreciation	781,006	56,287	1,466	835,827
Business-Type Activities Capital Assets - Net	\$ 358,412	\$ (50,456)	\$ 1	\$ 307,955

**GRAYSON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2014**

**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:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
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%
2013	5,870,000	2.00% - 4.00%

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.

**GRAYSON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2014**

**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 prior years.

On October 15, 2013, the Grayson County School District issued \$5,870,000 School Building Revenue Bonds with an interest rate of 2.00% - 4.00%. The 2013 bond issue was used to fund construction and renovation projects.

**GRAYSON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2014**

**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, 2014 for debt service (principal and interest) are as follows:

Year Ended	Grayson Co. School District		KY School Construction Commission		Total	Total Interest	Total Principal	Grand Total
	Interest	Principal	Interest	Principal				
14-15	\$ 949,027.59	\$ 1,196,290.00	\$ 111,809.91	\$ 223,710.00	\$ 335,519.91	\$ 1,060,837.50	\$ 1,420,000.00	\$ 2,480,837.50
15-16	904,455.49	1,223,069.00	106,307.01	196,931.00	303,238.01	1,010,762.50	1,420,000.00	2,430,762.50
16-17	874,898.57	1,245,333.00	100,956.43	204,667.00	305,623.43	975,855.00	1,450,000.00	2,425,855.00
17-18	839,445.40	1,287,402.00	95,359.60	207,598.00	302,957.60	934,805.00	1,495,000.00	2,429,805.00
18-19	798,782.59	1,318,578.00	89,552.41	211,422.00	300,974.41	888,335.00	1,530,000.00	2,418,335.00
19-20	756,821.62	1,368,925.00	84,249.63	151,075.00	235,324.63	841,071.25	1,520,000.00	2,361,071.25
20-21	712,596.89	1,404,113.00	79,438.12	155,887.00	235,325.12	792,035.01	1,560,000.00	2,352,035.01
21-22	665,613.47	1,448,854.00	74,177.79	161,146.00	235,323.79	739,791.26	1,610,000.00	2,349,791.26
22-23	635,524.96	1,213,123.00	68,447.54	166,877.00	235,324.54	703,972.50	1,380,000.00	2,083,972.50
23-24	587,800.13	1,257,185.00	62,509.87	172,815.00	235,324.87	650,310.00	1,430,000.00	2,080,310.00
24-25	537,050.57	1,310,917.00	56,240.69	179,083.00	235,323.69	593,291.26	1,490,000.00	2,083,291.26
25-26	479,385.97	3,524,293.00	49,617.79	185,707.00	235,324.79	529,003.76	3,710,000.00	4,239,003.76
26-27	319,705.30	1,737,257.00	42,582.20	192,743.00	235,325.20	362,287.50	1,930,000.00	2,292,287.50
27-28	249,203.25	1,804,759.00	35,084.28	200,241.00	235,325.28	284,287.53	2,005,000.00	2,289,287.53
28-29	175,610.51	1,516,846.00	27,170.73	208,154.00	235,324.73	202,781.24	1,725,000.00	1,927,781.24
29-30	86,124.58	1,598,219.00	18,575.22	96,781.00	115,356.22	104,699.80	1,695,000.00	1,799,699.80
30-31	47,856.70	315,185.00	14,543.30	104,815.00	119,358.30	62,400.00	420,000.00	482,400.00
31-32	34,916.40	331,830.00	10,283.60	108,170.00	118,453.60	45,200.00	440,000.00	485,200.00
32-33	21,409.96	343,492.00	5,890.04	111,508.00	117,398.04	27,300.00	455,000.00	482,300.00
33-34	7,270.06	363,503.00	1,829.94	91,497.00	93,326.94	9,100.00	455,000.00	464,100.00
	<u>\$ 9,683,500.01</u>	<u>\$ 25,809,173.00</u>	<u>\$ 1,134,626.10</u>	<u>\$ 3,330,827.00</u>	<u>\$ 4,465,453.10</u>	<u>\$ 10,818,126.11</u>	<u>\$ 29,140,000.00</u>	<u>\$ 39,958,126.11</u>

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**GRAYSON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2014**

**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).

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 11.355% 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 after July 1, 2008. The federal program for any salaries paid by that program pays the matching contribution of 14.605%.

