

GLASGOW INDEPENDENT SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS
For the Year Ended June 30, 2013**

GLASGOW INDEPENDENT SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

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 Glasgow Independent 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Glasgow Independent School District, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-8 and 39-40 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 Glasgow Independent School District's basic financial statements. The 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 October 24, 2013, on our consideration of the Glasgow Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Glasgow Independent School District's internal control over financial reporting and compliance.

Campbell, Myers & Rutledge, PLLC

Certified Public Accountants

Glasgow, Kentucky

October 24, 2013

**GLASGOW INDEPENDENT SCHOOLS, GLASGOW, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

The management of Glasgow Independent Schools presents the financial overview and analysis of financial activities of this district for the fiscal year 2012-2013.

FINANCIAL HIGHLIGHTS

The beginning cash balances were \$2,460,026 in General Fund, \$3,101,009 in Building Fund, and \$307,418 in Food Service. Cash balances at the end of the year were \$1,500,492 in General Fund, \$2,546,382.23 in Building Fund and \$298,091 in Food Service.

The General Fund received \$11,925,124 in revenue. Of that \$4,542,033 was from local sources such as taxes and interest. \$7,304,968 was from state SEEK funds and \$78,123 was from other funding. This does not include on-behalf payments of \$3,351,188 made by the state.

Property taxes increased by approximately \$191,055 from FY12. Motor vehicle taxes increased by \$1617. This is the third year that motor vehicle taxes have increased, but this year only a slight increase. There was a large decrease in revenue in lieu of taxes from \$364,291 to \$270,205. This was due to incorrect calculation for a number of years by the Revenue Department, according to Billy Ray, manager of the Glasgow Electric Plant Board. The entire amount recorded in local revenue in lieu of taxes comes from the Glasgow Electric Plant Board. The Glasgow Board of Education was not aware of this miscalculation until the reduced payment was received, which resulted in a shortfall for this one item of \$53,895. Preschool tuition of \$4805 was received in FY11-12, and in 12-13 this amount increased to \$18,638. Preschool began in January, 2011, and has grown into a valuable resource to parents and the community. Other general fund revenue was comparable to prior years.

Food Service revenue increased from \$1,498,683 in FY12 to \$1,534,451 in FY13.

The largest expense of salaries and employee benefits is 83.98% of all expenditures in General Fund and 85.2% of all expenditures in Fund 2. In fiscal year 2008-09 that percentage was 82.3, 80 in 9-10, 77.6 in 10-11, and 80.8 in 11-12. The reduction in 9-10 and 10-11 was partially attributed to the American Recovery & Reinvestment Act and the EduJobs package. At the end of FY13 several positions were eliminated. An impact on employee benefits is an employer match that is now required by Kentucky Teacher Retirement System. This match was .25% in FY11, .5% in FY12, and 1% in FY 13. The costs are \$22,331 in FY11, \$40,009 in FY12, and \$83,437 in FY13.

\$176,522 was received in the Capital Outlay Fund. This was a decrease of \$649 from the prior year. This entire amount is spent as a portion of bond principal and interest payments.

Building Fund expenses of \$2,574,423 were for bond and interest payments in the amount of \$1,427,265 and construction expenses of \$1,144,184 due to all construction bond proceeds having been spent. The ending balance in the Building Fund was \$2,546,382.23.

Food Service expenses were \$1,543,778, an increase of \$68,838 from the prior year. Of this amount 43.2% was spent for salaries and 52.14% for food and supplies. The remaining 4.66% was used for miscellaneous items and equipment repair.

Construction began in April, 2011 on a new Glasgow High School academic building and renovation of the existing gym, band room and vocational education buildings. Construction related expenses were \$3,266,414 in FY11 and \$16,685,530 in FY12 and \$4,405,724 in FY 13. At the end of FY13 the total spent on this project totaled \$24,357,668.

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 changes occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

The government-wide financial statements can be found on pages 9 - 10 of this report.

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

The governmental fund financial statements can be found on pages 11 - 18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 - 39 of this report.

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 \$ 18,138,352 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 is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital asset is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Net position for the period ending June 30, 2013

This is the third year that the District is following GASB 34 and Company assets, liabilities and net position. 2013 Government Wide Net position compared to 2012 are as follows:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Current Assets	\$ 5,189,793	\$ 15,302,690
Noncurrent Assets	<u>39,317,646</u>	<u>33,536,112</u>
Total Assets	<u>\$ 44,507,439</u>	<u>\$ 48,838,802</u>
Current Liabilities	\$ 1,877,496	\$ 7,455,333
Noncurrent Liabilities	<u>24,491,591</u>	<u>25,493,644</u>
Total Liabilities	<u>\$ 26,369,087</u>	<u>\$ 32,948,977</u>
Net Position		
Investment in capital assets (net of debt)	\$ 13,964,412	\$ 7,213,538
Restricted	3,236,786	9,240,831
Unreserved Fund Balance	<u>937,154</u>	<u>(564,544)</u>
Total Net Position	<u>\$ 18,138,352</u>	<u>\$ 15,889,825</u>

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2013:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Revenues:		
Local revenue sources	\$ 6,189,047	\$ 6,159,393
State revenue sources	10,740,073	10,516,788
Federal revenues	5,074,961	5,092,199
Investments	37,400	21,196
Other sources	<u>1,519,145</u>	<u>142,352</u>
	<u>\$ 23,560,626</u>	<u>\$ 21,931,928</u>
Expenses:		
Instruction	\$ 11,470,505	\$ 12,512,134
Student support services	752,834	693,081
Instructional support	837,850	895,159
District administration	682,983	851,052
School administration	1,179,347	1,083,423
Business support	314,230	264,747
Plant operations	1,394,309	1,379,853
Student transportation	564,035	551,704
Facilities acquisition and construction	-	20,000
Community support	145,567	136,827
Other	<u>4,089,207</u>	<u>3,641,470</u>
Total expenses	<u>21,430,867</u>	<u>22,029,450</u>
Change in net position	<u>\$ 2,129,759</u>	<u>\$ (97,522)</u>

BUGET COMPARISONS

The total budgeted revenues and beginning balances in all funds for fiscal year 2012-13 were \$24,148,425.

