

FLOYD COUNTY SCHOOL DISTRICT
PRESTONSBURG, KENTUCKY

AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Wallen, Puckett, & Anderson, PSC

CERTIFIED PUBLIC ACCOUNTANTS
POST OFFICE BOX 1349
PIKEVILLE, KENTUCKY 41502

FLOYD COUNTY SCHOOL DISTRICT

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FLOYD COUNTY SCHOOL DISTRICT

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Wallen, Puckett, & Anderson, PSC
CERTIFIED PUBLIC ACCOUNTANTS

106 Fourth Street • Post Office Box 1349 • Pikeville, Kentucky 41502

J. Don Wallen, CPA
L. Kevin Puckett, CPA
James K. Anderson, CPA
Johnny C. Cornett, CPA
Johnny K. White, CPA

606-432-8833
FAX 606-432-8466

INDEPENDENT AUDITOR'S REPORT

State Committee for School District Audits
Board of Education of the Floyd County School District
Prestonsburg, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Floyd County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements*, *Appendix II of the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract – Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Floyd County School District, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Floyd County School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013, on our consideration of the Floyd County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Floyd County School District's internal control over financial reporting and compliance.

WALLEN, PUCKETT, AND ANDERSON, P.S.C.

Wallen, Puckett and Anderson, PSC

Certified Public Accountants
Pikeville, Kentucky

November 14, 2013

**FLOYD COUNTY PUBLIC SCHOOL DISTRICT
PRESTONSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

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

FINANCIAL HIGHLIGHTS

- Finished the year with a General Fund balance of \$5.9 million.
- Provided \$200,000 to schools to assist with school trips.
- Completed renovations at two high schools by installing artificial turf fields and improving one gymnasium at a cost of \$1.7 million.
- Provided 1% Cost-of-living increase to all fulltime staff.
- Purchased 11 new school buses and 6 district vehicles.

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 position presents information on all of the District's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position 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 Position changed during the most recent fiscal year. All changes in Net Position 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 plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

Refer to the table of contents to find the government-wide financial statements.

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

Refer to the table of contents to find the basic governmental fund financial statements.

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. To find the notes to the financial statements please refer to the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$46,301,683 as of June 30, 2013.

The largest portion of the District's Net Position 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 are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Net Position for the period ending June 30, 2013

The following is a comparison of fiscal year 2013 data with fiscal year 2012 in regard to changes in fixed assets.

*The district implemented GASB 34 and recorded fixed assets and debt for the first time in FY 2003.

	FY2012	FY2013	<u>Change from 2012</u>
ASSETS			
Current Assets	12,732,867.00	11,030,082.00	(1,702,785.00)
Noncurrent Assets	66,335,012.00	66,175,838.00	(159,174.00)
Total Assets	79,067,879.00	77,205,920.00	(1,861,959.00)
LIABILITIES			
Current Liabilities	7,305,910.00	6,526,076.00	(779,834.00)
Noncurrent Liabilities	25,460,286.00	24,983,386.00	(476,900.00)
Total Liabilities	32,766,196.00	31,509,462.00	(1,256,734.00)
NET POSITION			
Investment in capital assets (net of debt)	37,903,662.00	41,007,105.00	3,103,443.00
Restricted	1,756,164.00	1,383,983.00	(372,181.00)
Unrestricted	6,641,857.00	3,305,370.00	(3,336,487.00)
Total Net Position	46,301,683.00	45,696,458.00	(605,225.00)

Comments on Budget Comparisons

- General fund budget compared to actual revenue varied from line item to line item with the ending actual variance being \$311,229.82 more than the final budget. The primary reason for the variance is conservative estimates for tax collections.
- General fund budget to actual expenditures varied in all functions with the major variance being in those that have expenditures for salaries. Various vacancies and expenses not reaching allocated budgetary levels (plus the contingency amount of \$2,656,472), resulted in a difference in actual expenses and final budget of a favorable \$5,549,447.89.

The following pages contain a table of General Fund Revenues by source and expenses by function. In addition to the table we are providing three charts that present a summary of General Fund revenues, expenses, and expenditures budget comparisons for the fiscal year ended June 30, 2013.

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Table 1. General Fund Revenues and Expenses for FY 2013

REVENUES					
	Original Budget	Final Budget	Difference Original VS Final Budget	Actual Transactions	Difference Final Budget VS Actual Expenditures
Beginning Balance	5,565,914.00	5,897,553.79	331,639.79	5,897,553.79	-
Local Sources	9,103,600.00	10,148,967.00	1,045,367.00	10,519,910.91	370,943.91
State Sources	26,400,154.00	35,436,687.00	9,036,533.00	35,358,035.50	(92,956.61)
Federal Sources	405,000.00	134,000.00	(271,000.00)	167,242.16	33,242.16
Fund Transfers	509,284.00	561,865.00	52,581.00	561,865.00	-
Sale or Compensation for Loss of Assets	-	23,039.00	23,039.00	23,039.36	0.36
TOTALS	41,983,952.00	52,202,111.79	10,218,159.79	52,527,646.72	311,229.82
EXPENDITURES					
Instruction	20,122,805.00	27,313,235.00	7,190,430.00	26,878,750.11	434,484.89
Student Support					
Services	1,214,448.00	1,449,356.00	234,908.00	1,330,413.00	118,943.00
Instructional Staff					
Support	1,226,741.00	1,210,338.00	(16,403.00)	884,522.00	325,816.00
District Administration	1,462,218.00	1,770,108.00	307,890.00	921,242.00	848,866.00
School Administration	3,096,549.00	4,346,224.00	1,249,675.00	4,348,163.00	(1,939.00)
Business Support	634,137.00	833,443.00	199,306.00	826,809.00	6,634.00
Plant Operation and					
Maintenance	5,735,948.00	7,060,535.00	1,324,587.00	6,656,641.00	403,894.00
Student Transportation	4,501,692.00	5,291,150.00	789,458.00	4,534,873.00	756,277.00
Community Services	-	-	-	-	-
Debt Service	70,896.00	136,251.00	65,355.00	136,251.00	-
Fund Transfers	-	-	-	-	-
Contingency	1,645,787.00	2,656,472.00	1,010,685.00	-	2,656,472.00
TOTALS	39,711,221.00	52,067,112.00	12,355,891.00	46,517,664.11	5,549,447.89

The table above includes \$8,927,217 in On Behalf Payments (which includes health insurance, retirement, life insurance, and administrative fees) made by the Commonwealth of Kentucky that are booked at the end of the fiscal year. The Final budget also includes an estimated on-behalf amount whereas the original budget did not, creating a variance between original and final budget totals. All future years will include on-behalf in both original and final budget totals.