**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-retirement healthcare benefit, four and one half percent (4.50%) of the gross annual payroll of members before July 1, 2008 is contributed. Two and one quarter percent (2.25%) is paid by member contributions and three quarters percent (.75%) from state appropriation and one and one half percent (1.50%) from the employer. Also the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

The Grayson County School District's total payroll for the year was \$22,687,749. The payroll for employees covered under KTRS was \$17,144,639. For the year ended June 30, 2014, the Commonwealth contributed \$2,032,840 to KTRS for the benefit of our participating employees. The School District's contributions to KTRS for the year ended June 30, 2014 were \$260,700 which represents those employees covered by federal programs.

**GRAYSON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2014**

**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:

<u>Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
6/30/14	\$ 2,293,540	100%
6/30/13	\$ 2,298,620	100%
6/30/12	\$ 2,246,631	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 18.89% of the employee's total compensation subject to contribution.

The total payroll for employees covered under CERS was \$5,176,872. The contribution requirement for CERS for the year ended June 30, 2014 was \$1,244,568 which consisted of \$977,913 from the District and \$266,655 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:

<u>Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
6/30/14	\$ 1,244,568	100%
6/30/13	\$ 1,259,662	100%
6/30/12	\$ 1,224,097	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.

**GRAYSON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2014**

**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 position 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, 2014, this amount totaled \$828,017 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.

**GRAYSON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2014**

**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:

Seek Capital Outlay Fund	\$ 743
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**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.

**GRAYSON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED  
JUNE 30, 2014**

**NOTE P – BUDGET VIOLATIONS**

During the 2014 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 2014 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	\$ 179,968
Debt maturities – Interest	87,940
Technology	71,621
Life insurance fees	9,395
Health reimbursement account	196,788
Administrative fees	44,485
Health insurance	4,163,490
KTRS	2,030,819
Less: Federal reimbursement	<u>(245,545)</u>
	<u>\$ 6,538,961</u>

**NOTE R – INVESTMENTS**

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

**NOTE S – SUBSEQUENT EVENTS**

The District’s management has evaluated and considered the need to recognize or disclose subsequent events through October 6, 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, 2014, 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, 2014.

**GRAYSON COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS, CONCLUDED  
JUNE 30, 2014**

**NOTE U – 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 estimated assessment of amounts owed at year end is \$110,263, which is reflected as judgments payable in the financial statements as of June 30, 2014.

**NOTE V – LEASE OBLIGATIONS**

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.

**NOTE W – CHANGE IN ACCOUNTING PRINCIPLE**

Due to the implementation of new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, beginning Net Position has been restated. Previously debt issuance costs were amortized over the life of the bonds, currently debt issuance costs are expensed in the year incurred. The restatement resulted in a \$171,230 decrease in beginning Net Position.

**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, 2014**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>				
Taxes	\$6,555,000	\$6,555,000	\$7,132,314	\$ 577,314
Earnings on investments	45,000	45,000	64,552	19,552
Other local revenues	51,500	97,225	262,788	165,563
State sources	16,881,517	16,947,613	23,217,073	6,269,460
Federal sources	0	0	98,476	98,476
Other sources	0	0	0	0
<b>TOTAL REVENUES</b>	<u>23,533,017</u>	<u>23,644,838</u>	<u>30,775,203</u>	<u>7,130,365</u>
<b>EXPENDITURES</b>				
Instructional	15,563,748	15,564,263	19,395,232	(3,830,969)
Student support services	1,222,189	1,082,714	1,557,335	(474,621)
Staff support services	947,621	936,160	1,373,933	(437,773)
District administration	1,085,624	1,068,839	1,022,077	46,762
School administration	1,217,124	1,177,874	1,470,048	(292,174)
Business support services	415,748	451,748	500,442	(48,694)
Plant operation and maintenance	3,093,942	3,094,988	2,954,730	140,258
Student transportation	2,683,107	2,681,901	2,671,459	10,442
Community service operations	25,365	63,340	66,530	(3,190)
Facility acquisition, construction and improvement	0	0	0	0
Other	832,330	1,080,839	3,512	1,077,327
Debt service	365,000	365,000	0	365,000
Bond issue costs	0	0	0	0
<b>TOTAL EXPENDITURES</b>	<u>27,451,798</u>	<u>27,567,666</u>	<u>31,015,298</u>	<u>(3,447,632)</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<u>(3,918,781)</u>	<u>(3,922,828)</u>	<u>(240,095)</u>	<u>3,682,733</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of bonds	0	0	0	0
Proceeds from sale of assets	5,000	5,000	63,740	58,740
Bond discount	0	0	0	0
Operating transfers in	0	0	977,409	977,409
Operating transfers out	(42,446)	(38,399)	(602,837)	(564,438)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(37,446)</u>	<u>(33,399)</u>	<u>438,312</u>	<u>471,711</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(3,956,227)</u>	<u>(3,956,227)</u>	<u>198,217</u>	<u>4,154,444</u>
<b>FUND BALANCES – BEGINNING</b>	<u>3,956,227</u>	<u>3,956,227</u>	<u>6,958,114</u>	<u>3,001,887</u>
<b>FUND BALANCES – ENDING</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$7,156,331</u>	<u>\$ 7,156,331</u>