General fund budgeted revenue compared to actual revenue varied slightly from line to line except Delinquent Property Tax revenue which increased in FY 12 by 52% and increased in FY 13 by another 27%. Omitted property tax was considerably more than budgeted. SEEK funding comprises 61% of General Fund revenue. In 2012-13 donations were made to the Glasgow Independent School System totaling \$29,385. This figure was \$51,421 in FY11-12 and \$26,956 in FY 10-11. The budgeted amount was \$20,000. This amount is unknown from year to year but the school district is fortunate to have community support in this manner. Telecommunications revenue in lieu of taxes of \$53,467 remained very close to the prior year of \$54,172 and very close to the budget amount of \$54,000. As stated earlier in this document, local revenue in lieu of taxes received was 83.37% of the budgeted amount due to a calculation error by the state Revenue Department. Sale of surplus equipment generated \$32,348 in FY12 due to the sale of equipment and furnishings of the high school that was demolished. There was no surplus sale of equipment in FY12-13. The Central Office Building was sold in 12-13 but proceeds in the amount of \$261,192 were not received until July of 2013.

\$401,000 was budgeted for General Fund contingency. School boards are required to budget a minimum of 2% in a contingency account. \$5,048,121 was budgeted in Building Fund contingency.

General Fund Revenue derived from state taxes totaled 61.8% of total revenue; with local funding making up 38%. Instructional expenses including school administration account for 78.67% of expenditures; Central Office administration makes up 6.75%; Maintenance is 10.74%; and transportation is 5.02%. FY12 figures are: General Fund state Revenue was 55.7% of total revenue and local 33.6%. Instructional expenses were 78.8% of total expenditures with Central Office and administration 6.95%, maintenance 9.25%, and transportation 4.25%.

LONG TERM DEBT

Long-term debt payments and interest in the amount of \$2,012,301.26 were paid during the year for Highland Elementary and Glasgow High School bond issues. Highland Elementary debt will be paid in June of 2024. Glasgow High School was a new bond payment in FY12. Qzab bonds totaling \$5,000,000 will be paid in full in 14 years. The remaining bond and interest payments will continue for 19 years. All payments are made from Capital Outlay and Building Funds.

Payments and interest for school buses through the KISTA program totaled \$46,141.57. KISTA bus payments were made from General Fund.

NET POSITION

Current governmental assets in FY13 totaled \$38,805,837 and in FY12 totaled \$30,044,977. Current business assets, which are Food Service assets, totaled \$237,973. All Food Service assets are equipment.

FUTURE BUDGETARY IMPLICATIONS

In Kentucky, the public schools' fiscal year is July 1 to June 30; other programs including some federal programs operate on a different fiscal calendar year, but are reflected in the District overall budget. Legally, the budget must have a minimum 2% contingency. Glasgow Independent Board of Education adopted a Working Budget for 2013-14 totaling \$23,394,087 and included a 2.08% contingency. Significant Board action that impacts the finances includes a reduction in the majority of federal grants. Kentucky Retirement Systems matching retirement has continually risen in the past years from 16.16% in FY10, to 16.93% in FY11 and 18.96% in FY12. In FY 13 the rate did drop to 18.55% and then increased to 18.89% in FY12. Beginning July 1, 2010 all Kentucky School districts began to pay a match of .25% for all employees paying into Kentucky Retirement Systems. This amount increased to .5% in FY12 and 1% in FY13. In FY14 the rate is 1.5%. The cost of this match was \$83,437 in FY13. Additional spending for fuel costs for buses and building repair were included in this budget.

Beginning in January, 2011, both elementary schools began all day preschool. Currently each elementary has four teachers, four full time assistants and a total of 4 part time assistants between the two. This is a costly but much needed program that the Glasgow Board of Education is committed to providing for the community. Total district enrollment has increased and the board does attribute some of that increase to the preschool program.

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

GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business Type Activities	Total
Assets:			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 4,331,371	\$ 227,085	\$ 4,558,456
Inventory	-	17,433	17,433
Accounts receivable			
Taxes - current	62,704	-	62,704
Intergovernmental - indirect federal	464,522	86,678	551,200
Total current assets	<u>4,858,597</u>	<u>331,196</u>	<u>5,189,793</u>
<u>Noncurrent Assets:</u>			
Capital assets	50,166,472	702,695	50,869,167
Less: accumulated depreciation	<u>(11,360,635)</u>	<u>(464,723)</u>	<u>(11,825,358)</u>
Total noncurrent assets	<u>38,805,837</u>	<u>237,972</u>	<u>39,043,809</u>
<u>Deferred Outflows of resources:</u>			
Unamortized discount on bonds	<u>273,837</u>	-	<u>273,837</u>
Total deferred Outflows of resources	<u>273,837</u>	-	<u>273,837</u>
Total assets	<u>\$ 43,938,271</u>	<u>\$ 569,168</u>	<u>\$ 44,507,439</u>
Liabilities:			
<u>Current Liabilities:</u>			
Accounts payable	190,552	15,672	206,224
Checks issued in excess of cash	282,803	-	282,803
Current portion of bond obligations	1,195,000	-	1,195,000
Current portion of capital lease obligations	53,608	-	53,608
Interest payable	<u>139,861</u>	-	<u>139,861</u>
Total current liabilities	<u>1,861,824</u>	<u>15,672</u>	<u>1,877,496</u>
<u>Noncurrent Liabilities:</u>			
Noncurrent portion of bond obligations	23,815,000	-	23,815,000
Noncurrent portion of capital lease obligations	149,765	-	149,765
Noncurrent portion of accrued sick leave	<u>349,495</u>	-	<u>349,495</u>
Total noncurrent liabilities	<u>24,314,260</u>	-	<u>24,314,260</u>
<u>Deferred Inflows of resources:</u>			
Deferred revenue	<u>177,331</u>	-	<u>177,331</u>
Total deferred inflows of resources	<u>177,331</u>	-	<u>177,331</u>
Total liabilities	<u>26,353,415</u>	<u>15,672</u>	<u>26,369,087</u>
<u>Net Position:</u>			
Invested in capital assets, net of related debt	13,726,440	237,972	13,964,412
Restricted for:			
Special revenue	-	-	-
Capital projects	179,872	-	179,872
Debt service	2,583,796	-	2,583,796
Other	123,623	-	123,623
Accrued sick leave	349,495	-	349,495
Unrestricted	<u>621,630</u>	<u>315,524</u>	<u>937,154</u>
Total net position	<u>\$ 17,584,856</u>	<u>\$ 553,496</u>	<u>\$ 18,138,352</u>

See accompanying notes to basic financial statements.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013**

