

GREENUP COUNTY SCHOOL DISTRICT

Financial Statements and Supplemental Information

For The Fiscal Year Ended June 30, 2012

GREENUP COUNTY SCHOOL DISTRICT
Table of Contents
For The Fiscal Year Ended June 30, 2012

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Balance Sheet – Governmental Funds	9
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	10
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	12
Statement of Net Assets – Proprietary Funds	13
Statement of Revenues, Expenditures, and Changes in Net Assets – Proprietary Funds	14
Statement of Cash Flows – Proprietary Funds	15
Statement of Net Assets – Fiduciary Funds	16
Notes to the Basic Financial Statements	17
Supplemental Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – (Non-GAAP Budgetary Basis) – General Fund	33
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – (Non-GAAP Budgetary Basis) – Special Revenue Fund	34
Combining Balance Sheet – Non-Major Governmental Funds	35
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds	36

GREENUP COUNTY SCHOOL DISTRICT

Table of Contents

For The Fiscal Year Ended June 30, 2012

Combining Balance Sheet – Non-Major Capital Project Funds	37
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Capital Project Funds	38
Combining Balance Sheet – Non-Major Debt Service Funds	39
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Debt Service Funds	40
Statement of Changes in Assets and Liabilities – School Activity Funds	41
Statement of Changes in Assets and Liabilities – School Activity Funds Greenup County High School	42
Schedule of Expenditures of Federal Awards	43
Notes to the Schedule of Expenditures of Federal Awards	45
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 <i>Government Auditing Standards</i>	46
Independent Auditors’ Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	48
Schedule of Findings and Questioned Costs	50
Schedule of Prior Year Audit Findings	51
Corrective Action Plan	52
Independent Auditors' Transmittal Letter for Management Letter Points	53
Management Letter Points	54



The
Fyffe
Jones
Group, AC

The Fyffe Jones Group, AC

2155 Carter Avenue
P.O. Box 2245
Ashland, KY 41105-2245
606-329-8604

806 Chillicothe Street
Portsmouth, OH 45662
740-353-0400

1033 Twentieth Street
P.O. Box 1148
Huntington, WV 25713-1148
304-525-8592

INDEPENDENT AUDITORS' REPORT

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

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract - General Audit Requirements and Appendix II to the Independent Auditor's Contract - State Audit Requirements, and Appendix III to the Independent Auditor's Contract- Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 33 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section and the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards contained on pages 43 and 44 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Fyffe Jones Group, AC

THE FYFFE JONES GROUP, AC
Ashland, Kentucky
October 31, 2012

GREENUP COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis

For The Fiscal Year Ended June 30, 2012

As management of the Greenup 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, 2012. We encourage readers to consider the information presented here in conjunction with additional information found within the body of this report.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$1,626,782 in the General Fund.
- The General Fund had \$22,423,169 in revenues, which primarily consisted of the state program (SEEK), property taxes, utilities taxes, and motor vehicle taxes. Excluding inter-fund transfers, there was \$21,995,306 in General Fund expenditures. On-behalf payments of \$4,072,509 are included in revenues and expenditures of the General Fund.
- General Fund Tax revenues were realized above budgeted projections. Overall, tax revenues finished at 111% of budgeted projections, or 11% above budget, for a total of \$558,322.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of facilities, student transportation, and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 7-8 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. The state has mandated a uniform system (MUNIS administrative software) and chart of accounts for all Kentucky public school districts. 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 District's only proprietary fund is food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 9-16 of this report.

GREENUP COUNTY SCHOOL DISTRICT
 Management's Discussion and Analysis
 For The Fiscal Year Ended June 30, 2012

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 17-32 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$13,761,884 as of June 30, 2012.

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

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

Net Assets for the periods ending June 30, 2012 and 2011 are as follows:

	2012	2011
Current Assets	\$ 3,192,245	\$ 2,965,717
Noncurrent Assets	30,251,087	31,468,451
Total Assets	\$ 33,443,332	\$ 34,434,168
Current Liabilities	\$ 2,345,410	\$ 2,464,994
Long-Term Liabilities	17,336,038	18,513,423
Total Liabilities	19,681,448	20,978,417
Total Net Assets	\$ 13,761,884	\$ 13,455,751

- The District's total revenues for the fiscal year ended June 30, 2012, net of inter-fund transfers, were \$31,076,357.

FUND FINANCIAL ANALYSIS

Comments on Budget Comparisons:

- General Fund budget compared to actual revenue, net of on-behalf payments of \$4,072,509, varied slightly from line item to line item with the ending actual balance being \$803,361 more than budget, or approximately 4.1% due to an increased percentage of tax collections.

The following table presents a summary of the General Fund's revenues and expenses for the fiscal years ending:

GREENUP COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis

For The Fiscal Year Ended June 30, 2012

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Revenues:		
Local Revenue Sources	\$ 6,000,310	\$ 5,353,594
Federal and State Revenue Sources	16,420,093	15,603,172
Other Sources	<u>2,766</u>	<u>4,402</u>
Total Revenues	<u>22,423,169</u>	<u>20,961,168</u>
Expenses:		
Instruction	10,189,245	10,467,241
Student Support Services	1,460,033	1,600,157
Instructional Support	1,130,852	880,432
District Administration	1,077,980	946,543
School Administration	1,839,723	1,788,896
Business Support	535,976	532,547
Plant Operations	3,174,669	2,787,428
Student Transportation	2,217,372	2,072,829
Community Services	-	-
Other	<u>421,688</u>	<u>427,600</u>
Total Expenses	<u>22,047,538</u>	<u>21,503,673</u>
Excess (Deficiency) of Revenues Over (Under) Expenses	<u>\$ 375,631</u>	<u>\$ (542,505)</u>

General Fund Revenue

The majority of revenue was derived from local taxes of 25%, and state funding of 75%.

Budget Allocation

Site Based Decision Making Councils expended \$13,159,820, or 59.7% of the General Fund budget. The remaining 40.3% was expended through central support services.

School Allocation

Instructional accounts were 77.4% of the school level expenditures.

Central Office Allocation

Central support services expenditures were District Administration 4.9%, Student Support Services 6.6%, Transportation 10.1%, Maintenance and Operations 14.4%, Business Functions 2.4% and Other 1.9%.

FUTURE BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$1,440,464 in contingency (5.72%). The General Fund cash balance for beginning the fiscal year is \$2,112,483. The Board is constantly looking to upgrade facilities in the District as funds become available.

GREENUP COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For The Fiscal Year Ended June 30, 2012

Questions regarding this report should be directed to the Superintendent (606) 473-9819 or to the Finance Director (606) 473-9810 or by mail at 45 Musketeer Drive, Greenup, Kentucky 41144.