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, 2014**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Earnings on investments	0	0	217	217
Other local revenues	28,000	32,000	32,000	0
State sources	1,370,523	1,392,736	1,437,421	44,685
Federal sources	2,814,713	2,911,629	2,900,997	(10,632)
Other sources	0	0	0	0
<b>TOTAL REVENUES</b>	<u>4,213,236</u>	<u>4,336,365</u>	<u>4,370,635</u>	<u>34,270</u>
<b>EXPENDITURES</b>				
Instructional	3,079,512	3,029,554	3,115,931	(86,377)
Student support services	173,790	216,469	162,693	53,776
Staff support services	576,150	691,583	692,210	(627)
District administration	834	1,000	4,244	(3,244)
School administration	105,694	106,602	96,047	10,555
Business support services	0	0	0	0
Plant operation and maintenance	23,297	53,284	63,223	(9,939)
Student transportation	0	0	0	0
Community service operations	296,405	299,313	297,727	1,586
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
<b>TOTAL EXPENDITURES</b>	<u>4,255,682</u>	<u>4,397,805</u>	<u>4,432,075</u>	<u>(34,270)</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	(42,446)	(61,440)	(61,440)	0
<b>OTHER FINANCING SOURCES (USES)</b>				
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	42,446	61,440	61,440	0
Operating transfers out	0	0	0	0
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>42,446</u>	<u>61,440</u>	<u>61,440</u>	<u>0</u>
<b>NET CHANGE IN FUND BALANCES</b>	0	0	0	0
<b>FUND BALANCES – BEGINNING</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES – ENDING</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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, 2014**

	FSPK BUILDING FUND	DEBT SERVICE FUND	SEEK CAPITAL OUTLAY FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash and cash equivalents	\$ 0	\$ 539,760	\$ 0	\$ 539,760
Investments	0	0	0	0
Accounts receivable:				
Accounts	0	0	0	0
<b>TOTAL ASSETS</b>	<u>\$ 0</u>	<u>\$ 539,760</u>	<u>\$ 0</u>	<u>\$ 539,760</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
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
<b>TOTAL LIABILITIES</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCE</b>				
Nonspendable	0	0	0	0
Restricted for:				
Accrued sick leave	0	0	0	0
KSFCC escrow	0	0	0	0
Capital projects	0	0	0	0
Debt service	0	539,760	0	539,760
Other	0	0	0	0
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned	0	0	0	0
<b>TOTAL FUND BALANCE</b>	<u>0</u>	<u>539,760</u>	<u>0</u>	<u>539,760</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 0</u>	<u>\$ 539,760</u>	<u>\$ 0</u>	<u>\$ 539,760</u>