**Chart 1
FY 2013 Revenues by Source**

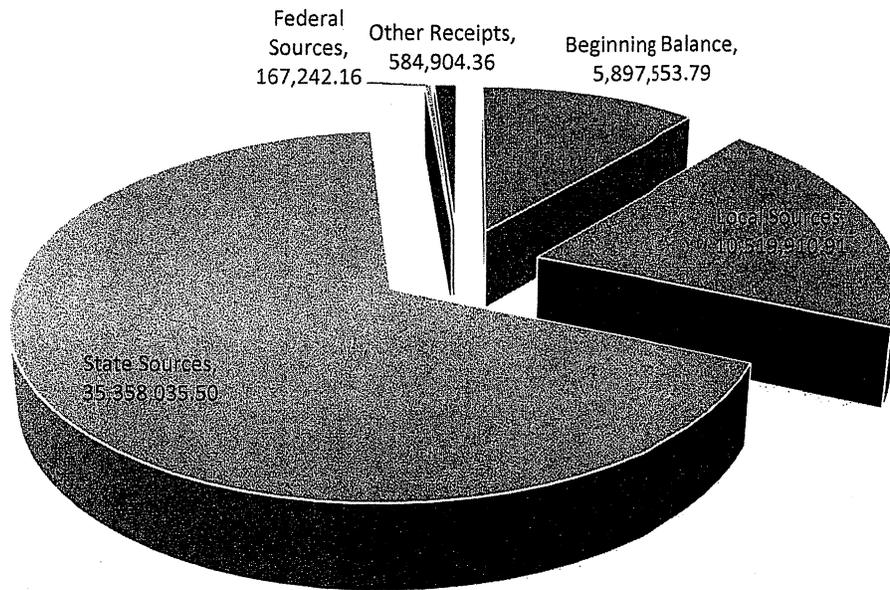


Chart 2 FY 2013 Expenditures by Function

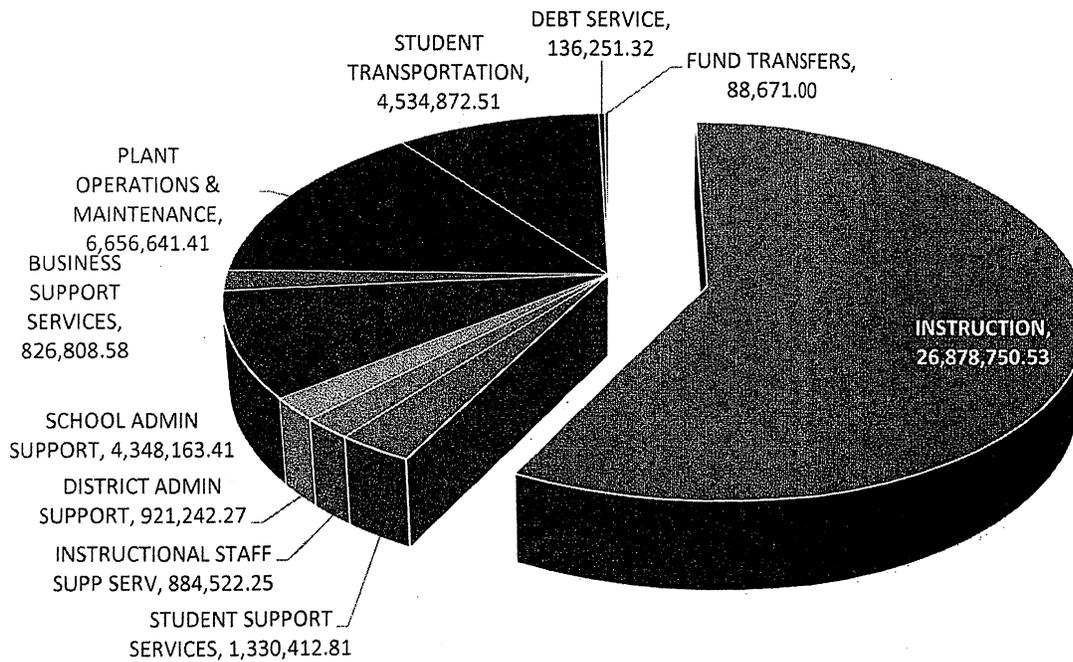
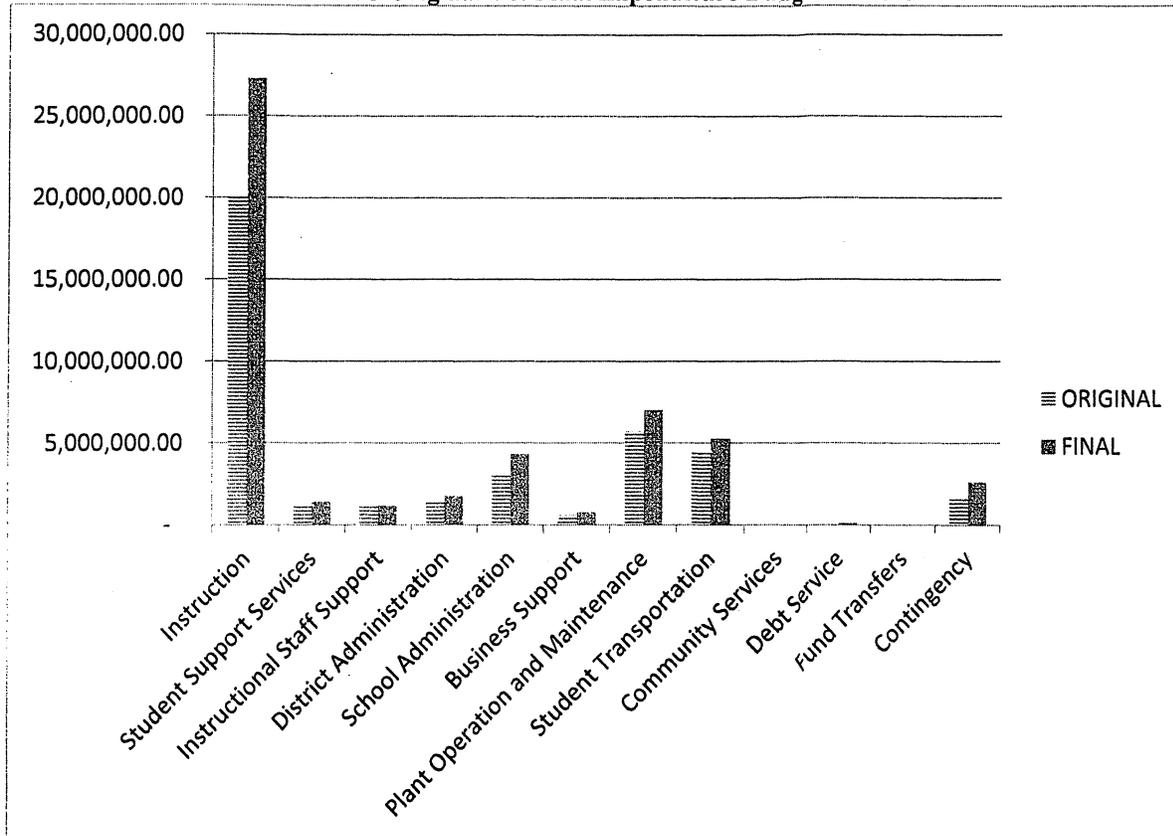


Chart 3 Original VS. Final Expenditure Budget FY 2013



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's overall budget. By law the budget must have a minimum 2.0% contingency in the Tentative Final Working budget. While it is not mandatory in the Final Working budget, the Kentucky Department of Education places district's with less than a 2% reserve on a financial watch list. The district maintained a budgeted contingency of \$2,656,472.00 or 6.27% based on the Kentucky Department of Education's formula for calculating contingency. The beginning fund balance for beginning the fiscal year 2013 was \$5,897,553.79.

Questions regarding this report should be directed to the Superintendent of Schools Henry Webb, or the Director of Finance and Board Treasurer Matthew C. Wireman at (606) 886-2354 or by mail at 106 North Front Avenue, Prestonsburg. KY 41653.

BASIC FINANCIAL STATEMENTS

Floyd County School District
Statement of Net Position
June 30, 2013

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
ASSETS			
<u>Current assets</u>			
Cash and Cash Equivalents	\$ 7,074,725	\$ 1,123,967	\$ 8,198,692
Receivables (net)	2,464,922	304,655	2,769,577
Bond Issue Cost			-
Inventories		61,813	61,813
Total current assets	<u>9,539,647</u>	<u>1,490,435</u>	<u>\$ 11,030,082</u>
<u>Noncurrent assets</u>			
Capital assets			
Land, improvements, and construction in progress	2,574,369		2,574,369
Other capital assets, net of depreciation	62,677,739	923,730	63,601,469
Total noncurrent assets	<u>\$ 65,252,108</u>	<u>\$ 923,730</u>	<u>\$ 66,175,838</u>
Total assets	<u>\$ 74,791,755</u>	<u>\$ 2,414,165</u>	<u>\$ 77,205,920</u>
LIABILITIES			
<u>Current liabilities</u>			
Accounts payable and accrued expenses	\$ 544,269	\$ 70,254	\$ 614,523
Accrued interest payable	379,662		379,662
Workers Comp payable	1,253,466		1,253,466
Judgments payable	21,300		21,300
Deferred inflow of resources	731,269		731,269
Current portion of accumulated sick leave	222,006		222,006
Current portion of bond obligations	3,070,117		3,070,117
Current portion of capital lease obligations	233,733		233,733
Total current liabilities	<u>\$ 6,455,822</u>	<u>\$ 70,254</u>	<u>\$ 6,526,076</u>
<u>Noncurrent liabilities</u>			
Long-term liabilities			
Noncurrent portion of accumulated sick leave	\$ 503,698		\$ 503,698
Noncurrent portion of bond obligations	21,864,883		21,864,883
Noncurrent-KSBIT Liability	1,055,904		1,055,904
Noncurrent portion of capital lease obligations	1,558,901		1,558,901
Total noncurrent liabilities	<u>\$ 24,983,386</u>	<u>\$ -</u>	<u>\$ 24,983,386</u>
Total liabilities	<u>\$ 31,439,208</u>	<u>\$ 70,254</u>	<u>\$ 31,509,462</u>
NET POSITION			
Invested in Capital Assets, net of related debt	40,083,375	923,730	41,007,105
Restricted	1,267,230	116,753	1,383,983
Unrestricted Net Position	2,001,942	1,303,428	3,305,370
Total Net Position	<u>\$ 43,352,547</u>	<u>\$ 2,343,911</u>	<u>\$ 45,696,458</u>

See the accompanying notes to the financial statements.