GREENUP COUNTY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 2,170,530	\$ 128,586	\$ 2,299,116
Receivables (net of allowances for uncollectibles):			
Intergovernmental - State	820,395	19,147	839,542
Inventories	-	53,587	53,587
Bond Issue Costs, Net of Amortization	145,760	-	145,760
Capital Assets, Not Being Depreciated	136,284	-	136,284
Capital Assets, Being Depreciated, Net	29,826,589	142,454	29,969,043
Total Assets	\$ 33,099,558	\$ 343,774	\$ 33,443,332
 Liabilities:			
Accounts Payable	\$ 133,118	\$ 8,291	\$ 141,409
Deferred Revenue	242,734	-	242,734
Accrued Salaries	(765)	-	(765)
Interest Payable	160,587	-	160,587
Portion Due or Payable Within One Year:			
Debt Obligations	1,388,291	-	1,388,291
Accrued Sick Leave	413,154	-	413,154
Portion Due or Payable After One Year:			
Debt Obligations	16,372,012	-	16,372,012
Accrued Sick Leave	964,026	-	964,026
Total Liabilities	\$ 19,673,157	\$ 8,291	\$ 19,681,448
 Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 11,223,717	\$ 142,454	\$ 11,366,171
Assigned - Site Based Carryforward	114,499	-	114,499
Assigned - Capital Expenditures	3,133	-	3,133
Assigned - Debt Service	110,366	-	110,366
Restricted - Other	233,931	-	233,931
Restricted - Accrued Sick Leave	413,154	-	413,154
Unassigned Fund Balance	1,327,601	193,029	1,520,630
Total Net Assets	\$ 13,426,401	\$ 335,483	\$ 13,761,884

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
Statement of Activities
For The Fiscal Year Ended June 30, 2012

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instructional Support Services:	\$ 15,594,321	\$ 4,370,435	\$ -	\$ (11,223,886)	\$ -	\$ (11,223,886)
Students	1,479,911	19,628	-	(1,460,283)	-	(1,460,283)
Instructional Staff	1,215,108	84,256	-	(1,130,852)	-	(1,130,852)
District Administration	1,110,118	-	-	(1,110,118)	-	(1,110,118)
School Administration	1,843,389	-	-	(1,843,389)	-	(1,843,389)
Business and Other Support Services	536,512	-	-	(536,512)	-	(536,512)
Operation and Maintenance of Plant	3,178,026	-	-	(3,178,026)	-	(3,178,026)
Student Transportation	2,459,653	-	-	(2,459,653)	-	(2,459,653)
Community Services	302,662	302,662	-	-	-	-
Facility Acquisition and Construction:	86,735	-	-	(86,735)	-	(86,735)
Debt Service	797,119	-	1,306,858	509,739	-	509,739
Total Government Activities	\$ 28,603,554	\$ 4,776,981	\$ 1,306,858	\$ (22,519,715)	\$ -	\$ (22,519,715)
Business-Type Activities:						
Food Service	2,148,670	1,504,645	91,252	-	(2,055)	(2,055)
Total Business-Type Activities	\$ 2,148,670	\$ 1,504,645	\$ 91,252	\$ -	\$ (2,055)	\$ (2,055)
Total School District	\$ 30,752,224	\$ 6,281,626	\$ 1,398,110	\$ (22,519,715)	\$ (2,055)	\$ (22,521,770)
General Revenues						
Taxes				\$ 6,087,305	\$ -	\$ 6,087,305
Intergovernmental Revenues				16,420,093	-	16,420,093
Investment Earnings				5,325	1,101	6,426
Miscellaneous				317,325	11,988	329,313
Gain on Sale of Assets				2,766	-	2,766
Total General Revenues				\$ 22,832,814	\$ 13,089	\$ 22,845,903
Change In Net Assets				\$ 313,099	\$ 11,034	\$ 324,133
Net Assets, June 30, 2011				\$ 13,113,302	\$ 324,449	\$ 13,437,751
Net Assets, June 30, 2012				\$ 13,426,401	\$ 335,483	\$ 13,761,884

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2012

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 2,112,483	\$ (289,383)	\$ 347,430	\$ 2,170,530
Receivables (net of allowances for uncollectibles):				
Property Taxes	250,289	-	-	250,289
Intergovernmental - State	-	570,106	-	570,106
Total Assets	<u>\$ 2,362,772</u>	<u>\$ 280,723</u>	<u>\$ 347,430</u>	<u>\$ 2,990,925</u>
Liabilities:				
Accounts Payable	\$ 95,129	\$ 37,989	\$ -	\$ 133,118
Accrued Salaries and Benefits	(765)	-	-	(765)
Accrued Sick Leave	413,154	-	-	413,154
Deferred Revenue	-	242,734	-	242,734
Total Liabilities	<u>\$ 507,518</u>	<u>\$ 280,723</u>	<u>\$ -</u>	<u>\$ 788,241</u>
Fund Balances:				
Assigned - Site Based Carryforward	\$ 114,499	\$ -	\$ -	\$ 114,499
Assigned - Capital Expenditures	-	-	3,133	3,133
Restricted - Debt Service	-	-	110,366	110,366
Restricted - Other	-	-	233,931	233,931
Restricted - Accrued Sick Leave	413,154	-	-	413,154
Unassigned	1,327,601	-	-	1,327,601
Total Fund Balances	<u>\$ 1,855,254</u>	<u>\$ -</u>	<u>\$ 347,430</u>	<u>\$ 2,202,684</u>
Total Liabilities and Fund Balances	<u><u>\$ 2,362,772</u></u>	<u><u>\$ 280,723</u></u>	<u><u>\$ 347,430</u></u>	<u><u>\$ 2,990,925</u></u>

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets
June 30, 2012

Total Governmental Fund Balance	\$ 2,202,684
Amounts Reported for Governmental Activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	29,962,873
Certain other assets and liabilities are not available to pay current period expenditures and therefore are not reported in this fund.	(14,827)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(18,724,329)
Net Assets of Governmental Activities	<u>\$ 13,426,401</u>

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For The Fiscal Year Ended June 30, 2012

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 5,678,322	\$ -	\$ 408,983	\$ 6,087,305
Interest Income	4,663	-	662	5,325
Intergovernmental - State	16,420,093	502,214	1,306,858	18,229,165
Intergovernment - Federal	-	4,256,273	-	4,256,273
Other Local Revenues	317,325	18,494	-	335,819
Total Revenues	\$ 22,420,403	\$ 4,776,981	\$ 1,716,503	\$ 28,913,887
Expenditures:				
Instruction	\$ 10,189,245	\$ 4,422,668	\$ -	\$ 14,611,913
Students	1,460,033	19,628	-	1,479,661
Instructional Staff	1,130,852	84,256	-	1,215,108
District Administration	1,077,980	-	-	1,077,980
School Administration	1,839,723	-	-	1,839,723
Business and Other Support Services	535,976	-	-	535,976
Operation and Maintenance of Plant	3,174,668	-	-	3,174,668
Student Transportation	2,217,372	-	-	2,217,372
Community Services	-	302,661	-	302,661
Facility Acquisition and Construction	-	-	86,735	86,735
Debt Service	369,456	-	1,629,411	1,998,867
Total Expenditures	\$ 21,995,305	\$ 4,829,213	\$ 1,716,146	\$ 28,540,664
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 425,098	\$ (52,232)	\$ 357	\$ 373,223
Other Financing Sources (Uses):				
Gain on Sale of Equipment	\$ 2,766	\$ -	\$ -	\$ 2,766
Operating Transfers In	-	52,232	1,094,567	1,146,799
Operating Transfers Out	(52,232)	-	(1,124,666)	(1,176,898)
Total Other Financing (Uses) Sources	\$ (49,466)	\$ 52,232	\$ (30,099)	\$ (27,333)
Net Change in Fund Balances	\$ 375,632	\$ -	\$ (29,742)	\$ 345,890
Fund Balances, June 30, 2011	\$ 1,479,622	\$ -	\$ 377,172	\$ 1,856,794
Fund Balances, June 30, 2012	\$ 1,855,254	\$ -	\$ 347,430	\$ 2,202,684

See Notes to the Basic Financial Statements.