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total
Governmental Activities:							
Instruction	\$ 11,470,505	\$ -	\$ 3,792,849	\$ -	\$ (7,677,656)	\$ -	\$ (7,677,656)
Support Services							
Student	752,834	-	-	-	(752,834)	-	(752,834)
Instruction staff	837,850	-	-	-	(837,850)	-	(837,850)
District administrative	682,983	-	-	-	(682,983)	-	(682,983)
School administrative	1,179,347	-	-	-	(1,179,347)	-	(1,179,347)
Business	314,230	-	-	-	(314,230)	-	(314,230)
Plant operations and maintenance	1,394,309	-	-	-	(1,394,309)	-	(1,394,309)
Student Transportation	564,035	-	-	-	(564,035)	-	(564,035)
Community service activities	145,567	-	-	-	(145,567)	-	(145,567)
Other	538,485	-	-	-	(538,485)	-	(538,485)
Interest on long-term debt	715,473	-	411,825	-	(303,648)	-	(303,648)
Depreciation (unallocated)	1,254,067	-	-	-	(1,254,067)	-	(1,254,067)
Total governmental activities	19,849,685	-	4,204,674	-	(15,645,011)	-	(15,645,011)
Business-Type Activities							
Food Service	1,581,182	346,851	870,287	316,485	-	(47,559)	(47,559)
Total business-type activities	1,581,182	346,851	870,287	316,485	-	(47,559)	(47,559)
Total primary government	\$ 21,430,867	\$ 346,851	\$ 5,074,961	\$ 316,485	(15,645,011)	(47,559)	(15,692,570)
General Revenues:							
Taxes:							
Property taxes					5,232,433	-	5,232,433
Motor vehicle taxes					339,558	-	339,558
Other					270,205	-	270,205
Investments earnings					36,572	828	37,400
State and formula grants					10,423,588	-	10,423,588
Miscellaneous					1,385,756	133,389	1,519,145
Total general revenues					17,688,112	134,217	17,822,329
Change in net position					2,043,101	86,658	2,129,759
Net position - beginning (Restated)					15,541,755	466,838	16,008,593
Net position - ending					\$ 17,584,856	\$ 553,496	\$ 18,138,352

See accompanying notes to basic financial statements.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2013**

	General Fund	Special Revenue	Building Fund	Construction Fund	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets and resources:							
Cash and cash equivalents	\$ 1,500,329	\$ -	\$ 2,637,946	\$ -	\$ 193,096	\$ -	\$ 4,331,371
Accounts receivable:							
Taxes-current	62,704	-	-	-	-	-	62,704
Intergovernmental - indirect federal	-	464,522	-	-	-	-	464,522
Total assets and resources	<u>\$ 1,563,033</u>	<u>\$ 464,522</u>	<u>\$ 2,637,946</u>	<u>\$ -</u>	<u>\$ 193,096</u>	<u>\$ -</u>	<u>\$ 4,858,597</u>
Liabilities and fund balance:							
Liabilities:							
Accounts payable	\$ 62,541	\$ 4,388	\$ 123,623	\$ -	\$ -	\$ -	\$ 190,552
Checks issued in excess of cash	-	282,803	-	-	-	-	282,803
Deferred revenues	-	177,331	-	-	-	-	177,331
Total liabilities	<u>62,541</u>	<u>464,522</u>	<u>123,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>650,686</u>
Fund balances:							
Restricted:							
Debt Service	-	-	2,390,700	-	193,096	-	2,583,796
Other	-	-	123,623	-	-	-	123,623
Committed:							
Accrued sick leave	349,495	-	-	-	-	-	349,495
Capital Projects	179,872	-	-	-	-	-	179,872
Assigned	-	-	-	-	-	-	-
Unassigned	971,125	-	-	-	-	-	971,125
Total fund balances	<u>1,500,492</u>	<u>-</u>	<u>2,514,323</u>	<u>-</u>	<u>193,096</u>	<u>-</u>	<u>4,207,911</u>
Total liabilities and fund balances	<u>\$ 1,563,033</u>	<u>\$ 464,522</u>	<u>\$ 2,637,946</u>	<u>\$ -</u>	<u>\$ 193,096</u>	<u>\$ -</u>	<u>\$ 4,858,597</u>

See accompanying notes to basic financial statements.

**GLASGOW INDEPENDENT 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 \$ 4,207,911

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

Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position. 38,805,837

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. (25,428,892)

Net position for governmental activities \$17,584,856

GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	General Fund	Special Revenue	Building Fund	Construction Fund	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
From local sources:							
Taxes:							
Property	\$ 3,779,733	\$ -	\$ 1,452,700	\$ -	\$ -	\$ -	\$ 5,232,433
Motor vehicle	339,558	-	-	-	-	-	339,558
Other	270,205	-	-	-	-	-	270,205
Tuition and fees	20,168	-	-	-	-	-	20,168
Earnings on investments	6,055	-	-	-	30,517	-	36,572
Other local revenues	114,283	-	778	-	-	-	115,061
Intergovernmental-state	10,423,588	513,734	567,096	-	585,679	176,522	12,266,619
Intergovernmental-indirect federal	-	1,940,317	-	-	-	-	1,940,317
Intergovernmental-direct federal	9,501	-	-	-	411,825	-	421,326
Total revenues	<u>14,963,091</u>	<u>2,454,051</u>	<u>2,020,574</u>	<u>-</u>	<u>1,028,021</u>	<u>176,522</u>	<u>20,642,259</u>
Expenditures:							
Instruction	10,148,918	2,184,904	-	-	-	-	12,333,822
Support services:							
Student	730,821	22,013	-	-	-	-	752,834
Instructional staff	714,117	123,733	-	-	-	-	837,850
District administration	682,983	-	-	-	-	-	682,983
School administration	1,179,347	-	-	-	-	-	1,179,347
Business	312,928	1,302	-	-	-	-	314,230
Plant operations and maintenance	1,383,579	10,730	-	-	-	-	1,394,309
Student transportation	646,642	10,552	-	-	-	-	657,194
Facilities acquisition and construction	20,000	-	1,179,996	3,137,917	-	-	4,337,913
Community service activities	-	145,567	-	-	-	-	145,567
Other	24,429	-	-	-	2,489,560	85,600	2,599,589
Total expenditures	<u>15,843,764</u>	<u>2,498,801</u>	<u>1,179,996</u>	<u>3,137,917</u>	<u>2,489,560</u>	<u>85,600</u>	<u>25,235,638</u>
Excess (deficit) of revenues over expenditures	<u>(880,673)</u>	<u>(44,750)</u>	<u>840,578</u>	<u>(3,137,917)</u>	<u>(1,461,539)</u>	<u>90,922</u>	<u>(4,593,379)</u>
Other financing sources (uses):							
Operating transfers in	12,031	44,750	-	8,129,865	1,564,328	-	9,750,974
Operating transfers out	(90,892)	-	(1,427,264)	-	(8,141,896)	(90,922)	(9,750,974)
Total other financing sources (uses)	<u>(78,861)</u>	<u>44,750</u>	<u>(1,427,264)</u>	<u>8,129,865</u>	<u>(6,577,568)</u>	<u>(90,922)</u>	<u>-</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(959,534)	-	(586,686)	4,991,948	(8,039,107)	-	(4,593,379)
Fund balance, July 1, 2012 (Restated)	2,460,026	-	3,101,009	(4,991,948)	8,232,203	-	8,801,290
Fund balance, June 30, 2013	<u>\$ 1,500,492</u>	<u>\$ -</u>	<u>\$ 2,514,323</u>	<u>\$ -</u>	<u>\$ 193,096</u>	<u>\$ -</u>	<u>\$ 4,207,911</u>