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, 2014**

	FSPK BUILDING FUND	DEBT SERVICE FUND	SEEK CAPITAL OUTLAY FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<b>REVENUES</b>				
Taxes	\$ 655,933	\$ 0	\$ 0	\$ 655,933
Earnings on investments	0	2,414	0	2,414
Other local revenues	0	0	0	0
State sources	742,095	267,908	385,663	1,395,666
Federal sources	0	87,306	0	87,306
Other sources	0	0	0	0
<b>TOTAL REVENUES</b>	<u>1,398,028</u>	<u>357,628</u>	<u>385,663</u>	<u>2,141,319</u>
<b>EXPENDITURES</b>				
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	2,324,554	0	2,324,554
Bond issue costs	0	48,980	0	48,980
<b>TOTAL EXPENDITURES</b>	<u>0</u>	<u>2,373,534</u>	<u>0</u>	<u>2,373,534</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	1,398,028	(2,015,906)	385,663	(232,215)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of bonds	0	5,870,000	0	5,870,000
Proceeds from sale of assets	0	0	0	0
Bond discount	0	(95,583)	0	(95,583)
Operating transfers in	185,234	2,121,937	0	2,307,171
Operating transfers out	(1,583,262)	(5,829,878)	(386,406)	(7,799,546)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,398,028)</u>	<u>2,066,476</u>	<u>(386,406)</u>	<u>282,042</u>
<b>NET CHANGE IN FUND BALANCES</b>	0	50,570	(743)	49,827
<b>FUND BALANCES – BEGINNING</b>	<u>0</u>	<u>489,190</u>	<u>743</u>	<u>489,933</u>
<b>FUND BALANCES – ENDING</b>	<u>\$ 0</u>	<u>\$ 539,760</u>	<u>\$ 0</u>	<u>\$ 539,760</u>

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, 2014**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Education:</b>			
Passed Through State Department of Education			
<b>Special Education Cluster (IDEA):</b>			
Special Education – Grants to States (IDEA, Part B)	84.027*	3810002	\$ 772,061
Special Education – Preschool Grants (IDEA Preschool)	84.173*	3800002	<u>30,104</u>
Total Special Education Cluster (IDEA)			802,165
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010*	3100002 3100202	1,401,318
Improving Teacher Quality State Grants	84.367	3230002	286,193
Rural Education	84.358	3140002	69,680
Race to the Top	84.413	3960002	7,233
Career and Technical Education -- Basic Grants to States (Perkins IV)	84.048	3710002 3710006 4611310 4621210 4621310 4621332	83,076
Twenty-First Century Community Learning Centers	84.287	3400002	238,356
ARRA – School Improvement Grants, Recovery Act	84.388	4100302	<u>12,976</u>
Total U.S. Department of Education			2,900,997
<b>U.S. Department of Agriculture:</b>			
<b>Child Nutrition Cluster:</b>			
National School Lunch Program (NSLP)	10.555	7750002	1,265,082
Non-cash Assistance (Commodities)-National School Lunch Program (NSLP)	10.555	7750002	<u>56,523</u>
Total			1,321,605
School Breakfast Program (SBP)	10.553	7760005	<u>471,980</u>
Total Child Nutrition Cluster			<u>1,793,585</u>
Total U.S. Department of Agriculture			<u>1,793,585</u>
Total			<u>\$ 4,694,582</u>

(CONTINUED)

See accompanying auditors' report and notes to financial statements.

**GRAYSON COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONCLUDED  
FOR THE YEAR ENDED JUNE 30, 2014**

**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 \$56,523 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, 2014**