GREENUP 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 Fiscal Year Ended June 30, 2012

Amounts Reported For Governmental Activities in the Statement Of Net Assets are Different Because:

Net Changes in Fund Balance - Governmental Funds		\$ 345,890
<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 exceeds depreciation expense for the year.</p>		
Depreciation expense	(1,556,667)	
Capital outlay	<u>292,026</u>	(1,264,641)
<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 assets however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.</p>		
Principal paid		3,527,786
<p>Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following:</p>		
Long-term portion of accrued sick leave		7,094
Interest payable		11,601
Bond issue costs, net of amortization		10,368
<p>Bond and capital lease proceeds are recognized as revenues of current financial resources in the fund financial statements, but are increases in liabilities in the statement of net assets.</p>		
		(2,325,000)
Change in Net Assets of Governmental Activities		<u><u>\$ 313,098</u></u>

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
Statement of Net Assets - Proprietary Funds
June 30, 2012

	Food Service Fund
Assets:	
Current Assets:	
Cash and Cash Equivalents	\$ 128,586
Receivables (net of allowances for uncollectibles):	
Intergovernmental - State	19,147
Inventories	53,587
Total Current Assets	\$ 201,320
Noncurrent Assets:	
Capital Assets, Net of Accumulated Depreciation	142,454
Total Noncurrent Assets	142,454
Total Assets	\$ 343,774
Liabilities:	
Current Liabilities:	
Accounts Payable	\$ 8,291
Total Current Liabilities	8,291
Total Liabilities	\$ 8,291
Net Assets:	
Restricted - Net Assets	335,483
Total Net Assets	\$ 335,483

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds
For The Fiscal Year Ended June 30, 2012

	Food Service Fund
Operating Revenues:	
Lunchroom Sales	\$ 550,718
Other Operating Revenues	11,988
Total Operating Revenues	\$ 562,706
Operating Expenses:	
Salaries and Benefits	\$ 1,073,680
Contract Services	2,406
Materials and Supplies	1,015,143
Depreciation	20,067
Other Operating Expenses	94,349
Total Operating Expenses	\$ 2,205,645
Operating Loss	\$ (1,642,939)
Nonoperating Revenues:	
Federal Grants	\$ 1,093,154
State Grants	411,491
Donated Commodities	91,252
Interest Income	1,101
Total Nonoperating Revenues	\$ 1,596,998
Nonoperating Expenses:	
Miscellaneous	(56,975)
Total Nonoperating Expenses	\$ (56,975)
Increase in Net Assets	\$ 11,034
Net Assets, June 30, 2011	\$ 324,449
Net Assets, June 30, 2012	\$ 335,483

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Funds
For The Fiscal Year Ended June 30, 2012

	<u>Food Service Fund</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating loss	\$ (1,642,939)
Adjustments to Reconcile Operating Loss to	
Net Cash Used for Operating Activities:	
Depreciation	20,067
Donated commodities	91,252
Employee benefits paid by KDE	395,474
Change in assets and liabilities:	
Inventory	(5,479)
Accounts payable	(9,143)
Accounts receivable	(19,147)
Other receipts	(56,975)
Net Cash Used for Operating Activities	<u>\$ (1,226,890)</u>
 Cash Flows From Noncapital Financing Activities:	
Government Grants	1,109,171
Net Cash Provided by Noncapital and Related Financing Activities	<u>\$ 1,109,171</u>
 Cash Flows From Capital and Related Financing Activities:	
Purchases of Capital Assets	56,975
Net Cash Used for Capital and Related Financing Activities	<u>\$ 56,975</u>
 Cash Flows From Investing Activities:	
Interest Received on Investments	1,101
Net Cash Provided by Investing Activities	<u>\$ 1,101</u>
 Net Decrease in Cash and Cash Equivalents	<u>\$ (59,643)</u>
 Cash Balance, June 30, 2011	\$ 188,229
 Cash Balance, June 30, 2012	<u><u>\$ 128,586</u></u>
 Non-Cash Items:	
Employee benefits paid by KDE	\$ 395,474
Donated commodities	\$ 91,252

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
Statement of Net Assets - Fiduciary Funds
June 30, 2012

	<u>Agency Funds</u>
Assets:	
Cash and Cash Equivalents	<u>\$ 166,842</u>
Total Assets	<u>166,842</u>
Liabilities:	
Due to Students	<u>166,842</u>
Total Liabilities	<u>166,842</u>
Net Assets Held in Trust	<u><u>\$ -</u></u>

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

Note 1 – Nature of Activities:

A. Reporting Entity

The Greenup County Board of Education (the "Board"), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the Greenup County School District (the "District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the 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 develop policies which may influence operations, and primary accountability for fiscal matters.

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

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

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements. Copies of component unit reports may be obtained from the District's Finance Office at 45 Musketeer Drive, Greenup, Kentucky 41144.

Greenup County School District Finance Corporation - On September 27, 1993, the Greenup County, Kentucky, Board of Education resolved to authorize the establishment of the Greenup County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Greenup County Board of Education also comprise the Corporation's Board of Directors.

B. Basis of Presentation

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

Government-wide Statements - Provide information about the primary government (the District). The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

GREENUP COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

Note 1 – Nature of Activities: (Cont.)

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

The government-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.

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

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

The District has the following funds:

I. Governmental Fund Types

(A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.

(B) The Special Revenue Fund accounts 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

GREENUP COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

Note 1 – Nature of Activities: (Cont.)

projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

(C) Capital Project Funds are used to account for financial resources to be used for 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.

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

iii. The Construction Fund includes Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

(D) Debt Service Funds are used to account for the accumulation of resources for, and 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.

II. Proprietary Fund Type (Enterprise Fund)

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

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

III. Fiduciary Fund Type (includes Agency and Trust Funds)

The Activity 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*.

GREENUP COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

Note 1 – Nature of Activities: (Cont.)

C. Basis of Accounting

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

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

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

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.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

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 school year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

GREENUP COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

Note 1 – Nature of Activities: (Cont.)

D. Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end and reappropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2012. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements related to encumbrance accounting. Encumbrances outstanding at year-end are reported in the appropriate fund balance category (restricted, committed or assigned) since they do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

E. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective fund. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras, and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's 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:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Buildings and improvements	25-50 years
Infrastructure	20 years
Technology equipment	5 years
Machinery and equipment	5-10 years
Vehicles	5-10 years
Food service equipment	10-12 years

F. Interfund Activity

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

GREENUP COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

Note 1 – Nature of Activities: (Cont.)

G. 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.

H. Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Funds, which records inventory at cost, on the first-in, first-out basis, using the accrual basis of accounting.

I. Deferred Revenue

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenue until earned.

Property tax revenues and other governmental fund financial resource increments (i.e., bond issue proceeds) are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period.

J. Budget

The District is required by state law to adopt annual budgets for the general fund, special revenue fund, capital outlay fund and the food service fund. The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major difference between the budgetary basis and the GAAP basis is that on-behalf payments made by the state for the District are not budgeted. See Note 13 for these amounts which were not known by the District at the time the budget was adopted.

K. Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business property located in the District. The assessed value of property upon which the levy for the 2012 fiscal year was based was \$721,623,278.

The tax rates assessed for the year ended June 30, 2012, to finance general fund operations were \$.750 on real estate and \$.494 on motor vehicles, per \$100 valuation.

Taxes are due on October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2012, were approximately 96% of the tax levy.

GREENUP COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

Note 1 – Nature of Activities: (Cont.)

L. Accrued Liabilities and Long-Term Obligations

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

M. Fund Balance Reserves

The District reserves those portions of fund balances which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion, which is available for appropriation in future periods. Fund balances reserves have been established for accrued sick leave. Unreserved fund balances are composed of designated and undesignated portions. The undesignated portion of the unreserved fund balance represents that portion of fund balance that is available for budgeting in future periods. Designated fund balances represent tentative plans for future use of financial resources.