Floyd County School District
Balance Sheet
Governmental Funds
June 30, 2013

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,098,333	\$ (869,634)	\$ 846,026	\$ 7,074,725
Receivables, net	769,468	1,695,454		2,464,922
Intergovernmental-federal				-
Total assets	\$ 7,867,801	\$ 825,820	\$ 846,026	\$ 9,539,647
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 238,639	\$ 94,551	\$	\$ 333,190
Accrued sal & Benefits	211,079			211,079
Workers Comp claims payable	1,253,466			1,253,466
Judgments payable	21,300			21,300
Current portion of accumulated sick leave	222,006			222,006
Deferred Revenue		731,269		731,269
Total liabilities	1,946,490	825,820	-	2,772,310
Fund balances:				
Assigned Fund Balance-Purchase Obligations	334,986		4,872	339,858
Assigned Fund Balance-Sick Leave Payable	96,082			96,082
Restricted Fund Balance-Construction			85,773	85,773
Unassigned Fund Balance	5,490,243			5,490,243
Restricted Fund Balance-SFCC Escrow			755,381	755,381
Total fund balances	5,921,311	-	846,026	6,767,337
Total liabilities and fund balances	\$ 7,867,801	\$ 825,820	\$ 846,026	\$ 9,539,647

See the accompanying notes to the financial statements.

Floyd County School District
 Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
 June 30, 2013

Total fund balance per fund financial statements	\$	6,767,337
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net Position</p>		65,252,108
<p>Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of Net Position</p>		
Accrued interest payable		(379,662)
Bond obligations		(24,935,000)
Noncurrent Ksbit Liability		(1,055,904)
Capital lease obligations		(1,792,634)
Noncurrent sick leave payable		(503,698)
Net Position of governmental activities	\$	<u><u>43,352,547</u></u>

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2013

	General	Special Revenue	Other Governmental Funds	Total Governmental Funds
REVENUES				
From Local Sources				
Taxes				
Omitted Property Tax	\$ 348,502		\$	\$ 348,502
Property	8,055,856		1,049,962	9,105,818
Delinquent	528,876			528,876
Motor vehicle	1,466,259			1,466,259
Earnings on investments	95,361	\$ 2,170	9,001	106,532
Food Service	1,364			1,364
Other Income			24,150	24,150
Other local revenue	23,693	37,775		61,468
Intergovernmental - state	35,358,036	2,013,799	3,404,401	40,776,236
Intergovernmental - indirect federal	167,242	8,557,038		8,724,280
Total revenues	46,045,189	10,610,782	4,487,514	61,143,485
EXPENDITURES				
Instruction	26,878,751	7,473,186		34,351,937
Support Services				
Student	1,330,413	48,190		1,378,603
Instructional Staff	884,522	2,154,807		3,039,329
District Administration	921,242	20,000		941,242
School Administration	4,348,163			4,348,163
Business	826,809	19,115		845,924
Plant Operation & Maintenance	6,656,641			6,656,641
Student Transportation	4,534,873	86,154		4,621,027
Community Services Operations		898,001		898,001
Facilities Acquisition and Construction				
Site Improvement				-
Building Construction				-
Purchased Property & tech Services			979,702	979,702
Debt Service	136,251		3,881,000	4,017,251
Total expenditures	46,517,665	10,699,453	4,860,702	62,077,820
Excess (deficiency) of revenues over expenditures	(472,476)	(88,671)	(373,188)	(934,335)
OTHER FINANCING SOURCES (USES)				
Proceeds of refunding bonds				-
Proceeds of bond issue				-
Refunding payment to escrow				-
Sale of land and equipment	23,039			23,039
Operating transfers in	561,865	88,671	2,025,261	2,675,797
Operating transfers out	(88,671)		(2,587,127)	(2,675,798)
Total other financing sources and (uses)	496,233	88,671	(561,866)	23,038
SPECIAL ITEM				
Prior period adjustment				-
Net change in fund balances	23,757	-	(935,054)	(911,297)
Fund balances-beginning	5,897,554	-	1,781,080	7,678,634
Fund balances-ending	\$ 5,921,311	\$ -	\$ 846,026	\$ 6,767,337

See the accompanying notes to the financial statements.

Floyd County School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
 Funds to the Statement of Activities
 For the year ended June 30, 2013

Net change in total fund balances per fund financial statements	\$	(911,297)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount that the capital outlays exceeds depreciation for the year.		2,434,365
Bond proceeds are recognized as revenues of current financial resources in the fund financial statements, but are increases in the Statement of Net Position.		(3,315,000)
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the Statement of Net Position.		3,034,748
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		(1,126,911)
Estimated claim-KISTA- not matured and are not reported in this fund financial statement, but are deemed to be reasonable and estimable		<u>(1,055,904)</u>
Change in Net Position of governmental activities	\$	<u><u>(939,999)</u></u>

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From Local Sources				
Taxes				
Property	\$ 7,190,000	\$ 7,966,000	\$ 8,055,856	\$ 89,856
Delinquent	412,000	423,779	528,876	105,097
Motor vehicle	1,175,000	1,440,000	1,466,259	26,259
Earnings on investments	150,000	100,000	95,361	(4,639)
Food Service	2,500	2,000	1,364	(636)
Penalties & Interest	2,500	1,600	1,104	(496)
Omitted Property tax	75,000	200,000	348,502	148,502
Other local revenue	44,430	15,588	22,589	7,001
Intergovernmental - state	26,528,791	35,436,687	35,358,036	(78,651)
Intergovernmental - indirect federal	130,000	134,000	167,242	33,242
Total revenues	<u>35,710,221</u>	<u>45,719,654</u>	<u>46,045,189</u>	<u>325,535</u>
EXPENDITURES				
Instruction	20,122,805	27,313,235	26,878,751	434,484
Support Services				
Student	1,214,448	1,449,356	1,330,413	118,943
Instructional Staff	1,226,741	1,210,338	884,522	325,816
District Administration	1,462,218	1,770,108	921,242	848,866
School Administration	3,096,549	4,346,224	4,348,163	(1,939)
Business	634,137	833,443	826,809	6,634
Plant Operation & Maintenance	5,735,948	7,060,535	6,656,641	403,894
Student Transportation	4,501,692	5,291,150	4,534,873	756,277
Debt Service	70,896	136,251	136,251	-
Community Services Operations		-		-
Facilities Acquisition and Construction				
Building Addition				-
Total expenditures	<u>38,065,434</u>	<u>49,410,640</u>	<u>46,517,665</u>	<u>2,892,975</u>
Excess (deficiency) of revenues over expenditures	<u>(2,355,213)</u>	<u>(3,690,986)</u>	<u>(472,476)</u>	<u>3,218,510</u>
OTHER FINANCING SOURCES (USES)				
Sale of land and equipment	1,000	23,039	23,039	-
Transfer In		561,865	561,865	
Operating transfers out		(135,000)	(88,671)	46,329
Total other financing sources and (uses)	<u>1,000</u>	<u>449,904</u>	<u>496,233</u>	<u>46,329</u>
SPECIAL ITEM				
Prior period adjustment				
Contingency	(1,645,787)	(2,656,472)		2,656,472
Net change in fund balances	<u>(4,000,000)</u>	<u>(5,897,554)</u>	23,757	5,921,311
Fund balances-beginning	<u>4,000,000</u>	<u>5,897,554</u>	<u>5,897,554</u>	<u>-</u>
Fund balances-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,921,311</u>	<u>\$ 5,921,311</u>

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From Local Sources				
Taxes				
Earnings on investments	\$	\$	\$	\$
Other local revenue	-	115,500	37,775	(77,725)
Intergovernmental - state	1,143,280	1,645,799	2,013,799	368,000
Intergovernmental - indirect federal	6,678,249	6,606,464	8,557,038	1,950,574
Total revenues	<u>7,821,529</u>	<u>8,367,763</u>	<u>10,610,782</u>	<u>2,243,019</u>
EXPENDITURES				
Instruction	5,500,013	5,943,086	7,473,186	(1,530,100)
Support Services				
Student		38,103	48,190	(10,087)
Instructional Staff	1,436,854	1,585,908	2,154,807	(568,899)
District Administration	20,000	20,000	20,000	-
Business	20,338	784	19,115	(18,331)
Student Transportation	30,391	91,554	86,154	5,400
Community Services Operations	798,933	741,251	898,001	(156,750)
Land Improvements	15,000	15,000		15,000
Plant Operations				-
Total expenditures	<u>7,821,529</u>	<u>8,435,686</u>	<u>10,699,453</u>	<u>(2,263,767)</u>
Excess (deficiency) of revenues over expenditures	-	(67,923)	(88,671)	(20,748)
OTHER FINANCING SOURCES (USES)				
Operating transfers in		88,671	88,671	-
Total other financing sources and (uses)	-	88,671	88,671	-
SPECIAL ITEM				
Net change in fund balances	-	20,748	-	(20,748)
Fund balances-beginning		-	-	-
Fund balances-ending	\$	\$	\$	\$
	<u>-</u>	<u>20,748</u>	<u>-</u>	<u>(20,748)</u>

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Net Position
Proprietary Funds
June 30, 2013