See accompanying notes to basic financial statements.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013**

Net changes in total fund balances per fund financial statements	\$ (4,593,379)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation exceeds capital outlays expense for the year.	5,401,250
Proceeds received from bond issuances and bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	1,172,152
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.	<u>63,078</u>
Change in net position of governmental activities	<u>\$ 2,043,101</u>

GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	<u>Food Service Fund</u>
Assets	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 227,085
Inventory	17,433
Accounts receivable	<u>86,678</u>
Total current assets	<u>331,196</u>
<u>Noncurrent</u>	
Capital assets	702,695
Less: accumulated depreciation	<u>(464,723)</u>
Total noncurrent assets	<u>237,972</u>
Total assets	<u>569,168</u>
Liabilities	
<u>Current Liabilities</u>	
Accounts payable	<u>15,672</u>
Total current liabilities	<u>15,672</u>
Net Position	
Invested in capital assets net of related debt	237,972
Unrestricted	<u>315,524</u>
Total net position	<u>\$ 553,496</u>

See accompanying notes to basic financial statements.

GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Food Service Fund
Operating Revenues:	
Lunchroom sales	\$ 346,449
Other operating revenues	402
Total operating revenues	346,851
Operating Expenses:	
Salaries and wages	810,186
Material and supplies	729,872
Depreciation	37,403
Other operating expenses	3,721
Total operating expenses	1,581,182
Operating loss	(1,234,331)
Non-Operating Revenues (Expenses)	
Federal grants	858,433
Donated commodities	64,463
On behalf payments	252,022
State funding	11,854
Transfer of capital assets	133,389
Interest income	828
Total non-operating revenues	1,320,989
Change in net position	86,658
Net position, July 1, 2012	466,838
Net position, June 30, 2013	\$ 553,496

See accompanying notes to basic financial statements.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2013**

Cash Flows From Operating Activities:	
Cash received from:	
Lunchroom sales	\$ 346,449
Other activities	402
Cash paid to/for:	
Employees	(558,164)
Supplies	<u>(647,225)</u>
Net cash provided (used) by operating activities	<u>(858,538)</u>
Cash Flows from NonCapital and Related Financing Activities:	
Cash received for operating grants	783,609
Purchase of capital assets	<u>(9,633)</u>
	<u>773,976</u>
Cash Flows from Investing Activities:	
Receipt of interest income	<u>828</u>
Net increase in cash and cash equivalents	(83,734)
Balances, beginning of year	<u>310,819</u>
Balances, end of year	<u><u>\$ 227,085</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating loss	\$ (1,234,331)
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation	37,403
On-behalf revenues	252,022
Donated commodities used in operations	64,463
Interest	(828)
Change in assets and liabilities	
Inventory	10,462
Accounts payable	<u>12,271</u>
Net cash provided (used) by operating activities	<u><u>\$ (858,538)</u></u>
Schedule of non-cash transactions:	
On Behalf payments	<u>\$ 252,022</u>
Donated commodities received from federal government	<u><u>\$ 64,463</u></u>

See accompanying notes to basic financial statements.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FUDICIARY FUNDS
June 30, 2013**

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 353,194
Accounts receivable	<u>2,631</u>
Total assets	<u><u>\$ 355,825</u></u>
Liabilities	
Accounts payable	\$ 4,473
Due to student groups	<u>351,352</u>
Total liabilities	<u>355,825</u>
Net Assets Held in Trust	<u><u>\$ -</u></u>

See accompanying notes to basic financial statements.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013**

1. Summary of Significant Accounting Policies:

Reporting Entity

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

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

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

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

Management has evaluated subsequent events through October 24, 2013, the date which the financial statements were available to be issued.

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

Glasgow Independent School District Finance Corporation - On May 12, 1992, the Glasgow Board of Education resolved to authorize the establishment of the Glasgow Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Basis of Presentation:

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

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2013

1. Summary of Significant Accounting Policies, Continued:

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

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

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

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

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

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2013

1. Summary of Significant Accounting Policies, Continued:

The District has the following funds:

I. Governmental Fund Types:

- a. The General Fund is the primary operating fund of the District and is always classified as a major fund. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. Reservations have been placed on the fund balance for accrued sick leave and other contingencies.
- b. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds.

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

- c. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- d. The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2013

1. Summary of Significant Accounting Policies, Continued

II. Proprietary Funds (Enterprise Fund):

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund. The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with other contradict GASB pronouncements.

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

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

District-Wide Financial Statements

Net position is displayed in three components:

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

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

Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Financial Statements

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

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

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

Committed – Commitments passed by the Board.

Assigned – Funds assigned to management priority including issued encumbrances.

Unassigned – Funds available for future operations.

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2013

1. Summary of Significant Accounting Policies, Continued:

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

Basis of Accounting:

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

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

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

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

In order to present Special Revenue Fund on the accrual basis of accounting, and because the awards are not yet available as assets, cash awards received in advance for the 2012-2013 school year have been classified as deferred revenues. Likewise, all awards requested as a result of 2012-2013 expenditures have been classified as receivables. Revenues of the Special Revenue Fund are considered earned when reimbursable expenditures are made or obligations are incurred, and of an equal amount.