N. Fund Equity

Effective July 1, 2010, the Board adopted GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions,” which establishes new standards of accounting and financial reporting that are intended to improve the clarity and consistency of the fund balance information provided to financial report users. The classifications are based primarily on the extent to which the Board is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. Fund balances are reported in the following categories:

- I.** Nonspendable fund balances include amounts that cannot be spent because they are in a nonspendable form, such as inventory, or prepaid expense amounts, or they are legally or contractually required to be maintained intact, such as the corpus of a permanent fund.
- II.** Restricted fund balances are restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments or by legally enforceable enabling legislation or constitutional provisions.
- III.** Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority, which for the county is the five-member School Board. Said specific purposes and amounts are recorded in the official Board minutes of the fiscal year ended June 30, 2012.

GREENUP COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

Note 1 – Nature of Activities: (Cont.)

IV. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

V. Assigned fund balances are constrained by the intent to use funds for specific purposes, but are neither restricted nor committed. Intent can be expressed by the five-member School Board or by a body or official to which the School Board has delegated the authority to assign amounts to be used for specific purposes. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the Board has assigned those amounts to the purposes of the respective funds.

VI. Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other funds, any negative fund balances would be unassigned.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the foods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

P. Interfund Activity

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

Q. Restricted Resources

Restricted resources should be applied first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. If an expense is incurred for purposes for which committed, assigned and unassigned fund balances are all available, the fund balances should be reduced in the following order: committed, assigned, and then unassigned.

GREENUP COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

Note 2 – Estimates:

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

Note 3 – Cash and Cash Equivalents:

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At June 30, 2012, the carrying amount of the District's cash and cash equivalents was \$2,188,750 and the bank balances were \$3,157,352. The cash balance was covered by Federal Depository insurance and by a collateral agreement and collateral held by the pledging banks' trust departments in the District's name.

Note 4 – Capital Assets:

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

<u>Governmental Activities</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>
Land	\$ 136,284	\$ -	\$ -	\$ 136,284
Buildings and Improvements	42,066,479	-	-	42,066,479
Infrastructure	301,238	-	-	301,238
Technology Equipment	3,229,720	273,102	-	3,502,822
Machinery and Equipment	532,013	2,824	-	534,837
Vehicles	<u>3,407,024</u>	<u>16,100</u>	-	<u>3,423,124</u>
Total	\$ 49,672,758	\$ 292,026	\$ -	\$ 49,964,784

Less: Accumulated Depreciation:

Buildings and Improvements	\$ 13,213,680	\$ 976,045	\$ -	\$ 14,189,725
Infrastructure	107,468	15,064	-	122,532
Technology Equipment	2,710,642	277,616	-	2,988,258
Machinery and Equipment	289,090	33,588	-	322,678
Vehicles	<u>2,142,365</u>	<u>236,353</u>	-	<u>2,378,718</u>
Total	\$ 18,463,245	\$ 1,538,666	\$ -	\$ 20,001,911

Governmental Activities

Capital Assets – Net	\$ <u>31,209,513</u>	\$ <u>(1,246,640)</u>	\$ -	\$ <u>29,962,873</u>
----------------------	----------------------	-----------------------	------	----------------------

GREENUP COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

Note 4 – Capital Assets: (Cont.)

Business-Type Activities

Food Service Equipment	\$ 770,460	\$ 56,976	\$ -		\$ 827,436
------------------------	------------	-----------	------	--	------------

Less: Accumulated

Depreciation:	<u>664,914</u>	<u>20,067</u>	<u>-</u>		<u>684,981</u>
---------------	----------------	---------------	----------	--	----------------

Business-Type Activities

Capital Assets – Net	\$ <u>105,546</u>	\$ <u>36,909</u>	\$ <u>-</u>		\$ <u>142,455</u>
----------------------	-------------------	------------------	-------------	--	-------------------

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 1,258,337
Student support	250
Direct administration	32,139
School administration	3,666
Business support services	536
Plant operation and maintenance	19,457
Student transportation	<u>242,282</u>
Total	\$ <u>1,556,667</u>

Note 5 – Debt Obligations:

The amount shown in the accompanying financial statements as debt obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Greenup County School District Financial Corporation and the Kentucky School Construction Commission aggregating \$25,265,000.

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>
1998B	1,460,000	3.60% to 4.40%
2002	3,395,000	1.35% to 4.00%
2003	3,050,000	1.15% to 4.50%
2003QZAB	990,000	1.25% to 4.50%
2007	5,310,000	3.50% to 3.875%
2008	2,355,000	2.40% to 3.50%
2010	1,630,000	1.00% to 4.20%
2010-REF	4,750,000	0.60% to 2.55%
2011-REF	<u>2,325,000</u>	1.10% to 2.50%
	\$ 25,265,000	

GREENUP COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

Note 5 – Debt Obligations: (Cont.)

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Greenup County School District Financial Corporation and the Kentucky School Construction Commission 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.

The changes in the general long-term debt for the year ended June 30, 2012, were as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>New Issues</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>
General obligation bonds - \$25,265,000 originally issued with interest rates ranging from 0.60% to 4.50%	\$ 16,900,000	\$ 2,325,000	\$ 3,260,000	\$ 15,965,000
KISTA Loans	2,063,089	-	267,786	1,795,303
Accumulated Sick Leave	<u>1,387,314</u>	<u>-</u>	<u>10,134</u>	<u>1,377,180</u>
Total	\$ <u>20,350,403</u>	\$ <u>2,325,000</u>	\$ <u>3,537,920</u>	\$ <u>19,137,483</u>

The District has entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs.

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

Year	<u>Greenup County</u> <u>School District</u>		<u>Kentucky School Facilities</u> <u>Construction Commission</u>		Total
	Principal	Interest	Principal	Interest	
2013	1,047,570	420,134	350,921	110,583	1,398,491
2014	1,037,115	395,211	358,837	99,625	1,395,952
2015	1,016,770	365,789	331,245	88,866	1,348,015
2016	1,004,476	341,878	214,204	81,140	1,218,680
2017-2021	4,711,218	1,312,743	1,126,997	310,439	5,838,215
2022-2026	4,413,885	614,808	776,115	153,109	5,190,000
2027-2031	<u>980,183</u>	<u>54,602</u>	<u>399,817</u>	<u>34,511</u>	<u>1,380,000</u>
Total	\$ <u>14,211,217</u>	\$ <u>3,505,165</u>	\$ <u>3,558,136</u>	\$ <u>878,273</u>	\$ <u>17,769,353</u>

GREENUP COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

Note 5 – Debt Obligations: (Cont.)

On September 10, 2003, the District sold \$500,000 of Qualified Zone Academy Bonds ("QZAB"). QZAB's are financing instruments that are used to finance renovations and repairs to schools, with the federal government providing the interest payment and the school district being responsible for the repayment of principal only. A school district must meet certain eligibility criteria to qualify for a QZAB bond issue. To be eligible, a school district must either be located in an Empowerment Zone or Enterprise Community, or, have at least 35% of the school's students eligible for free or reduced lunches under the Federal National School Lunch Program. Requirements of the QZAB program are as follows: The District must lease the school project through the maturity of September 10, 2019. The District elected to make a prepayment of rentals due there under in an amount, which when invested in accordance with the investment agreement, will produce the entire principal amount due on the bonds on or before the maturity date.

Note 6 – 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 District's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported in the fund financial statements.