	Enterprise Funds		
	School Food Services	Other Business- type Activities	Total
ASSETS			
<u>Current assets</u>			
Cash and cash equivalents	\$ 1,028,375	\$ 95,592	\$ 1,123,967
Receivables (net)			
Intergovernmental - federal	302,149	2,506	304,655
Inventories	61,813		61,813
Total current assets	\$ 1,392,337	\$ 98,098	\$ 1,490,435
<u>Noncurrent assets</u>			
<u>Capital assets</u>			
Other capital assets, net of depreciation	\$ 923,730	\$ -	\$ 923,730
Total noncurrent assets	\$ 923,730	\$ -	\$ 923,730
Total assets	\$ 2,316,067	\$ 98,098	\$ 2,414,165
LIABILITIES			
<u>Current liabilities</u>			
Accounts payable and accrued expenses	\$ 70,254	\$ -	\$ 70,254
Total current liabilities	\$ 70,254	\$ -	\$ 70,254
<u>Noncurrent liabilities</u>			
<u>Long-term liabilities</u>			
Due more than one year	\$ -	\$ -	\$ -
Total noncurrent liabilities	\$ -	\$ -	\$ -
Total liabilities	\$ 70,254	\$ -	\$ 70,254
NET POSITION			
Invested in capital assets, net of related debt	\$ 923,730	\$ -	\$ 923,730
Restricted	115,568	1,185	116,753
Unrestricted	1,206,515	96,913	1,303,428
Total Net Position	\$ 2,245,813	\$ 98,098	\$ 2,343,911

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2013

	Enterprise Funds		
	School Food Services	Other Business- type Activities	Total
OPERATING REVENUES			
Lunchroom sales	\$ 415,084		\$ 415,084
Childcare fees		\$ 121,142	121,142
Total operating revenues	415,084	121,142	536,226
OPERATING EXPENSES			
Community services	-	123,532	123,532
Depreciation	57,977		57,977
Food service operations	4,752,871		4,752,871
Total operating expenses	4,810,848	123,532	4,934,380
Operating income (loss)	(4,395,764)	(2,390)	(4,398,154)
NONOPERATING REVENUES (EXPENSES)			
Federal grants	4,236,525		4,236,525
State grants	40,122		40,122
On-Behalf	254,808	14,372	269,180
Donated commodities	177,894		177,894
Earnings from investments	9,207		9,207
Total nonoperating revenues	4,718,556	14,372	4,732,928
Income (loss) before transfers	322,792	11,982	334,774
TRANSFERS			
	-	-	-
Change in Net Position	322,792	11,982	334,774
Net Position-beginning	1,923,021	86,116	2,009,137
Total Net Position-ending	\$ 2,245,813	\$ 98,098	\$ 2,343,911

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013

	Enterprise Funds		
	School Food Services	Other Business- type Activities	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 415,084	\$ 118,636	\$ 533,720
Payments to suppliers	(2,811,515)	(23,790)	(2,835,305)
Payments to employees	(1,530,000)	(85,597)	(1,615,597)
Net cash provided (used) by operating activities	<u>\$ (3,926,431)</u>	<u>\$ 9,249</u>	<u>\$ (3,917,182)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	\$ -	\$ -	\$ -
Net cash provided (used) by noncapital financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Intergovernmental revenue	\$ 3,983,750	\$ -	\$ 3,983,750
Purchases of capital assets	(53,462)	-	(53,462)
Net cash provided (used) by capital and related financing activities	<u>\$ 3,930,288</u>	<u>\$ -</u>	<u>\$ 3,930,288</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	\$ 9,207	\$ -	\$ 9,207
Net cash provided (used) by investing activities	<u>\$ 9,207</u>	<u>\$ -</u>	<u>\$ 9,207</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 13,064</u>	<u>\$ 9,249</u>	<u>\$ 22,313</u>
Balances-beginning of the year	\$ 1,015,311	\$ 86,343	\$ 1,101,654
Balances-end of the year	<u>\$ 1,028,375</u>	<u>\$ 95,592</u>	<u>\$ 1,123,967</u>
Reconciliation of operating income (loss) to net cash used			
by operating activities:			
Operating income (loss)	\$ (4,395,764)	\$ (2,390)	\$ (4,398,154)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Depreciation	57,977	-	57,977
On-Behalf	254,808	14,372	269,180
Donated Commodities Received From US Department of Agriculture	177,894	-	177,894
Changes in assets and liabilities:			
(Increase) Decrease in Receivables	-	(2,506)	(2,506)
(Increase) Decrease in Inventories	(12,919)	-	(12,919)
Increase (Decrease) in Accounts Payable and Accrued liabilities	(8,427)	(227)	(8,654)
Net cash provided by operating activities	<u>\$ (3,926,431)</u>	<u>\$ 9,249</u>	<u>\$ (3,917,182)</u>
SCHEDULE OF NON CASH TRANSACTIONS:			
On-Behalf	254,808	14,372	269,180
Donated Commodities Received From US Department of Agriculture	177,894	-	177,894
	<u>\$ 177,894</u>	<u>\$ -</u>	<u>\$ 177,894</u>

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Net Position
Agency Fund
June 30, 2013

ASSETS

Cash and cash equivalents	\$	2,613
Receivables, net		2,261
Total assets	\$	<u>4,874</u>

LIABILITIES AND FUND BALANCES

Net Position:		
Unassigned	\$	<u>4,874</u>
Total Net Position		<u>4,874</u>
Total liabilities and net position	\$	<u>4,874</u>

See the accompanying notes to the financial statements.

FLOYD COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The District, for financial purposes, includes all of the funds relevant to the operation of the Floyd County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District 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:

Floyd County Board of Education Finance Corporation

The Board authorized establishment of the Floyd County Board of Education Finance Corporation a non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the “Corporation”) to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Floyd County Board of Education.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

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

The Government Funds are accounted for on the “flow of current financial resources” measurement focus. This measurement focus is based on the concept of accountability, which includes measuring inter-period equity whether or not current year revenues were sufficient to pay for current year services. The Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of Revenues, Expenses and changes in Fund Position for the Proprietary Funds reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

The District has the following funds:

I. Governmental Fund Types

(A) General Fund

The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is always a major fund of the District.

(B) Special Revenue (Grant) Fund

The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trust funds or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. KDE requires this fund to be a major fund.

(C) Capital Project Funds

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

1. SEEK Capital Outlay Fund

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

2. Building (FSPK) Fund

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

3. Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling.

(D) Debt Service Fund

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

II. Proprietary Funds (Enterprise Funds)

(A) Food Service Fund

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

(B) Child Care Fund accounts for the funds raised at schools providing after school care for children.

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 Types

Agency Funds

The Agency Fund is an account for activities of student groups and other types of activities requiring clearing accounts. The school funds are accounted for in accordance with "Accounting Procedures for Kentucky School Activity Funds."

Basis of Accounting

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

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource 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 non-exchange transactions must also be available before it can be recognized.

Deferred Inflow – Deferred Inflow 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 inflow.

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

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

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in

the fiscal year for which they were levied. All taxes collected are initially deposited in the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2013, to finance the General Fund operations were \$.52 per \$100 valuation of real property, \$.52 per \$100 valuation for business personal property and \$.554 per \$100 valuation for motor vehicles.

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 government funds. These assets are reported in the government activities column of the government-wide financial statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of Net Position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of 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 assets life are not.

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

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

Inter-fund Balances

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

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, a certified and classified employee will receive from the district an amount equal to 30% of the value of accumulated sick leave.

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

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

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

Budgetary Process

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

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

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

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

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

Cash and Cash Equivalents

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

Inventories

On government-wide financial statements inventories are stated at cost and are expended when used.

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

DEFERRED OUTFLOWS

Payments made that will benefit periods beyond June 30, 2013, are recorded as Deferred Outflows using the consumption method. A current asset for the Deferred outflows amount is recorded at the time of the purchase and expenditure/expense is reported in the year in which services are consumed.

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, 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.

Fund Balance

The Board has elected to adopt GASB statement 54 for financial statement reporting. This changes the terminology used to describe components of the fund balance:

Non-spendable	Permanently non-spendable by the decree of the donor or items which may not be used for another purpose.
Restricted	Legally restricted under federal or state law, bond authority, or grantor contract.
Committed	Commitments passed by the board.
Assigned	Funds assigned to management priority-encumbrances.
Unassigned	Funds available for future operations.

Net Position

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

Operating Revenues and Expenses

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

Contributions of Capital

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

Inter-fund Activity

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

NOTE B – ESTIMATES

The process of preparing financial statements in conformity accounting principles generally accepted in the United States of America requires District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, expenditures, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents of amounts deposited in checking accounts include both interest and non-interest bearing accounts. The carrying amount of the District's deposits with financial institutions was \$14,009,163.