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

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

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2013

1. Summary of Significant Accounting Policies, Continued

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

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2013, to finance the General Fund operations were \$.785 per \$100 valuation for real property, \$.785 per \$100 valuation for business personal property and \$.554 per \$100 valuation for motor vehicles.

Capital Assets

General capital assets are those specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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 the 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 assets or materially extend an assets life are not.

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

**GLASGOW INDEPENDENT SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
 June 30, 2013**

1. Summary of Significant Accounting Policies, Continued

<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	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Interfund Balances

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

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave and has no maximum accumulation.

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

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

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using 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).

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2013

1. Summary of Significant Accounting Policies, Continued

Once the budget is approved, it can be amended.

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

Cash and Cash Equivalents

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

Inventories

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

Prepaid Assets

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

Investments

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

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

Accrued Liabilities and Long-Term Obligations

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

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2013

1. Summary of Significant Accounting Policies, Continued

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, 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.

Operating Revenues and Expenses

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

On-Behalf Payments

During the year ended June 30, 2013, the Kentucky Division of Finance made payments on behalf of Glasgow Independent School District in amount of \$3,302,019. These payments were paid for fringe benefits for the District personnel. These payments have been included in both revenue and expenditures on the District's financial statements for the year ended June 30, 2013.

Contributions of Capital

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

Donated Commodities

The fair value of donated commodities received during the year is reported in the Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position as an expense and as donated commodities revenue (non-operating revenue).

Interfund Activity

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

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2013

2. Estimates:

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

3. Deferred Outflows/Inflows of Resources:

The District adopted GASB No. 63 during the year, and in addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has unamortized discounts on bonds that qualify for reporting in this category in the amount of \$273,837.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred revenue that qualifies for reporting in this category in the amount of \$177,331.

4. Cash and Cash Equivalents:

At year-end, the carrying amount of the District's cash and cash equivalents was \$4,628,847. Of the total cash balance, \$802,954 was covered by Federal Depository insurance, with the remainder covered by a collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in certificates of deposits with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2013 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
South Central Bank	\$ 336,708	\$ 330,132
BB&T	6,047,911	4,082,559
Bank of New York	193,096	193,096
Citizens First Bank	<u>23,150</u>	<u>23,060</u>
	<u>\$ 6,600,865</u>	<u>\$ 4,628,847</u>

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2013

4. Cash and Cash Equivalents, Concluded:

Breakdown per financial statements:

Governmental funds	\$ 4,048,568
Proprietary funds	227,085
Agency funds	<u>353,194</u>
	<u>\$ 4,628,847</u>

All deposits are in financial institutions and brokerage accounts. The District's bank deposits are categorized below to give an indication of the custodial credit risk assumed by the District at June 30, 2013.

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

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

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

	Category			Total Bank Balance	Carrying Amount
	One	Two	Three		
Deposits with Financial institutions	<u>\$ 802,954</u>	<u>\$ 5,797,911</u>	<u>\$ -</u>	<u>\$ 6,600,865</u>	<u>\$ 4,628,847</u>

Interest Rate Risk

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

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

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2013

5. Capital Assets:

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

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<u>Governmental Activities</u>				
Capital Assets, not being Depreciated:				
Construction in Progress	\$ 18,668,227	\$ -	\$ (18,668,227)	\$ -
Land	65,181	-	-	65,181
Total Capital, not being Depreciated	<u>18,733,408</u>	<u>-</u>	<u>(18,668,227)</u>	<u>65,181</u>
Capital Assets, being Depreciated:				
Land Improvements	652,000	-	-	652,000
Buildings and Improvements	21,132,469	24,348,231	-	45,480,700
Technology Equipment	1,376,877	928,296	(150,715)	2,154,458
Vehicles	1,070,718	-	-	1,070,718
General Equipment	696,398	47,017	-	743,415
Total Capital Assets, being Depreciated	<u>24,928,462</u>	<u>25,323,544</u>	<u>(150,715)</u>	<u>50,101,291</u>
Less: Accumulated Depreciation				
Land Improvements	(652,000)	-	-	(652,000)
Buildings and Improvements	(7,433,123)	(838,508)	-	(8,271,631)
Vehicles	(524,307)	(94,542)	-	(618,849)
Technology Equipment	(1,007,034)	(302,342)	150,715	(1,158,661)
General Equipment	(640,819)	(18,675)	-	(659,494)
Total Accumulated Depreciation	<u>(10,257,283)</u>	<u>(1,254,067)</u>	<u>150,715</u>	<u>(11,360,635)</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 33,404,587</u>	<u>\$ 24,069,477</u>	<u>\$ (18,668,227)</u>	<u>\$ 38,805,837</u>
<u>Business-Type Activities</u>				
Capital Assets, being Depreciated:				
Food service and Equipment	\$ 555,515	\$ 143,850	\$ -	\$ 699,365
Technology Equipment	4,118	-	(788)	3,330
Total Capital Assets, being Depreciated	<u>559,633</u>	<u>143,850</u>	<u>(788)</u>	<u>702,695</u>
Less: Accumulated Depreciation				
Food Service and Equipment	(4,118)	-	788	(3,330)
Technology Equipment	(423,990)	(37,403)	-	(461,393)
Total Accumulated Depreciation	<u>(428,108)</u>	<u>(37,403)</u>	<u>788</u>	<u>(464,723)</u>
Business-Type Activities				
Capital Assets - Net	<u>\$ 131,525</u>	<u>\$ 106,447</u>	<u>\$ -</u>	<u>\$ 237,972</u>

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

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2013

6. Bonded Debt and Lease Obligations:

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

Issue Date	Proceeds	Rates	Maturity Date
2004	\$ 8,705,000	4.00% - 4.75%	June 1, 2024
2011	\$ 15,410,000	4.00% - 4.75%	April 1, 2031
QZAB	\$ 5,000,000	5.25%	April 1, 2026
2012	\$ 3,835,000	0.65 - 2.25%	June 1, 2024

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

In connection with the school revenue bonds issued after May 1, 1996 the District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