Note 7 – Interfund Transfers:

Interfund transfers at June 30, 2012, consisted of the following:

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special Revenue	Technology	\$ 52,232
Debt Service	Capital Projects	Debt Service	Bond Payments	\$1,124,666

GREENUP COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

Note 8 – Capital Lease Payable:

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

Year ending June 30:

2013	325,774
2014	293,684
2015	250,638
2016	209,888
Thereafter	<u>390,047</u>
Total minimum lease payments	\$ 1,470,031
Less: Amount representing interest	(143,498)
Present value of net minimum lease payments	\$ 1,326,533

These capital leases are also included in **Note 6 - Debt Obligations.**

Note 9 – Retirement Plans:

Kentucky Teachers Retirement System

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

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

Funding Policy - For employees hired prior to June 30, 2008, funding for KTRS is provided by eligible employees who contribute 10.855% of their salary through payroll deductions, the Board contributes 0.5%, and for federally-funded eligible employees by the Commonwealth of Kentucky through matching contributions at the rate of 13.605%. Employees hired after June 30, 2008 contribute 10.855% of their salary through payroll deductions, the Board contributes 0.5%, and for federally-funded eligible employees by the Commonwealth of Kentucky through matching contributions of 14.105% for the year ended June 30, 2012, were \$1,876,405, the Board paid \$206,715 from federal grant monies to KTRS in matching contributions for federally funded employees, and the Board paid \$53,339 in matching contributions for non-federally-funded eligible employees for a total of \$2,136,459 paid to KTRS, equal to the required contribution for the year.

GREENUP COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

Note 9 – Retirement Plans: (Cont.)

County Employee's Retirement System

Substantially all other employees (classified personnel) are covered under the County Employee Retirement System (CERS), a cost sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly.

Funding for the plan is provided through payroll withholdings of 5.00% for employees who began contributing prior to September 1, 2008 and 6.00% for employees on or after September 1, 2008 and a District contribution of 18.96% of the employee's total compensation subject to contribution. The District's contributions to CERS for the year ending June 30, 2012 were \$797,674 equal to the required contributions for the year.

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

Note 10 – Contingencies:

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

The District is subject to certain legal proceedings arising from normal business activities. Administrative officials believe that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the accompanying financial statements.

Note 11 – 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 program for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association.

GREENUP COUNTY SCHOOL DISTRICT

Notes to the Basic Financial Statements

For The Fiscal Year Ended June 30, 2012

Note 11 – Risk Management: (Cont.)

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 12 – COBRA:

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

Note 13 – On-Behalf Payments:

For fiscal year 2012, the Commonwealth of Kentucky contributed payments on behalf of the Greenup County School District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System	\$ 1,876,405
Health & Life Insurance	2,515,839
Vocational	<u>75,738</u>
Total	\$ 4,467,982

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

GREENUP COUNTY SCHOOL DISTRICT
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2012

Note 14 – Fund Balance:

The detailed components of the various fund balance categories as of June 30, 2012, are as follows:

Fund Balance	General Current Expense	Capital Outlay and Building Fund	Construction Fund	Debt Service Fund	Total Governmental Funds
Assigned to:					
Site Based Carryforward	\$ 114,499	\$ -	\$ -	\$ -	\$ 114,499
Capital Expenditures	-	-	3,133	-	3,133
Debt Service	-	-	-	110,366	110,366
Restricted:					
Other	-	233,931	-	-	233,931
Accrued Sick Leave	413,154	-	-	-	413,154
Future Construction	-	-	-	-	-
Unassigned	1,327,601	-	-	-	1,327,601
Total Fund Balance	<u>\$1,855,254</u>	<u>\$233,931</u>	<u>\$ 3,133</u>	<u>\$110,366</u>	<u>\$ 2,202,684</u>

Note 15 – Encumbrances:

The District did not have any encumbrances as of June 30, 2012.

Note 16 – Commitments, Contingencies, and Subsequent Events:

All subsequent events have been evaluated by management and have been properly disclosed up through the date of this report.

GREENUP COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund
For The Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	\$ 4,910,000	\$ 5,120,000	\$ 5,678,322	\$ 558,322
Other Local Sources	120,500	140,500	321,988	181,488
State Sources	12,205,000	12,305,000	16,420,093	4,115,093
Federal Sources	-	-	-	-
Other Sources	-	-	2,766	2,766
Total Revenues	<u>\$ 17,235,500</u>	<u>\$ 17,565,500</u>	<u>\$ 22,423,169</u>	<u>\$ 4,857,669</u>
Expenditures:				
Instruction	\$ 8,289,255	\$ 8,458,401	\$ 10,189,245	\$ (1,730,844)
Support Services:				
Students	1,221,352	1,235,354	1,460,033	(224,679)
Instructional Staff	633,930	790,990	1,130,852	(339,862)
District Administration	967,478	967,001	1,077,980	(110,979)
School Administration	1,533,038	1,509,841	1,839,723	(329,882)
Business and Other Support Services	341,623	394,182	535,976	(141,794)
Operation and Maintenance of Plant	2,139,972	2,295,904	3,174,669	(878,765)
Student Transportation	1,658,415	1,729,468	2,217,372	(487,904)
Community Services	-	-	-	-
Debt Service	370,000	370,000	369,456	544
Contingency	1,130,437	1,200,780	-	1,200,780
Other	50,000	75,000	52,232	22,768
Total Expenditures	<u>\$ 18,335,500</u>	<u>\$ 19,026,921</u>	<u>\$ 22,047,538</u>	<u>\$ (3,020,617)</u>
Net Change In Fund Balance	<u>\$ (1,100,000)</u>	<u>\$ (1,461,421)</u>	<u>\$ 375,631</u>	<u>\$ 1,837,052</u>
Fund Balance, June 30, 2011	\$ 1,100,000	\$ 1,461,421	\$ 1,479,622	\$ 18,201
Fund Balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,855,253</u>	<u>\$ 1,855,253</u>
Adjustments to Generally Accepted Accounting Principles -				
Intergovernmental State Revenue			\$ 4,072,509	
On-behalf Payments:				
Instruction			(1,919,024)	
Support Services:				
Students			(274,980)	
Instructional Staff			(212,983)	
General Administration			(203,597)	
School Administration			(346,490)	
Business and Other Support Services			(99,907)	
Operation and Maintenance of Plant			(597,912)	
Student Transportation			<u>(417,616)</u>	
Fund balance, June 30, 2012 (GAAP basis)			<u>\$ 1,855,253</u>	

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP
Budgetary Basis) - Special Revenue Fund
For The Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Other Local Sources	-	5,000	18,494	13,494
State Sources	386,325	613,065	502,214	(110,851)
Federal Sources	1,800,434	3,056,342	4,256,273	1,199,931
Total Revenues	\$ 2,186,759	\$ 3,674,407	\$ 4,776,981	\$ 1,102,574
Expenditures:				
Instruction	\$ 1,877,701	\$ 3,353,918	\$ 4,422,668	\$ (1,068,750)
Support Services				
Students	29,255	28,161	19,628	8,533
Instructional Staff	3,334	76,682	84,256	(7,574)
District Administration	-	-	-	-
School Administration	-	-	-	-
Business and Other Support Services	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Community Services	326,469	290,646	302,661	(12,015)
Total Expenditures	\$ 2,236,759	\$ 3,749,407	\$ 4,829,213	\$ (1,079,806)
(Deficiency) Excess of Revenues (Under) Over Expenditures	\$ (50,000)	\$ (75,000)	\$ (52,232)	\$ 2,182,380
Other Financing Sources (Uses):				
Transfers In	\$ 50,000	\$ 75,000	\$ 52,232	\$ 22,768
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	\$ 50,000	\$ 75,000	\$ 52,232	\$ 22,768
Net Change In Fund Balance	\$ -	\$ -	\$ -	\$ 2,205,148
Fund Balance, June 30, 2011	\$ -	\$ -	\$ -	\$ -
Fund Balance, June 30, 2012	\$ -	\$ -	\$ -	\$ 2,205,148

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
Combining Balance Sheet - Non-Major Governmental Funds
June 30, 2012