		<u>Bank Balance</u>		
<u>COMMUNITY TRUST BANK</u>	<u>Demand</u>	<u>Time</u>	<u>Totals</u>	
FDIC	\$ 250,000	\$ 250,000	\$ 500,000	
Securities pledged to district	22,576,076	204,357	22,780,433	
Uncollateralized balance	<u>0</u>	<u>0</u>	<u>0</u>	
 TOTAL	 \$ <u>22,827,111</u>	 \$ <u>454,357</u>	 \$ <u>23,280,433</u>	
		<u>Book Balance</u>		
		<u>Cash equivalents</u>		
Governmental Activities		\$ 7,074,725		
Business-type Activities		1,124,967		
Agency funds		<u>340,340</u>		
Total Book Balance		<u>\$ 8,540,032</u>		

NOTE D – CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2013</u>
Land	\$ 2,574,369	\$ -	\$ -	\$ 2,574,369
Land improvements	411,521	1,515,937	-	1,927,458
Buildings	84,835,586	1,168,633	-	86,004,219
Technology equipment	8,285,377	325,694	-	8,611,071
Vehicles	6,575,996	1,191,477	-	7,767,473
General equipment	3,066,822	21,540	-	3,088,362
Infrastructure	6,789,261	-	-	6,789,261
Construction in progress	1,609,321	979,703	2,589,024	-
Total at historical cost	\$ <u>114,148,253</u>	\$ <u>5,202,984</u>	\$ <u>2,589,024</u>	\$ <u>116,762,213</u>
Less: Accumulated depreciation				
Land improvements	\$ 131,144	\$ 20,300	\$ -	\$ 151,444
Buildings	29,949,905	1,335,600	-	31,285,505
Technology equipment	7,360,363	616,305	-	7,976,668
Vehicles	5,746,717	348,944	-	6,095,661
General equipment	2,250,201	131,388	-	2,381,589
Infrastructure	3,303,156	316,082	-	3,619,238
Total accumulated depreciation	\$ <u>48,741,486</u>	\$ <u>2,768,619</u>	\$ <u>-</u>	\$ <u>51,510,105</u>
Governmental Activities				
Capital Assets-net	\$ <u>65,406,767</u>	\$ <u>2,434,365</u>	\$ <u>2,589,024</u>	\$ <u>65,252,108</u>
<u>Business-Type Activities</u>	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2013</u>
Buildings	\$ 1,556,846	\$ 36,085	\$ -	\$ 1,592,931
Technology equipment	46,225	-	-	46,225
General equipment	1,521,298	17,377	-	1,538,675
Total at historical cost	\$ <u>3,124,369</u>	\$ <u>53,462</u>	\$ <u>-</u>	\$ <u>3,177,831</u>
Less: Accumulated depreciation				
Buildings	772,069	31,660	-	803,729
Technology equipment	44,756	759	-	45,515
General equipment	1,379,299	25,558	-	1,404,857
Total accumulated depreciation	\$ <u>2,196,124</u>	\$ <u>57,977</u>	\$ <u>-</u>	\$ <u>2,254,101</u>
Business-Type Activities				
Capital Assets-net	\$ <u>928,245</u>	\$ <u>(4,515)</u>	\$ <u>-</u>	\$ <u>923,730</u>

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

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as bonded debt and lease obligations represent the District's future obligations to make payments relating to the bonds issued by the Fiscal Court of Floyd County and the Floyd County School District Finance Corporation aggregating \$24,935,000.

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

On April 25, 2013 the District issued \$3,315,000 in Refunding Revenue Bonds with an average interest rate of 1.50% to advance refund of \$2,965,000 of outstanding 2005 series Revenue Bonds. The refunding was a partial advance refunding. The net proceeds of \$3,261,938 were used to purchase SLGS from the Department of the Treasury. The District completed the refunding to reduce total debt service payments over the next twelve years by \$273,256 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$235,618.

Issue	Beginning Balance	Additions	Reductions	Ending Balance
2008	\$ 1,890,000	\$ 0	\$ 60,000	\$ 1,830,000
2003R	545,000	0	270,000	275,000
2002R	820,000	0	375,000	445,000
2004	1,165,000	0	1,085,000	80,000
2004R	1,250,000	0	405,000	845,000
2005R	1,565,000	0	375,000	1,190,000
2004	2,025,000	0	1,670,000	355,000
2005	3,370,000	0	3,025,000	345,000
2005R	1,550,000	0	280,000	1,270,000
2006	8,295,000	0	455,000	7,840,000
2010R	4,775,000	0	460,000	4,315,000
2012R	2,870,000	0	40,000	2,830,000
2013R	0	3,315,000	0	3,315,000
Total	<u>\$ 30,120,000</u>	<u>\$ 3,315,000</u>	<u>\$ 8,500,000</u>	<u>\$ 24,935,000</u>

The original amount of outstanding issues, the issue dates, interest rates, and outstanding balances, at June 30, 2013 are summarized below:

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>	<u>Outstanding Balance</u>
2008	2,115,000	2.8-3.75%	\$ 1,830,000
2003R	2,715,000	1.45-3.75%	275,000
2002R	3,150,000	1.5-3.15%	445,000
2004	1,690,000	2.15-4.9%	80,000
2004R	4,400,000	2-3.5%	845,000
2005R	3,710,000	2.5-4%	1,190,000
2004	2,485,000	2.55-4.4%	355,000
2005	3,610,000	3.25-4.5%	345,000
2005R	3,075,000	3.125-4%	1,270,000
2006	10,540,000	3.84-4%	7,840,000
2010R	5,320,000	.06-2.90%	4,315,000
2012R	2,870,000	1.35-2.62%	2,830,000
2013R	3,315,000	1.00-2.00%	<u>3,315,000</u>
Totals			<u>\$ 24,935,000</u>

The District has entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Kentucky Legislature, for the purpose of assisting local school districts in meeting school construction needs, created the Commission. The table following sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2013 for debt service (principle and interest) is as follows:

Fiscal Year Ended	Principal		Interest		Principal Total
	Local	Sfcc	Local	Sfcc	
30-Jun					
2014	\$ 1,615,878	\$ 1,454,239	\$ 379,662	\$ 413,505	\$ 3,070,117
2015	1,438,452	1,225,783	333,596	365,953	2,664,235
2016	1,291,609	984,699	283,912	324,853	2,276,308
2017	1,055,515	903,047	242,248	290,841	1,958,562
2018	902,427	823,664	213,915	259,145	1,726,091
2019	910,524	852,907	192,558	229,901	1,763,431
2020	932,328	883,294	169,912	199,513	1,815,622
2021	957,193	915,613	145,383	167,194	1,872,806
2022	978,896	815,615	119,612	133,349	1,794,511
2023	832,743	635,080	91,763	107,535	1,467,823
2024	854,202	661,292	68,628	81,322	1,515,494
2025	884,747	560,253	43,987	53,376	1,445,000
2026	666,794	583,206	21,316	30,578	1,250,000
2027	65,426	89,574	4,969	6,844	155,000
2028	67,067	92,933	2,515	3,485	160,000
	<u>\$ 13,453,801</u>	<u>\$ 11,481,199</u>	<u>\$ 2,313,976</u>	<u>\$ 2,667,394</u>	<u>\$ 24,935,000</u>

NOTE F – CAPITAL LEASE PAYABLE

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

<u>Classes of Property</u>	<u>Book Value as of June 30, 2013</u>
Technology Equipment	\$ 634,403
Transportation Equipment	1,671,812

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2013

	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2014	233,733	45,187	278,920
2015	239,519	39,762	279,281
2016	224,908	33,690	258,598
2017	230,695	27,632	258,327
2018	214,787	21,161	235,948
2018-2023	648,992	35,851	684,843
	<u>\$ 1,792,634</u>	<u>\$ 203,283</u>	<u>\$ 1,995,917</u>

Total minimum lease payments \$	\$ 1,995,917
Less: Amount representing interest	<u>(203,283)</u>
Present Value of Net Minimum	<u>\$ 1,792,634</u>

NOTE G– RETIREMENT PLANS

Kentucky Teachers' Retirement System

Plan Description – The Floyd County School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by the Kentucky department of education.

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

Funding Policy – Contribution rates are established by KRS. Members that were employed on or before June 30, 2008 are required to contribute 10.855% of their salaries to KTRS. Members whose employment began on July 1, 2008 or after, are required to contribute 10.855%. The Commonwealth of Kentucky is required to contribute 14.105% and 15.160% respectively of their salaries. The federal program for any salaries paid by that program pays the matching contributions.

The Floyd County Schools' total payroll for the year was \$35,896,917. The payroll for employees covered under KTRS was \$26,633,789. For the year ended June 30, 2013, the Commonwealth contributed \$2,920,992 for the benefit of participating employees. The School District's contributions to KTRS for the year ending June 30, 2013 were \$629,757 which represents those employees covered by federal programs.