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

Year	Principal	Interest	Participation	District's Portion
2013-14	1,195,000	1,010,312	852,791	1,352,521
2014-15	850,000	967,686	852,140	965,546
2015-16	870,000	942,686	858,364	954,322
2016-17	890,000	926,326	854,129	962,197
2017-18	915,000	901,506	854,508	961,998
2018-19	935,000	875,436	854,438	955,998
2019-20	965,000	847,912	853,513	959,399
2020-21	995,000	818,512	851,714	961,798
2021-22	1,020,000	786,812	848,613	958,199
2022-23	1,055,000	754,212	850,413	958,799
2023-24	1,485,000	719,092	846,488	1,357,604
2024-25	1,105,000	665,806	411,926	1,358,880
2025-26	6,150,000	618,842	411,925	6,356,917
2026-27	1,200,000	306,030	149,426	1,356,604
2027-28	1,255,000	252,030	149,425	1,357,605
2028-29	1,310,000	194,300	149,425	1,354,875
2029-30	1,375,000	133,712	149,425	1,359,287
2030-31	1,440,000	68,400	149,426	1,358,974
	<u>\$ 25,010,000</u>	<u>\$11,789,612</u>	<u>\$ 10,948,089</u>	<u>\$25,851,523</u>

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2013

6 Bonded Debt and Lease Obligations, Concluded:

Long-term debt activities for the year ended June 30, 2013, are as follows:

	Balance June 30, 2012	Additions	Debt Payments and Reductions	Balance June 30, 2013	Amount Due within one year
Series 2004	\$ 2,145,000	\$ -	\$ 915,000	\$ 1,230,000	\$ 915,000
Series 2011	15,210,000	-	175,000	15,035,000	215,000
QZAB	5,000,000	-	-	5,000,000	-
Series 2012	<u>3,805,000</u>	<u>-</u>	<u>60,000</u>	<u>3,745,000</u>	<u>65,000</u>
	<u>\$ 26,160,000</u>	<u>\$ -</u>	<u>\$ 1,150,000</u>	<u>\$ 25,010,000</u>	<u>\$ 1,195,000</u>

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

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

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

7. 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>
Buses	\$ 439,937

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2013

7. Capital Lease Payable, Cocluded:

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:

Year Ended June 30	Capital Lease Payable
2014	\$ 60,942
2015	49,742
2016	46,447
2017	42,125
2018	24,011
Thereafter	-
Total minimum lease payments	223,267
Less: Amount representing interest	(19,894)
Present Value of Net Minimum Lease Payments	\$ 203,373

Commitments Under Noncapitalized Leases:

Commitments under operating lease agreements for office equipment provide for minimum future rental payments as of June 30, 2013, as follows:

Year ending June 30:	
2014	20,543
2015	7,223
2016	3,173
	30,939

Rent expense for the year ended June 30, 2013 was \$0.

8. Retirement Plans:

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

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

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2013

8. Retirement Plans, Continued:

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

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

The District's total payroll for the year was \$12,487,805. The payroll for employees covered under KTRS was \$9,776,968 and for CERS was \$2,373,890. For the year ended June 30, 2013, the Commonwealth contributed \$168,524 to KTRS for the benefit of our participating employees. The School District's contributions to KTRS for the year ending June 30, 2013 were \$87,192 and \$163,323 which represents those employees covered by federal programs.

The contribution requirement for CERS for the year ended June 30, 2013, was \$577,446 which consisted of \$456,100 from the District and \$121,346 from the employees.

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

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

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

	CERS as of June 30, 2012	CERS as of June 30, 2011	CERS as of June 30, 2010
	(In Thousands)		
Assets available for benefits, at fair value	\$ 7,294,615	\$ 7,409,157	\$ 7,296,322
Pension benefit obligation	<u>12,149,560</u>	<u>11,777,126</u>	<u>11,131,174</u>
 (Under funded)/ over funded pension benefit obligations	 <u>\$ (4,854,945)</u>	 <u>\$ (4,367,969)</u>	 <u>\$ (3,834,852)</u>

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2013

8. Retirement Plans, Continued:

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

Total Plan Contributions - CERS

Fiscal Year Ended	Annual Required Contributions	Actual Contributions	Percentage Contributed
2012	\$ 476,185,027	\$ 447,661,027	94.01%
2011	\$ 432,414,052	\$ 435,404,150	100.69%
2010	\$ 453,055,709	\$ 382,839,930	84.50%

District's Contributions - CERS

Fiscal Year Ended	Annual Required Contributions	Actual Contributions	Percentage Contributed
2013	\$ 456,100	\$ 456,100	100.00%
2012	\$ 564,032	\$ 564,032	100.00%
2011	\$ 501,020	\$ 501,020	100.00%

	KTRS as of June 30, 2012	KTRS as of June 30, 2011	KTRS as of June 30, 2010
	(In Thousands)		
Assets available for benefits, at fair value	\$ 14,691,400	\$ 14,908,100	\$ 14,851,300
Pension benefit obligation	<u>26,973,900</u>	<u>25,968,700</u>	<u>24,344,300</u>
(Under funded)/ over funded pension benefit obligations	<u>\$ (12,282,500)</u>	<u>\$ (11,060,600)</u>	<u>\$ (9,493,000)</u>

Total Plan Contributions - KTRS

Fiscal Year Ended	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2012	\$ 757,822,190	\$ 557,339,552	73.54%
June 30, 2011	\$ 678,740,000	\$ 1,038,472,200	153.00%
June 30, 2010	\$ 633,900,000	\$ 481,764,000	76.00%

District's Contributions - KTRS

Fiscal Year Ended	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2013	\$ 1,322,660	\$ 1,322,660	100.00%
June 30, 2012	\$ 1,270,112	\$ 1,270,112	100.00%
June 30, 2011	\$ 1,189,788	\$ 1,189,788	100.00%

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2013

8. Retirement Plans, Concluded:

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

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

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans. Total employee contributions to the 403(B) plan for the year was \$30,852.

9. Medical Insurance Plan

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

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

Funding Policy- The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefit, 1.5% of the gross annual payroll of all members before July 1, 2008 is contributed. One-half (1/2) of this amount is derived from member contributions and one-half (1/2) from State appropriation. Members joining the Plan after July 1, 2008 contribute an additional 1% to the medical insurance fund. Also, the premiums collected from retirees as described in the Plan description and investment interest help meet the medical expenses of the Plan.

10. Arbitrage:

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the insurance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service(IRS) at least every five years. During the current year, the Company performed calculations of excess investment earnings on various bonds and financings and at June 30, 2013 does not expect to incur a liability.