	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund	Total Non-Major Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 114,458	\$ 119,473	\$ 3,133	\$ 110,366	\$ 347,430
Receivables (net of allowances for uncollectibles)	-	-	-	-	-
Total Assets	<u>\$ 114,458</u>	<u>\$ 119,473</u>	<u>\$ 3,133</u>	<u>\$ 110,366</u>	<u>\$ 347,430</u>
Liabilities:					
Accounts Payable	-	-	-	-	-
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:					
Assigned - Capital Expenditures	\$ -	\$ -	\$ 3,133	\$ -	\$ 3,133
Assigned - Debt Service	-	-	-	110,366	110,366
Restricted - Other	114,458	119,473	-	-	233,931
Restricted - SFCC Escrow-Current	-	-	-	-	-
Restricted - Future Construction	-	-	-	-	-
Total Fund Balances	<u>\$ 114,458</u>	<u>\$ 119,473</u>	<u>\$ 3,133</u>	<u>\$ 110,366</u>	<u>\$ 347,430</u>
Total Liabilities and Fund Balances	<u>\$ 114,458</u>	<u>\$ 119,473</u>	<u>\$ 3,133</u>	<u>\$ 110,366</u>	<u>\$ 347,430</u>

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For The Fiscal Year Ended June 30, 2012

	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund	Total Non-Major Governmental Funds
Revenues:					
Taxes	\$ -	\$ 408,983	\$ -	\$ -	\$ 408,983
Earnings on Investments	-	-	415	247	662
Intergovernmental - State	261,165	510,849	-	534,844	1,306,858
Total Revenues	<u>\$ 261,165</u>	<u>\$ 919,832</u>	<u>\$ 415</u>	<u>\$ 535,091</u>	<u>\$ 1,716,503</u>
Expenditures:					
Facility Acquisition and Construction	\$ -	\$ -	\$ 86,735	\$ -	\$ 86,735
Debt Service	-	-	-	1,629,411	1,629,411
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,735</u>	<u>\$ 1,629,411</u>	<u>\$ 1,716,146</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 261,165</u>	<u>\$ 919,832</u>	<u>\$ (86,320)</u>	<u>\$ (1,094,320)</u>	<u>\$ 357</u>
Other Financing Sources (Uses):					
Proceeds From Sale of Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Transfers In	-	-	-	1,094,567	1,094,567
Operating Transfers Out-Other Funds	-	-	-	-	-
Operating Transfers Out-Debt Service	(146,707)	(977,959)	-	-	(1,124,666)
Total Other Financing (Uses) Sources	<u>\$ (146,707)</u>	<u>\$ (977,959)</u>	<u>\$ -</u>	<u>\$ 1,094,567</u>	<u>\$ (30,099)</u>
Net Change in Fund Balance	<u>\$ 114,458</u>	<u>\$ (58,127)</u>	<u>\$ (86,320)</u>	<u>\$ 247</u>	<u>\$ (29,742)</u>
Fund Balances, June 30, 2011	\$ -	\$ 177,600	\$ 89,453	\$ 110,119	\$ 377,172
Fund Balances, June 30, 2012	<u><u>\$ 114,458</u></u>	<u><u>\$ 119,473</u></u>	<u><u>\$ 3,133</u></u>	<u><u>\$ 110,366</u></u>	<u><u>\$ 347,430</u></u>

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT

Combining Balance Sheet
 Non-Major Capital Project Funds
 June 30, 2012

	FSPK Fund	SEEK Funds	Construction Funds	Total Non-Major Capital Project Funds
Assets:				
Cash and Cash Equivalents	\$ 119,473	\$ 114,458	\$ 3,133	\$ 237,064
Receivables (net of allowances for uncollectibles)	-	-	-	-
Total Assets	<u>\$ 119,473</u>	<u>\$ 114,458</u>	<u>\$ 3,133</u>	<u>\$ 237,064</u>
Liabilities:				
Accounts Payable	-	-	-	-
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:				
Restricted - SFCC Escrow Current	\$ -	\$ -	\$ -	\$ -
Restricted - Other	119,473	114,458	-	233,931
Assigned - Capital Expenditures	-	-	3,133	3,133
Total Fund Balances	<u>\$ 119,473</u>	<u>\$ 114,458</u>	<u>\$ 3,133</u>	<u>\$ 237,064</u>
Total Liabilities and Fund Balances	<u><u>\$ 119,473</u></u>	<u><u>\$ 114,458</u></u>	<u><u>\$ 3,133</u></u>	<u><u>\$ 237,064</u></u>

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Capital Project Funds
For The Fiscal Year Ended June 30, 2012

	FSPK Fund	SEEK Funds	Construction Funds	Total Non-Major Capital Project Funds
Revenues:				
Taxes	\$ 408,983	\$ -	\$ -	\$ 408,983
Earnings on Investments	-	-	415	415
Intergovernmental - State	510,849	261,165	-	772,014
Total Revenues	<u>\$ 919,832</u>	<u>\$ 261,165</u>	<u>\$ 415</u>	<u>\$ 1,181,412</u>
Expenditures:				
Facility Acquisition and Construction	\$ -	\$ -	\$ 86,735	\$ 86,735
Debt Service	-	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,735</u>	<u>\$ 86,735</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 919,832</u>	<u>\$ 261,165</u>	<u>\$ (86,320)</u>	<u>\$ 1,094,677</u>
Other Financing Sources (Uses):				
Proceeds From Sale of Bonds	\$ -	\$ -	\$ -	\$ -
Operating Transfers In	-	-	-	-
Operating Transfers Out	(977,959)	(146,707)	-	(1,124,666)
Total Other Financing (Uses) Sources	<u>\$ (977,959)</u>	<u>\$ (146,707)</u>	<u>\$ -</u>	<u>\$ (1,124,666)</u>
Net Change in Fund Balance	<u>\$ (58,127)</u>	<u>\$ 114,458</u>	<u>\$ (86,320)</u>	<u>\$ (29,989)</u>
Fund Balances, June 30, 2011	\$ 177,600	\$ -	\$ 89,453	\$ 267,053
Fund Balances, June 30, 2012	<u>\$ 119,473</u>	<u>\$ 114,458</u>	<u>\$ 3,133</u>	<u>\$ 237,064</u>

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
 Combining Balance Sheet - Non-Major Debt Service Funds
 June 30, 2012

	1997B Bond Fund	1997 & 1998 Bond Fund	1998B Bond Fund	2002 Bond Fund	2003 Bond Fund	2007 Bond Fund	2008 Bond Fund	2010 Bond Fund	2010R Bond Fund	2011R Bond Fund	Total Debt Service Fund
Assets:											
Cash and Cash Equivalents	\$99,088	\$ 2,758	\$ 6,500	\$ 442	\$ 743	\$ 482	\$ 106	\$ 189	\$ 48	\$ 10	\$ 110,366
Total Assets	<u>99,088</u>	<u>2,758</u>	<u>6,500</u>	<u>442</u>	<u>743</u>	<u>482</u>	<u>106</u>	<u>189</u>	<u>48</u>	<u>10</u>	<u>110,366</u>
Liabilities:											
Accounts Payable	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:											
Unreserved	99,088	2,758	6,500	442	743	482	106	189	48	10	110,366
Total Fund Balances	<u>99,088</u>	<u>2,758</u>	<u>6,500</u>	<u>442</u>	<u>743</u>	<u>482</u>	<u>106</u>	<u>189</u>	<u>48</u>	<u>10</u>	<u>110,366</u>
Total Liabilities and Fund Balances	<u>\$99,088</u>	<u>\$ 2,758</u>	<u>\$ 6,500</u>	<u>\$ 442</u>	<u>\$ 743</u>	<u>\$ 482</u>	<u>\$ 106</u>	<u>\$ 189</u>	<u>\$ 48</u>	<u>\$ 10</u>	<u>\$ 110,366</u>

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Debt Service Funds
 For The Fiscal Year Ended June 30, 2012