Medical Insurance Plan–In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly. To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain the age of 65 and are medicare eligible, coverage is to be obtained through the KTRS Medicare Eligible Health Plan. In order to fund the post-retirement healthcare benefit, active member contributions are matched by the state at 0.75% of members gross salaries. Member's contributions are 1.75% of salary. Also, premiums collected from retirees as described in the plan description and investments help meet the medical expenses of the plan. Additionally, the District pays 1.0% of the member's salary.

County Employees Retirement System

Employees who work an average of 100 hours per month participate in the County Employees Retirement System of Kentucky (CERS), a cost sharing, multiple-employer public employee's retirement system created by and operating under Kentucky Law.

The County Employees Retirement System covers substantially all regular non-certified full-time employees of the school District. The plan provides for retirement, disability and death benefits. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, and Frankfort, Kentucky, 40601.

Participating employees contribute 5% of the creditable compensation. Employer contribution rates are intended to fund the normal cost on a current basis plus one percent (1%) of un-funded past service costs per annum plus interest at the actuarial assumed rate. The Board of Trustees of the Kentucky Retirement Systems determines such contribution rates each biennium. The current District contribution rate is 19.55%. The District contributed \$1,674,912 to the employee's retirement plan in the form of matching contributions during the fiscal year ended June 30, 2013.

The District's required contributions (both withholding and match) for pension obligations to CERS for the fiscal year ended June 30, 2013 was \$2,124,642; 100% has been contributed (paid and accrued) for the fiscal year.

NOTE H – COMMITMENTS

There are no major commitments at this time for the District.

NOTE I - CONTINGENCIES

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

On January 14, 2013 the District was notified that in order to satisfy outstanding claims and deficits of the Kentucky School Boards Insurance Trust(KSBIT), a non- profit, self-insured pool, an assessment would be made to all present and prior trust members. On June 26, 2013, members were notified that the KSBIT board voted to submit a plan for the assessment to the Kentucky Department of Insurance in favor of a novation option, under which a highly rated insurer would assume all of the liabilities of KSBIT and members for claims for a set amount. This option resulted in an estimated liability for the District in the amount of \$1,055,904. This estimate is recorded as a non-current liability in the Statement of Net Position. On November 6, 2013 the District was notified that the Kentucky Department of Insurance would not approve the novation option. While the final resolution for this liability

has not been reached, the amount is being recorded as it is deemed to be probable and is the best available estimate. The estimate is not recorded in the Statement of Revenues, Expenditures and Changes in Fund Balances, because the amount has not been billed and is not mature.

NOTE J - LITIGATION

The District is subject to various other legal actions in various stages of litigation, the outcome of which has been quantified and shown as a liability in the general fund.

NOTE K – INSURANCE AND RELATED ACTIVITIES

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

NOTE L – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft/damage/destruction of assets, errors and omissions, injuries to employees, and natural disasters. To obtain insurance for workers' compensation, errors and omission, and general liability coverage, the District participates in the Kentucky School Districts Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all School Districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contribution to the Workers' Compensation Fund is 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 months (24) after 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 days notices. 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 Districts 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 coverage in any of the past three fiscal years.

NOTE M - 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 N – TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Building Fund	Debt Service Fund	Debt Service	\$2,025,262
General Fund	Special Revenue	KETS Match	88,671
Capital Outlay	General Fund	KDEA authorized	561,865

NOTE O - NEW ACCOUNTING PRONOUNCEMENTS

The Government Accounting Standards Board (GASB) issued GASB no. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, that provides financial reporting guidance for deferred outflows and deferred inflows of resources and identifies Net Position as the residual of all other elements presented in the Statements of Net Position. The requirements of GASB no. 63 are effective for the fiscal year 2013 and thereafter. As a result of implementing this pronouncement, the computation of equity on the Statement of Net Position was changed and equity is now titled as "Net Position".

The Government Accounting Standards Board issued GASB no. 65, Items Previously Reported as Assets and Liabilities, Clarifies the use of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement requires certain items which were previously reported as assets and liabilities to be reported as deferred outflows of resources, deferred inflow of resources and as revenue or expenses. This statement is effective for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

NOTE P- ON BEHALF PAYMENTS

The state of Kentucky makes certain payments to health insurance carriers, flexible spending accounts, and KTRS retirement vendors on behalf of the employees of the District. The state expended \$8,927,217. In accordance with GASB statement No. 24, the district has recognized these payments as revenue and expenditures. The on behalf payments, however, were not budgeted and are not included in the original or final budget of the district.

SUPPLEMENTAL INFORMATION

Floyd County School District
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2013

<u>Other Governmental Funds</u>					
	<u>Capital Outlay</u>	<u>FSPK</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Assets					
Cash and Cash Equivalents	\$ 603,819	151,562	90,645	-	\$ 846,026
Total Assets and Resources	<u>603,819</u>	<u>151,562</u>	<u>90,645</u>	<u>-</u>	<u>846,026</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable				-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Fund Balances					
Assigned Purchase Obligation			4,872	-	4,872
Restricted-Future Construction			85,773	-	85,773
Restricted-SFCC-Escrow-Prior	593,955	138,842		-	732,797
Restricted-SFCC-Escrow-Current		12,720		-	12,720
Unassigned Fund Balance	9,864			-	9,864
Total Fund Balances	<u>603,819</u>	<u>151,562</u>	<u>90,645</u>	<u>-</u>	<u>846,026</u>
Total Liabilities and Fund Balances	<u>\$ 603,819</u>	<u>\$ 151,562</u>	<u>\$ 90,645</u>	<u>\$ -</u>	<u>\$ 846,026</u>

See the accompanying notes to the financial statements.

Floyd County School District
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
 For the year ended June 30, 2013

	Governmental Fund Types				Totals (Memorandum Only)
	Capital Outlay	FSPK	Construction Fund	Debt Service Fund	
Revenue					
From Local Sources					
Taxes					
Property	\$ -	\$ 1,049,962	\$ -	\$ -	\$ 1,049,962
Earnings on Investments	5,233	1,223	2,545	-	9,001
Other Income	-	-	24,150	-	24,150
Intergovernmental - State	<u>561,865</u>	<u>986,797</u>	<u>-</u>	<u>1,855,739</u>	<u>3,404,401</u>
Total Revenues	<u>567,098</u>	<u>2,037,982</u>	<u>26,695</u>	<u>1,855,739</u>	<u>4,487,514</u>
Expenditures					
Current					
Debt Service	-	-	-	3,881,000	3,881,000
Purchased Prof & Tech Services	-	-	17,736	-	17,736
Purchased Property Services	-	-	961,966	-	961,966
Total Expenditures	<u>-</u>	<u>-</u>	<u>979,702</u>	<u>3,881,000</u>	<u>4,860,702</u>
Excess (Deficit) of Revenues Over Expenditures	<u>567,097</u>	<u>2,037,982</u>	<u>(953,007)</u>	<u>(2,025,261)</u>	<u>1,652,072</u>
Other Financing Sources (Uses)					
Proceeds of refunding					-
Refunding proceeds to escrow				-	-
Transfers in				2,025,261	2,025,261
Transfers In/(Out) for Debt Service	<u>(561,865)</u>	<u>(2,025,262)</u>	<u>-</u>	<u>-</u>	<u>(2,587,127)</u>
Total Other Financing Sources (Uses)	<u>(561,865)</u>	<u>(2,025,262)</u>	<u>-</u>	<u>2,025,261</u>	<u>(561,866)</u>
Net change in Fund Balances	5,233	12,720	(953,007)	-	(935,054)
Fund Balance beginning	<u>598,586</u>	<u>138,842</u>	<u>1,043,652</u>	<u>-</u>	<u>1,781,080</u>
Fund Balance ending	<u>\$ 603,819</u>	<u>\$ 151,562</u>	<u>\$ 90,645</u>	<u>\$ -</u>	<u>\$ 846,026</u>

*see prior period adjustment note

See the accompanying notes to the financial statements.

Floyd County School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

		FIDUCIARY FUND TOTAL
		<hr/>
ASSETS		
Cash and cash equivalents	\$	342,953
Accounts receivable		8,180
TOTAL ASSETS	\$	<hr/> <u>351,133</u> <hr/>
 LIABILITIES		
Accounts payable	\$	20,392
Due to student groups		<hr/> 330,741
TOTAL LIABILITIES		<hr/> 351,133 <hr/>
 NET POSITION HELD IN TRUST	\$	<hr/> <u>-</u> <hr/>

See the accompanying notes to the financial statements.