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2013

11. Contingencies:

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

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

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

12. Insurance and Related Activities:

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

13. Risk Management:

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

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

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONCLUDED
June 30, 2013

13. Risk Management, Continued:

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

14. Deficit Operating Balances:

Construction fund has a deficit fund balance of \$123,623 and is the only fund that currently has a deficit fund balance. The following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

General	\$	959,534
Building	\$	586,686
Debt Service	\$	8,039,107

15. 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).

16. 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>
General	Debt Service	Debt Service	\$ 46,142
General	Special Revenue	Technology Match	\$ 44,750
Capital Outlay	Debt Service	Debt Service	\$ 90,922
Building	Debt Service	Debt Service	\$ 1,427,264
Debt Service	Construction	Capital Expenditures	\$ 8,129,865
Debt Service	General	Debt Service	\$ 12,031

17. Restatement

The fund balance of the debt service fund at the beginning of 2013 has been adjusted for a correction of an error. The correction has no effect on the current year's activities; however the effect increases beginning fund balance of the debt service fund for 2013 by \$118,768. Had the error not occurred, total revenues would have been increased by \$118,768 for the year ended June 30, 2012.

SUPPLEMENTARY INFORMATION

**GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
Revenues:				
From local sources:				
Taxes:				
Property	\$ 3,545,000	\$ 3,545,000	\$ 3,779,733	\$ 234,733
Motor vehicles	310,000	310,000	339,558	29,558
Other	324,100	324,100	270,205	(53,895)
Tuition and fees	15,000	15,000	20,168	5,168
Earnings on investments	46,000	46,000	6,055	(39,945)
Other local revenues	56,000	56,000	114,283	58,283
Intergovernmental - intermediate	-	-	-	-
Intergovernmental-state	7,263,795	7,263,795	10,423,588	3,159,793
Intergovernmental-indirect federal	-	-	-	-
Intergovernmental-direct federal	20,000	20,000	9,501	(10,499)
Total revenues	<u>11,579,895</u>	<u>11,579,895</u>	<u>14,963,091</u>	<u>3,383,196</u>
Expenditures:				
Instruction	8,403,844	8,403,844	10,148,918	(1,745,074)
Support services:				
Student	623,193	623,193	730,821	(107,628)
Instructional staff	527,290	527,290	714,117	(186,827)
District administration	1,196,425	1,196,425	682,983	513,442
School administration	943,865	943,865	1,179,347	(235,482)
Business	280,988	280,988	312,928	(31,940)
Plant operations and maintenance	1,396,027	1,396,027	1,383,579	12,448
Student transportation	529,798	529,798	646,642	(116,844)
Facilities acquisition and construction	50,000	50,000	20,000	30,000
Other	81,278	81,278	24,429	56,849
Total expenditures	<u>14,032,708</u>	<u>14,032,708</u>	<u>15,843,764</u>	<u>(1,811,056)</u>
Excess (deficit) of revenues over expenditures	<u>(2,452,813)</u>	<u>(2,452,813)</u>	<u>(880,673)</u>	<u>1,572,140</u>
Other financing sources (uses):				
Proceeds from sale of fixed assets	2,000	2,000	-	(2,000)
Operating transfers in	-	-	12,031	12,031
Operating transfers out	-	-	(90,892)	(90,892)
Total other financing sources (uses)	<u>2,000</u>	<u>2,000</u>	<u>(78,861)</u>	<u>(80,861)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(2,450,813)	(2,450,813)	(959,534)	1,491,279
Fund balance, July 1, 2012	2,450,813	2,450,813	2,460,026	9,213
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500,492</u>	<u>\$ 1,500,492</u>

**GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – SPECIAL REVENUE
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
From local sources:				
Taxes:				
Intergovernmental-state	\$ 505,161	\$ 505,161	\$ 513,734	\$ 8,573
Intergovernmental-indirect federal	<u>1,724,444</u>	<u>1,724,444</u>	<u>1,940,317</u>	<u>215,873</u>
Total revenues	<u>2,229,605</u>	<u>2,229,605</u>	<u>2,454,051</u>	<u>224,446</u>
Expenditures:				
Instruction	1,769,989	1,769,989	2,184,904	(414,915)
Support services:				
Student	51,500	51,500	22,013	29,487
Instructional staff	259,049	259,049	123,733	135,316
Business	-	-	1,302	(1,302)
Plant operations and maintenance	-	-	10,730	(10,730)
Student transportation	3,500	3,500	10,552	(7,052)
Community service activities	<u>145,567</u>	<u>145,567</u>	<u>145,567</u>	<u>-</u>
Total expenditures	<u>2,229,605</u>	<u>2,229,605</u>	<u>2,498,801</u>	<u>(269,196)</u>
Excess (deficit) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(44,750)</u>	<u>(44,750)</u>
Other financing sources (uses):				
Operating transfers in	<u>-</u>	<u>-</u>	<u>44,750</u>	<u>44,750</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>44,750</u>	<u>44,750</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	-	-	-
Fund balance, July 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**GLASGOW INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2013**

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

GLASGOW INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	Seek Capital Outlay Fund	Total Nonmajor Governmental Funds
Revenues:		
Intergovernmental-State	\$ 176,522	\$ 176,522
Total revenues	176,522	176,522
Expenditures:		
Other	85,600	85,600
Total expenditures	85,600	85,600
Excess (deficit) of revenues over expenditures	90,922	90,922
Other financing sources (uses):		
Operating transfers out	(90,922)	(90,922)
Total other financing sources (uses)	(90,922)	(90,922)
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	-
Fund balance, July 1, 2012	-	-
Fund balance, June 30, 2013	\$ -	\$ -

**GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
GLASGOW HIGH SCHOOL ACTIVITY FUNDS
ALL FUNDS COMBINED
For the Year Ended June 30, 2013**