	1997B	1997 & 1998	1998B	2002	2003	2007	2008	2010	2010R	2011R	Total Debt Service Fund
Revenues:											
Intergovernmental - State	\$ -	\$ -	\$ -	\$ 230,694	\$ 52,269	\$ 82,614	\$ 44,202	\$ 74,219	\$ 42,043	\$ 8,803	\$ 534,844
Interest Income	156	4	10	7	4	10	20	1	25	10	247
Total Revenues	\$ 156	\$ 4	\$ 10	\$ 230,701	\$ 52,273	\$ 82,624	\$ 44,222	\$ 74,220	\$ 42,068	\$ 8,813	\$ 535,091
Expenditures:											
Debt Service	-	-	-	454,130	173,761	250,688	212,115	114,210	381,956	42,551	1,629,411
Total Expenditures	\$ -	\$ -	\$ -	\$ 454,130	\$ 173,761	\$ 250,688	\$ 212,115	\$ 114,210	\$ 381,956	\$ 42,551	\$ 1,629,411
Deficiency of Revenues Under (Over) Expenditures	156	4	10	(223,429)	(121,488)	(168,064)	(167,893)	(39,990)	(339,888)	(33,738)	(1,094,320)
Other Financing Sources:											
Operating Transfers In	-	-	-	223,436	121,492	168,074	167,913	39,991	339,913	33,748	1,094,567
Total Other Financing Sources	\$ -	\$ -	\$ -	\$ 223,436	\$ 121,492	\$ 168,074	\$ 167,913	\$ 39,991	\$ 339,913	\$ 33,748	\$ 1,094,567
Net Change In Fund Balance	\$ 156	\$ 4	\$ 10	\$ 7	\$ 4	\$ 10	\$ 20	\$ 1	\$ 25	\$ 10	\$ 247
Fund Balance, June 30, 2011	\$ 98,932	\$ 2,754	\$ 6,490	\$ 435	\$ 739	\$ 472	\$ 86	\$ 188	\$ 23	\$ -	\$ 110,119
Fund Balance, June 30, 2012	\$ 99,088	\$ 2,758	\$ 6,500	\$ 442	\$ 743	\$ 482	\$ 106	\$ 189	\$ 48	\$ 10	\$ 110,366

See Notes to the Basic Financial Statements.

GREENUP COUNTY SCHOOL DISTRICT
Statement of Changes in Assets and Liabilities - School Activity Funds
For The Fiscal Year Ended June 30, 2012

	Cash Balance June 30, 2011	Receipts	Disbursements	Cash Balance June 30, 2012	Transfers	Deposits Held In Custody For Students June 30, 2012
	\$	\$	\$	\$	\$	\$
Greenup County High School	66,982	164,792	190,347	41,427	-	41,427
McKell Middle School	15,631	72,505	74,691	13,445	-	13,445
Wurtland Middle School	14,846	40,071	33,595	21,322	-	21,322
Argilite Elementary	13,807	43,562	45,029	12,340	(40)	12,300
Greysbranch Elementary	23,817	64,339	61,525	26,631	-	26,631
McKell Elementary	34,166	71,861	62,624	43,403	(100)	43,303
Wurtland Elementary	2,060	5,541	5,738	1,863	40	1,903
GC Family	68	-	-	68	-	68
Special Education - CBI	1,405	2,565	3,175	795	-	795
Volleyball - Middle School	873	4,026	2,802	2,097	-	2,097
Football - Middle School	37	4,093	3,530	600	-	600
Fuel/Play Grant	1,542	17	1,074	485	-	485
Middle School Golf	-	413	396	17	-	17
Middle School Soccer	578	-	-	578	-	578
21st Century	2,172	5,443	5,844	1,771	100	1,871
Total	\$ 177,984	\$ 479,228	\$ 490,370	\$ 166,842	\$ -	\$ 166,842

GREENUP COUNTY SCHOOL DISTRICT
Statement of Changes in Assets and Liabilities
School Activity Funds - Greenup County High School
For The Fiscal Year Ended June 30, 2012

	Cash Balance June 30, 2011	Receipts	Disbursements	Cash Balance June 30, 2012	Accounts Receivable (Payable)	Total
General Account	\$ 118	\$ 612	\$ 762	\$ (32)	\$ 75	\$ 43
Cross Country/Track	997	4,004	4,614	387	-	387
Theatre	-	569	-	569	-	569
General Athletics	24,573	76,903	87,916	13,560	4,204	17,764
District Games	-	21,035	16,070	4,965	(4,965)	-
Games Club	75	-	-	75	(75)	-
Library	10	1,337	1,225	122	-	122
CMPS	-	1,327	1,286	41	-	41
Drama	793	443	-	1,236	-	1,236
Textbooks	6,791	8,862	15,158	495	40	535
ROTC	4,517	2,285	5,689	1,113	400	1,513
Student Vending	230	4,330	4,132	428	-	428
Art	964	995	1,859	100	-	100
Prom Committee	-	3,628	7,423	(3,795)	6,890	3,095
Social Studies	4	-	-	4	-	4
Battle of Classes	163	492	655	-	-	-
Juniors	7,645	116	871	6,890	(6,890)	-
Visually Impaired	-	-	-	-	225	225
Pep Club	227	-	-	227	-	227
Student Government	68	395	-	463	-	463
En Garde!	200	-	-	200	-	200
Industrial Tech	1,714	3,402	3,815	1,301	136	1,437
Spanish Honor Society	-	1,304	681	623	-	623
Yearbook	3,141	2,541	5,000	682	-	682
Choir	780	1,190	1,138	832	-	832
Food Bank	-	539	-	539	-	539
Staff Payroll Deductions	20	1,013	422	611	-	611
Teacher Pop	15	361	277	99	-	99
Scholarship	2,820	500	1,250	2,070	-	2,070
Rosemary Waller Scholarship	610	-	500	110	-	110
FCA	134	105	-	239	-	239
Devon Rose Scholarship fund	1,702	-	1,000	702	-	702
Family Resource	73	1,463	1,482	54	(40)	14
KYA	-	4,942	4,655	287	-	287
Collier Grants	46	1,000	1,000	46	-	46
Advanced Placement	510	-	-	510	-	510
Success Academy	-	1,020	715	305	-	305
Boys Soccer Boosters	3,381	3,500	6,444	437	-	437
Girls Golf Boosters	2,750	6,495	7,556	1,689	-	1,689
Volleyball Boosters	-	2,610	1,395	1,215	-	1,215
Track Boosters	84	4,934	3,095	1,923	-	1,923
Girls Soccer Boosters	1,827	540	2,262	105	-	105
Total	<u>\$ 66,982</u>	<u>\$ 164,792</u>	<u>\$ 190,347</u>	<u>\$ 41,427</u>	<u>\$ -</u>	<u>\$ 41,427</u>

GREENUP COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor <u>Program Title</u>	<u>Federal</u> CFDA <u>Number</u>	<u>Pass-Through</u> Grantor's <u>Number</u>	<u>Program</u> or Award <u>Amount</u>	<u>Expenditures</u> <u>Paid</u>
U.S. Department of Agriculture:				
Child Nutrition Cluster:				
Passed through State Department of Education				
Cash Assistance:				
National School Snacks	10.555	7760005-11	-	\$ 13,069
National School Breakfast Program	10.553	7760005-12	-	297,345
National School Lunch Program	10.555	7750002-12	-	734,791
Summer Food Service for Children	10.559	7740023-12	-	47,949
Non-Cash Assistance:				
National School Lunch Program	10.555	057502-02	-	91,252
Total U.S. Department of Agriculture				1,184,406
U.S. Department of Education:				
Passed through State Department of Education				
Title I Grants to Local Educational Agencies	84.010	3100002-11	1,068,161	8,745
Title I Grants to Local Educational Agencies	84.010	3100002-12	1,004,649	1,004,649
Title I School Improvement Grant	84.010A	3100202-10	104,600	104,600
Title I School Improvement Grant	84.010A	3100202-11	58,391	58,088
Title I School Improvement Grant	84.010A	3100202-08	50,452	8,084
Title I, ARRA	84.389	4100002-09	596,902	56,393
Total				1,240,559
Vocational Education Basic Grants to States	84.048	4620832-11	770	770
Vocational Education Basic Grants to States	84.048	4620832-12	16,373	7,522
Special Education Cluster:				
Special Education Grants to States - IDEA, Part B	84.027	3810002-12	659,539	659,539
Special Education - Pre-School	84.173	3800002-11	27,748	3,083
Special Education - Pre-School	84.173	3800002-12	27,743	27,743
Special Education - Pre-School, ARRA	84.391	4810002-09	739,836	140,766
IDEA, ARRA	84.392A	4810002-09	49,759	159
Total				831,290

See Notes to the Schedule of Expenditures of Federal Awards.