Floyd County School District
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	ALLEN ELEMENTARY	BETSY LAYNE ELEMENTARY	JAMES A. DUFF ELEMENTARY	MAY VALLEY ELEMENTARY	McDOWELL ELEMENTARY	PRESTONSBURG ELEMENTARY	STUMBO ELEMENTARY	WD OSBORNE ELEMENTARY	ADAMS MIDDLE
ASSETS									
Cash and cash equivalents	\$ 7,061	\$ 50,676	\$ 6,193	\$ 30,034	\$ 13,286	\$ 19,788	\$ 18,783	\$ 19,236	\$ 24,737
Accounts receivable				30					
Investments									
TOTAL ASSETS	<u>\$ 7,061</u>	<u>\$ 50,676</u>	<u>\$ 6,193</u>	<u>\$ 30,064</u>	<u>\$ 13,286</u>	<u>\$ 19,788</u>	<u>\$ 18,783</u>	<u>\$ 19,236</u>	<u>\$ 24,737</u>
LIABILITIES									
Accounts payable	\$ -	\$ 7,387	\$ -	\$ 677	\$ -	\$ 249	\$ 235	\$ -	\$ -
Due to student groups	7,061	43,289	6,193	29,387	13,286	19,539	18,548	19,236	24,737
TOTAL LIABILITIES	<u>\$ 7,061</u>	<u>\$ 50,676</u>	<u>\$ 6,193</u>	<u>\$ 30,064</u>	<u>\$ 13,286</u>	<u>\$ 19,788</u>	<u>\$ 18,783</u>	<u>\$ 19,236</u>	<u>\$ 24,737</u>
NET ASSETS HELD IN TRUST	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying notes to the financial statements.

Floyd County School District
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	ALLEN CENTRAL MIDDLE	SOUTH FLOYD MIDDLE	ALLEN CENTRAL HIGH	BETSY LAYNE HIGH	PRESTONSBURG HIGH	SOUTH FLOYD HIGH	RENAISSANCE LEARNING	AGENCY FUNDS	TOTAL
ASSETS									
Cash and cash equivalents	\$ 13,333	\$ 6,424	\$ 26,262	\$ 31,476	\$ 36,032	\$ 35,831	\$ 1,188	\$ 2,613	\$ 342,953
Accounts receivable		2,383			3,506			2,261	\$ 8,180
Investments									
TOTAL ASSETS	\$ 13,333	\$ 8,807	\$ 26,262	\$ 31,476	\$ 39,538	\$ 35,831	\$ 1,188	\$ 4,874	\$ 351,133
LIABILITIES									
Accounts payable	\$ 756	\$ -	\$ -	\$ 5,038	\$ 5,993	\$ 57	\$ -	\$ -	\$ 20,392
Due to student groups	12,577	8,807	26,262	26,438	33,545	35,774	1,188	4,874	330,741
TOTAL LIABILITIES	\$ 13,333	\$ 8,807	\$ 26,262	\$ 31,476	\$ 39,538	\$ 35,831	\$ 1,188	\$ 4,874	\$ 351,133
NET ASSETS HELD IN TRUST	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See the accompanying notes to the financial statements.

Floyd County School District - Prestonsburg High School
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	<u>CASH BALANCE ENDING</u>		<u>ACCOUNTS RECEIVABLE</u>		<u>ACCOUNTS PAYABLE</u>		<u>DUE TO STUDENT GROUPS</u>
General Fund	\$ 4,326	\$		\$	1,583	\$	2,743
Athletic	14,417		2,486		3,500		13,403
Junior Class	3,278				250		3,028
Academic Team	395						395
Concession	2,763		1,020				3,783
Faculty Vending	826				25		801
Science Club	166						166
National Honor Society	1,029				85		944
FBLA	5,106				50		5,056
Senior Class	339						339
Band and Vocal	1,459						1,459
Project Prom	1						1
Youth Service Center	530				500		30
School Pictures	1,395						1,395
KYA	2						2
	<u>36,032</u>	\$	<u>3,506</u>	\$	<u>5,993</u>	\$	<u>33,545</u>
Totals							

See the accompanying notes to the financial statements.

Floyd County School District - South Floyd High School
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	CASH & INVESTMENT BALANCE ENDING	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE	DUE TO STUDENT GROUPS
General Fund	\$ 6	\$	\$	\$ 6
Athletics	189		57	132
Library	193			193
Boys Basketball	4,031			4,031
Student Vending	1,576			1,576
Teacher Vending	746			746
Freshmen	393			393
Football	5,297			5,297
Seniors	461			461
Juniors	179			179
Band	55			55
Archery	281			281
Girls Basketball	3,689			3,689
Volleyball	855			855
STLP	56			56
CADD	51			51
Mollett Sch Interest	207			207
Mollett Sch CD	10,008			10,008
Textbook	751			751
Beta club	903			903
AP Class	2,853			2,853
Yearbook	50			50
Photo Studio	6			6
P T O	108			108
Greenhouse	2,887			2,887
	<u>2,887</u>			<u>2,887</u>
Totals	<u>\$ 35,831</u>	<u>\$ -</u>	<u>\$ 57</u>	<u>\$ 35,774</u>

See the accompanying notes to the financial statements.

Floyd County School District - Betsy Layne High School
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	CASH BALANCE ENDING	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE	DUE TO STUDENT GROUPS
General Fund	\$ 520	\$	\$	\$ 520
Student Vending	2,178			2,178
Teacher Vending	616			616
Staff Flower Fund	28			28
Spanish Club	21			21
BLHS Champions	97			97
Athletic	7,114		4,705	2,409
Girl's Cheerleading	2,078			2,078
KYA	313			313
Art	127			127
Journalism	102			102
Beta Club	49			49
Forensics	188			188
Library	44			44
Senior Class	6			6
Junior Class	3,210		333	2,877
Counselor	113			113
Archery	2,242			2,242
Laura Bush Foundation	6			6
Student Council	14			14
Football	3,851			3,851
Volleyball	1,598			1,598
Honor Society	50			50
Academic	98			98
Dollar General Grant	35			35
New Horizon YSC	809			809
Golf Team	48			48
Science Olympiad	675			675
Girl's Softball	2,493			2,493
TAG	7			7
Special Ed	158			158
Music and Band	521			521
Girls BB Boosters	683			683
Track Team	2			2
Unidentified	733			733
Boy's Baseball	649			649
Totals	\$ 31,476	\$ -	\$ 5,038	\$ 26,438

See the accompanying notes to the financial statements.

Floyd County School District - Allen Central High School
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	<u>CASH BALANCE ENDING</u>	<u>ACCOUNTS RECEIVABLE</u>	<u>ACCOUNTS PAYABLE</u>	<u>DUE TO STUDENT GROUPS</u>
General Fund	\$	\$	\$	\$ -
Chiildren's Inc	37			37
STLP	158			158
Anuual	113			113
Student Vending	141			141
Library Fund	58			58
Teacher Vending	2,886			2,886
Rebel Against Drugs	1			1
KYA	124			124
Math Club	32			32
Guidance	232			232
Senior Account	6			6
Energy Team	168			168
Interest	46			46
Academics	394			394
Athletics	425			425
School Pictures	211			211
Golf	32			32
Juniors	1,688			1,688
Band	1,822			1,822
art	30			30
volleyball	653			653
Archery	893			893
Good Sam's Club	198			198
Rebel Rousers	772			772
Beta Club	5,825			5,825
JROTC	85			85
Eastern Home Run	-			-
Eastern Volleyball	2,718			2,718
Girl's Basketball	3,007			3,007
Boys Basketball	1,913			1,913
Boys Concession	485			485
Girls Concession	135			135
All Star Tournament	-			-
Rebel Hoops	966			966
History Club	8			8
District Tournament	-			-
Totals	<u>\$ 26,262</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,262</u>

See the accompanying notes to the financial statements.

REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

FLOYD COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Pass-Through Grantors Number	Program or Award Amount	Total Expenditures
U.S. Department of Agriculture				
Passed through State Department of Agriculture				
Food Donation (H) (Food Distribution) Fiscal Year 07	10.555	51	N/A	\$ 177,894
Child Nutrition Cluster				
Passed through State Department of Education				
National School Lunch Program (NSLP)	10.555	7750002	N/A	2,492,837
School Breakfast Program (SBP)	10.553	7760005	N/A	1,557,406
Summer Food Service Program for Children (SFSPC) (Summer Feeding)	10.559	7690024	N/A	702
Summer Food Service Program for Children (SFSPC) (Summer Feeding)	10.559	7740023	N/A	6,804
Fresh Fruit and Vegetable Program	10.582	7720012	N/A	178,601
Total U.S. Department of Agriculture				<u>\$ 4,414,244</u>
U.S. Department of Education				
Passed through State Department of Education				
Special Education Cluster				
Special Education - Grants to States (IDEA, Part B)				
Fiscal Year 11	84.027	3810002	1,366,903	\$ 2,465
Fiscal Year 12		3810002	1,390,717	1,048,149
Fiscal Year 13		3810002	1,370,323	630,643
Special Education Preschool Grants (IDEA Preschoo)				
Fiscal Year 12	84.173	3800002	68,236	14,157
Fiscal Year 13		3800002	67,856	63,724
Total Special Education Cluster				<u>\$ 1,759,138</u>
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies (LEAs)				
Fiscal Year 11	84.010	3100002	4,039,047	\$ 3,326
Fiscal Year 12		3100002	3,999,495	771,881
Fiscal Year 13		3100002	3,810,113	3,276,691
Title I Grants to Local Educational Agencies (LEAs) - School Improvement Part A				
Fiscal Year 11	84.010	3100202	132,409	18,653
Fiscal Year 12		3100202	84,485	69,285
Fiscal Year 13		3100202	118,211	118,211
Total Title I, Part A Cluster				<u>\$ 4,258,047</u>
School Improvement Cluster Grants				
Title I School Improvement (ARRA - Programs & Instructional Equity)	84.388A	4100302	500,000	\$ 8,031
Title I School Improvement (ARRA - Programs & Instructional Equity)	84.388A	4100302	325,000	100,849
Title I School Improvement (ARRA - Programs & Instructional Equity)	84.388A	4100302	150,000	111,764
Total School Improvement Cluster Grants				<u>\$ 220,644</u>
Education Technology State Grants Cluster				
Education Technology State Grants (Title II D Education Technology)				
Fiscal Year 11	84.318	3210002	13,465	\$ 11,692
Total Education Technology State Grants Cluster				<u>\$ 11,692</u>