<u>ACTIVITY</u>	<u>BEGINNING BALANCE</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>TRANSFERS</u>	<u>ENDING BALANCE</u>
FCA	\$ 164	\$ 0	\$ 0	\$ 0	\$ 164
Marion E. Higgs Scholarship	6,825	0	0	0	6,825
LEAD	287	0	0	0	287
Team Impact	0	0	0	0	0
Accelerated Reader	0	0	0	0	0
Higgs Scholarship	39	25	39	0	25
Newspaper	1,442	2,300	2,206	0	1,536
Yearbook	19,022	14,652	17,515	0	16,159
STLP	327	0	0	0	327
Outdoors Club	538	20	0	0	558
Drama	0	0	0	0	0
BETA Club	753	50	0	0	803
FFA	7,256	30,867	29,836	(648)	7,639
FCCLA	5,529	11,901	16,488	0	942
FBLA	391	0	0	0	391
Spanish Club	0	0	0	0	0
Athletics	4,402	28,615	26,906	(32)	6,079
Prom	27,463	12,470	5,918	0	34,015
Just Say No	921	624	683	0	862
NHS	572	190	753	0	9
Student Government	759	919	1,196	0	482
Science Club	0	0	0	0	0
Vocational Tuition	1,695	0	0	0	1,695
DECA	2,145	4,582	5,637	680	1,770
HOSA	870	19,058	18,857	0	1,071
Carpentry VICA	4,878	1,303	2,937	0	3,244
Auto Mechanics VICA	2,141	1,831	1,985	75	2,062
Electricity VICA	373	0	298	(75)	0
Welding VICA	71	290	279	0	82
Senior Class	3,229	6,440	8,717	(952)	0
Parking Passes	2,706	1,215	554	0	3,367
Goodwill	331	0	0	0	331
Pep Club	531	150	0	0	681
French Club	0	0	0	0	0
Arts Club	867	260	1,074	0	53
TSA Club	60	0	0	0	60
Dual Credit	2,182	0	0	0	2,182
YMCA	0	340	160	0	180
Motorsports Club	0	0	0	0	0
Fieldtrip	0	862	714	0	148
Youth Crime Watch	0	0	0	0	0
Chorus	872	0	0	0	872
Administration	3,376	9,881	2,549	952	11,660
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	51	0	0	0	51
Jr. Historical Society	0	0	0	0	0
Library	929	76	1,005	0	0
Teacher's Lounge	1,264	4,282	4,909	0	637
Concessions	20,387	12,585	12,228	0	20,744
<b>TOTAL</b>	<u>\$ 125,668</u>	<u>\$ 165,788</u>	<u>\$ 163,443</u>	<u>\$ 0</u>	<u>\$ 128,013</u>

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, 2014**

<b>ACTIVITY FUND</b>	<b>BEGINNING BALANCE</b>	<b>RECEIPTS</b>	<b>DISBURSEMENTS</b>	<b>TRANSFERS</b>	<b>ENDING BALANCE</b>
Caneyville Elementary School	\$ 75,423	\$ 50,741	\$ 89,574	\$ 0	\$ 36,590
Clarkson Elementary School	33,405	132,658	132,113	0	33,950
Oran P. Lawler Elementary School	15,809	46,747	49,954	0	12,602
H.W. Wilkey Elementary School	29,806	49,886	57,525	0	22,167
Grayson County Middle School	68,624	67,905	86,166	0	50,363
<b>TOTAL</b>	<b>\$ 223,067</b>	<b>\$ 347,937</b>	<b>\$ 415,332</b>	<b>\$ 0</b>	<b>\$ 155,672</b>

See accompanying auditors' report and notes to financial statements.

# Buckles, Travis, VanMeter & Hart, PLLC

Certified Public Accountants

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## 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, 2014, 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 October 6, 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 tests 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  
October 6, 2014

# Buckles, Travis, VanMeter & Hart, PLLC

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## 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, 2014. 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, 2014.

### **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  
October 6, 2014

**GRAYSON COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**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 relating to the audit of the financial statements 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 for Each Major Program and on Internal Control Over Compliance Required by 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 Section C of this Schedule.
7. The programs tested as major programs include:
  - U.S Department of Education  
Special Education Cluster (IDEA)  
CFDA 84.027, 84.173
  - Title I Grants to Local Educational Agencies  
CFDA 84.010
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, 2013**

**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

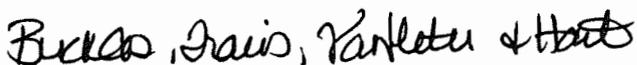
Kentucky State Committee for School District Audits  
Members of the Board of Education  
Grayson County School District  
Leitchfield, Kentucky

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, 2014, 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 October 6, 2014, contains our report on significant deficiencies or material weaknesses in the District's internal control. This letter does not affect our report dated October 6, 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, PLLC  
Certified Public Accountants  
October 6, 2014

**GRAYSON COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENT  
FOR THE YEAR ENDED JUNE 30, 2014**

**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.