GREENUP COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards (Cont.)
For The Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Expenditures Paid</u>
Education for Homeless Children and Youth	84.196	3990001-11	48,003	48,003
Education Jobs Fund	84.410	EDJOB00-10	734,293	720,535
Twenty-First Century Community Learning Centers	84.287	3100202.12	67,500	62,494
Twenty-First Century Community Learning Centers - McKell	84.287	3100202.12	75,000	34,584
Twenty-First Century Community Learning Centers - AES & GES	84.287	3100202.12	112,500	111,555
Twenty-First Century Community Learning Centers - Summer Learning	84.287	3100202.11	15,000	11,502
Twenty-First Century Community Learning Centers - Summer Learning	84.287	3100202.12	15,000	4,773
Twenty-First Century Community Learning Centers - Supplemental	84.287	3100202.11	63,000	56,957
Twenty-First Century Community Learning Centers - Supplemental	84.287	3100202.12	24,000	24,000
Improving Teacher Quality State Grants	84.367	3230002-11	243,810	16,907
Improving Teacher Quality State Grants	84.367	3230002-12	210,774	194,491
School Improvement Grant - GCHS	84.377	3100302-10	991,870	825,644
Total U.S. Department of Education				<u>4,191,586</u>
U.S. Department of Defense:				
Direct Program:				
Basic, Applied, and Advanced Research in Science and Engineering		5041	0	12,893
Basic, Applied, and Advanced Research in Science and Engineering		5042	0	<u>52,200</u>
Total U.S. Department of Defense				<u>65,093</u>
Total Expenditures of Federal Awards				<u><u>\$5,441,085</u></u>

See Notes to the Schedule of Expenditures of Federal Awards.

GREENUP COUNTY SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For The Fiscal Year Ended June 30, 2012

Note 1 – Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Greenup County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

Note 2 – Food Distribution:

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2012, commodities on hand are included on the total inventory of \$53,587.



The
Fyffe
Jones
Group, AC

The Fyffe Jones Group, AC

2155 Carter Avenue
P.O. Box 2245
Ashland, KY 41105-2245
606-329-8604

806 Chillicothe Street
Portsmouth, OH 45662
740-353-0400

1033 Twentieth Street
P.O. Box 1148
Huntington, WV 25713-1148
304-525-8592

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
Greenup County School District
Greenup, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Greenup County School District (the "District"), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract - General Audit Requirements* and *Appendix II to the Independent Auditor's Contract - State Audit Requirements*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified by the Kentucky State Committee for School District Audits in *Appendix II to the Independent Auditor's Contract - State Audit Requirements*.

We noted certain matters that we reported to management of the District in a separate letter dated October 31, 2012.

This report is intended solely for the information and use of management and the Board, management of the District, the Kentucky Department of Education, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

The Fyffe Jones Group, AC

THE FYFFE JONES GROUP, AC
Ashland, Kentucky
October 31, 2012



The
Fyffe
Jones
Group, AC

The Fyffe Jones Group, AC

2155 Carter Avenue
P.O. Box 2245
Ashland, KY 41105-2245
606-329-8604

806 Chillicothe Street
Portsmouth, OH 45662
740-353-0400

1033 Twentieth Street
P.O. Box 1148
Huntington, WV 25713-1148
304-525-8592

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

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

Compliance

We have audited Greenup County School District's (the "District") 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 District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract - General Audit Requirements and Appendix II to the Independent Auditor's Contract - State Audit Requirements, and Appendix III to the Independent Auditor's Contract- Electronic Submission*. 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

This report is intended solely for the information and use of management and the Board, management of the District, the Kentucky Department of Education, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

The Fyffe Jones Group, AC

THE FYFFE JONES GROUP, AC
Ashland, Kentucky
October 31, 2012

GREENUP COUNTY SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For The Fiscal Year Ended June 30, 2012

A. Summary of Audit Results:

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None Reported
Noncompliance material to financial statements?	No

Federal Awards

Internal control over major programs	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section 510 (a)?	No

The District had the following major federal award programs with CFDA numbers in parentheses for the year ended June 30, 2012:

- Special Education Cluster (IDEA) (84.027, 84.173, 84.391A and 84.392A)
- Twenty-First Century Community Learning Centers (84.287)
- School Improvement Grants (84.377)
- Education Jobs Fund (84.410)

The dollar threshold used for distinguishing between Type A and Type B programs was \$300,000.

The Greenup County School District qualified as a low-risk auditee under OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

B. Findings Relating to the Financial Statements Required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

No matters were reported.

C. Findings and Questioned Costs Related to Federal Awards:

No matters were reported.

GREENUP COUNTY SCHOOL DISTRICT
Schedule of Prior Year Audit Findings
For The Fiscal Year Ended June 30, 2012

None in the prior year.

GREENUP COUNTY SCHOOL DISTRICT
Corrective Action Plan
For The Fiscal Year Ended June 30, 2012

Name of Contact Person:

Steve Hall (606) 473-9819

Corrective Action Planned:

No corrective action plan is needed in the current year.



The
Fyffe
Jones
Group, AC

The Fyffe Jones Group, AC

2155 Carter Avenue
P.O. Box 2245
Ashland, KY 41105-2245
606-329-8604

806 Chillicothe Street
Portsmouth, OH 45662
740-353-0400

1033 Twentieth Street
P.O. Box 1148
Huntington, WV 25713-1148
304-525-8592

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

In planning and performing our audit of the financial statements of Greenup County School District (the "District") as of and for the year ended June 30, 2012, 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 our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated October 31, 2012, on the financial statements of the District.

We will review the status of these comments 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 an additional study of these matters, or to assist you in implementing the recommendations.

The Fyffe Jones Group, AC

THE FYFFE JONES GROUP, AC
Ashland, Kentucky
October 31, 2012

GREENUP COUNTY SCHOOL DISTRICT
Management Letter Points
For The Fiscal Year Ended June 30, 2012

Untimely Identification of Federal Funds

As required by the Office of Management and Budget (OMB), the client prepared the Schedule of Expenditures of Federal Awards (the "Schedule"). The Schedule was provided to us during our planning stage of the audit and during our testing stage of the audit the required amount of coverage was obtained to provide assurance on the federal programs as directed by OMB Circular A-133. During the reporting stage of the audit, while reviewing the report, Management alerted us of the omission of several federal programs from the Schedule, thereby adding the programs to the Schedule, which required additional procedures after testing had been concluded.

Management Response

We will work to fully identify all federally-funded programs during the initial planning stages of the audit going forward.

Status of Prior Year Management Points

Recommendations from the prior year have been implemented.