FLOYD COUNTY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2013

Federal Grantor/ Pass-Through Agency/ Program Title	Federal CFDA Number	Pass-Through Grantors Number	Program or Award Amount	Total Expenditures
Other Programs				
Vocational Education--Basic Grants to States Vocational Education (Vocation Education - Basic)	84.048			
Fiscal Year 11		4621132	3,121	40
Fiscal Year 12		4621232	72,190	12,125
Fiscal Year 13		4621032	58,875	51,294
Rural Education - Achievement Program NCLB	84.358			
Fiscal Year 11		3140002	167,995	80,169
Fiscal Year 12		3140002	131,968	118,086
Fiscal Year 13		3140002	116,979	67,893
Improving Teacher Quality State Grants (Title II A Dwight D. Eisenhower)	84.367			
Fiscal Year 13		3230002	627,539	581,185
Twenty-First Century Community Learning Centers				
Fiscal Year 11	84.287	3400000	156,000	69,620
Fiscal Year 12	84.287	3400000	156,000	80,781
Race To the Top Funds	84.413	4521	161,282	36,224
Passed Through Morehead State University				
Gaining Early Awareness and Readiness for Undergraduate Programs (Gear Up Grant)				
Fiscal Year 09G	84.334A	P334A080059	191,050	3,567
Fiscal Year 10G	84.334A	P334A080059	203,050	36,044
Fiscal Year 11G	84.334A	P334A080059	191,050	30,518
Fiscal Year 12G	84.334A	P334A080059	216,050	104,686
Fiscal Year 13G	84.334A	P334A080059	209,050	54,029
Total U.S. Department of Education				<u>\$ 7,575,782</u>
U.S. Department of Health and Human Services				
Passed through Big Sandy CAP				
Head Start	93.600			
Fiscal Year 12		42 USC 9801 ET SEQ	1,139,605	272,451
Fiscal Year 13		42 USC 9801 ET SEQ	1,207,969	\$ 718,185
Total U.S. Department of Health and Human Service				<u>\$ 990,636</u>
Corporation for National and Community Service (CNCS)				
SERVICE LEARNING - 2010-2011	94.004	6750	3,860	\$ 3,860
Total Corporation for National and Community Service (CNCS)				<u>\$ 3,860</u>
U.S. Department of Defense				
Passed directly from the U.S. Department of the Army				
ROTC	12.000	5043	75,341	\$ 75,341
Total U.S. Department of Defense				<u>\$ 75,341</u>
Appalachian Regional Commission (ARC)				
Passed through State Department of Education				
KY Appalachian Higher Education College Access Grant	23.011	6883	9,000	\$ 9,000
Total Appalachian Regional Commission (ARC)				<u>\$ 9,000</u>
Grand Totals of All Federal Programs				<u>\$ 13,068,863</u>

FLOYD COUNTY SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Floyd 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. At June 30, 2013, the District had food commodities totaling \$177,894 in Food Receipts.

Wallen, Puckett, & Anderson, psc
CERTIFIED PUBLIC ACCOUNTANTS

106 Fourth Street • Post Office Box 1349 • Pikeville, Kentucky 41502

J. Don Wallen, CPA
L. Kevin Puckett, CPA
James K. Anderson, CPA
Johnny C. Cornett, CPA
Johnny K. White, CPA

606-432-8833
FAX 606-432-8466

INDEPENDENT AUDITOR'S 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*

State Committee for School District Audits
Floyd County School District
Prestonsburg, Kentucky

We have audited, in accordance with the 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 the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Electronic Submission the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Floyd County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Floyd County School District's basic financial statements, and have issued our report thereon dated November 14, 2013.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Response to Findings

Floyd County School District's response to the findings identified in our audit is described in the accompanying Management Letter. Floyd County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

WALLEN, PUCKETT, AND ANDERSON, P.S.C.

Wallen, Puckett and Anderson, P.C.

Certified Public Accountants
Pikeville, Kentucky

November 14, 2013

Wallen, Puckett, & Anderson, PSC
CERTIFIED PUBLIC ACCOUNTANTS

106 Fourth Street • Post Office Box 1349 • Pikeville, Kentucky 41502

J. Don Wallen, CPA
L. Kevin Puckett, CPA
James K. Anderson, CPA
Johnny C. Cornett, CPA
Johnny K. White, CPA

606-432-8833
FAX 606-432-8466

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

State Committee for School District Audits
Floyd County School District
Prestonsburg, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Floyd County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Floyd County School District's major federal programs for the year ended June 30, 2013. Floyd County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Floyd County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 of the Independent Auditor's Contract- General Audit Requirements, Appendix II of the Independent Auditor's Contract- State Requirements, and Appendix III of 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 Floyd County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Floyd County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Floyd County School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Floyd County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Floyd County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Floyd County School District's internal control over compliance.

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

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

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

WALLEN, PUCKETT, AND ANDERSON, P.S.C.

Wallen, Puckett and Anderson, P.C.

Certified Public Accountants

Pikeville, Kentucky

November 14, 2013

FLOYD COUNTY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2013

SECTION I – SUMMARY OF AUDITORS’ RESULTS

1. The auditor’s report expresses an unmodified opinion on the financial statements of Floyd County School District.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Floyd County School District were disclosed during the audit.
4. No significant deficiency in internal control over major federal award programs disclosed during the audit. No material weaknesses are reported.
5. The auditor’s report on compliance for the major federal award programs for Floyd County School District expresses an unmodified opinion on all major federal award programs.
6. No Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs included:

Name	CFDA #
Child Nutrition Cluster	10.553
	10.555
	10.556
	10.559
Fresh Fruit and Vegetable Program	10.582
Title II Part A - Improving Teacher Quality	84.367
Head Start	93.600

8. The threshold for distinguishing Types A and B programs was \$391,955.
9. Floyd County School District was determined to be a low risk auditee.

SECTION II – FINANCIAL STATEMENT AND FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs.

FLOYD COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2013

There were no findings from the prior year.

MANAGEMENT LETTER

Wallen, Puckett, & Anderson, PSC
CERTIFIED PUBLIC ACCOUNTANTS

106 Fourth Street • Post Office Box 1349 • Pikeville, Kentucky 41502

J. Don Wallen, CPA
L. Kevin Puckett, CPA
James K. Anderson, CPA
Johnny C. Cornett, CPA
Johnny K. White, CPA

606-432-8833
FAX 606-432-8466

MANAGEMENT LETTER

Floyd County School District
Prestonsburg, Kentucky

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Floyd County School District for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal controls over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the district's internal control. Accordingly, we do not express and opinion on the effectiveness of those controls. There were no management letter points in the previous year management letter.

A deficiency in internal controls 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, detected or corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain immaterial items and these matters are identified on the accompanying schedule. Any uncorrected comments from the prior year have been included in these items.

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

WALLEN, PUCKETT AND ANDERSON, P. S. C.

Wallen, Puckett and Anderson, PSC

Certified Public Accountants
Pikeville, Kentucky

November 13, 2013

FLOYD COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
Year Ended June 30, 2013

Prestonsburg High School

Purchase Orders - purchase orders are not being used consistently in payments to sports officials.

Betsy Layne Elementary

Untimely Deposits - deposits have not been timely in regards to date of receipt of funds.

Renaissance Learning Center

Account Coding-items are not being coded into the correct activity.

Management Response

District administrative staff will make certain the school principal and those with bookkeeping duties receive intentional focused oversight regarding the school's bookkeeping procedures. Further, district administrative staff will develop a corrective plan for the school principals implementation, that at a minimum include supplemental school activity fund training for the school principal and those with bookkeeping duties. This training will be in addition to the annual school activity fund training already being provided by the district to all school principals, assistant principals and those with bookkeeping duties.