	Cash Balance July 1, 2012	(1) Receipts	(1) Disbursements	Cash Balance June 30, 2013	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2013
Academic Team	\$ 1,343	\$ 4,046	\$ 3,764	\$ 1,625	\$ -	\$ -	\$ 1,625
Archery Club	169	500	314	355	-	-	355
Advantage Network	1,849	2,350	1,054	3,145	-	-	3,145
Arts / Humanities	-	-	-	-	-	-	-
Art Club	17	11,226	11,109	134	-	-	134
Art Department	205	700	688	217	-	-	217
Athletics - General	38,757	131,506	142,296	27,967	-	88	27,879
Ath. - Baseball	2,126	33,726	28,216	7,636	-	746	6,890
Ath. - Girls' Soccer	5,355	12,571	10,171	7,755	-	-	7,755
Ath. - Softball	2,550	26,212	19,302	9,460	-	240	9,220
Ath. - Swimming	44	722	748	18	-	-	18
Ath. - Boys' Tennis	104	800	428	476	-	-	476
Ath. - Girls' Tennis	425	800	1,079	146	-	-	146
Ath. - Boys' Track	420	1,000	862	558	-	-	558
Ath. - Officials	480	27,523	27,918	85	-	-	85
Ath. - Miscellaneous	-	2,425	2,300	125	-	-	125
Ath. - Boys' Basketball	-	5,515	5,515	-	-	-	-
Ath. - Volleyball	670	2,065	1,728	1,007	-	75	932
Ath. - Girls' Track	1,312	500	758	1,054	-	-	1,054
Ath. - Girls' Basketball	42	4,157	4,198	1	-	-	1
Ath. - Cheerleaders	5	1,936	1,940	1	-	-	1
Ath. - Cross Country	239	1,195	1,335	99	-	-	99
Ath. - Football	90	16,060	15,441	709	-	-	709
Ath. - Boys' Golf	-	8,466	7,948	518	-	-	518
Ath. - Girls' Golf	8,803	6,235	5,110	9,928	-	-	9,928
Ath. - Boys' Soccer	271	4,035	4,280	26	-	-	26
BC Cross Country	-	1,156	1,156	-	-	-	-
BC 9 Diamond Bosot Base/Sof	4,395	-	1,956	2,439	-	-	2,439
BC 1 Booster Club Lady Scotties	514	-	357	157	-	-	157
BC 11 BC-G-Basketball	1,027	8,223	5,632	3,618	-	-	3,618
BC-12 BC Boys' Track	-	-	-	-	-	-	-
BC 2 Booster Club Girls' Golf	775	-	-	775	-	-	775
BC 3 GHS Ath. Booster Club	5,086	3,529	8,313	302	-	-	302
BC 4 BC-Boys' Basketball	271	6,195	6,466	-	-	-	-
BC 5 BC-Boys' Golf	1,041	-	1,041	-	-	-	-
BC 6 BC Cheerleaders	-	5,776	5,776	-	-	-	-
BC 7 Booster Club Football	1,440	17,773	18,402	811	-	-	811
BC 8 Booster Club Volleyball	726	10,126	9,459	1,393	-	-	1,393
Beta Club	1,658	7,645	7,048	2,255	-	-	2,255
DE Bookstore	2,461	1,285	2,129	1,617	-	-	1,617
Bio Med	-	9,000	4,000	5,000	-	-	5,000
Culinary Arts	-	1,941	1,941	-	-	-	-
Choir	552	1,040	1,179	413	-	-	413
Drama / Speech	296	1,115	858	553	-	-	553
Deca Club	3,450	13,730	14,603	2,577	-	-	2,577
English Department	97	201	298	-	-	-	-
Film Club	76	-	-	76	-	-	76
FCA - Fellow Christian	5	-	-	5	-	-	5
FCCLA	16	514	284	246	-	-	246
FEES	13,021	20,157	20,419	12,759	14	-	12,773
Faculty Flower Fund	38	1,737	1,415	360	-	-	360
Faculty Machines	589	2,514	2,523	580	-	-	580
Foreign Language	-	560	544	16	-	-	16
Freshmen Core	2,397	2,329	3,448	1,278	-	-	1,278
G & C-Glitter & Glues	-	-	-	-	-	-	-
GHSPTSO PTO	-	-	-	-	-	-	-
Gym Rental	-	-	-	-	-	-	-
High School Misc. Sp Ed.	34	90	-	124	-	-	124
High School Misc.	12,704	22,305	34,276	733	-	98	635
High School Misc. Guidance	990	7,324	4,311	4,003	-	-	4,003
Home Economics	16	513	506	23	-	-	23
Health/PE	-	585	510	75	-	-	75
Industrial Arts	-	537	510	27	-	-	27
Journalism	5,239	16,733	18,618	3,354	-	-	3,354
Jr. Guard	610	40	-	650	-	-	650
Kids Benefiting Kids	3,108	2,047	236	4,919	-	-	4,919
Kids' Day	-	1,100	-	1,100	-	-	1,100
KY Youth Assembly	4	10,930	10,513	421	-	-	421
Lacross	5	1,252	1,253	4	-	-	4
Laminator	-	-	-	-	-	-	-
Landscape	-	-	-	-	-	-	-
Library	1,316	232	615	933	-	50	883
Magazines	14,956	13,335	13,466	14,825	-	-	14,825
Marketing	414	503	761	156	-	-	156
Math Lab Fees	1,330	200	1,165	365	-	19	346
Newspaper	-	-	-	-	-	-	-
Now Account	774	50	-	824	-	-	824
Parking Tags	3,383	2,465	3,747	2,101	-	-	2,101
Pep Club	102	979	955	126	-	-	126
Relay For Life	-	-	-	-	-	-	-
School Pictures	1,946	892	598	2,240	-	-	2,240
SADD	197	-	94	103	-	-	103
Science Lab Fees	1,758	409	1,497	670	-	-	670
Student Machines	381	384	765	-	-	-	-
Spanish Club	205	-	-	205	-	-	205
Seniors	1,404	11,370	12,748	26	-	-	26
Social Studies	593	203	552	244	-	-	244
Student Incentives	936	-	-	936	-	-	936
Student Travel	-	-	-	-	-	-	-
TSA	347	1,599	1,787	159	-	-	159
Textbooks	6,366	372	6,449	289	-	-	289
Uniform Rotation	-	6,200	5,513	687	-	-	687
Workbooks	3,927	27	-	3,954	-	-	3,954
Charitable Gaming	-	26,835	25,468	1,367	-	-	1,367
	<u>\$ 168,252</u>	<u>\$ 552,328</u>	<u>\$ 564,662</u>	<u>\$ 155,918</u>	<u>\$ 14</u>	<u>\$ 1,316</u>	<u>\$ 154,616</u>

**GLASGOW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
GLASGOW MIDDLE SCHOOL AND ELEMENTARY SCHOOLS ACTIVITY FUNDS
ALL FUNDS COMBINED
For the Year Ended June 30, 2013**

	Cash Balance <u>July 1, 2012</u>	(1) <u>Receipts</u>	(1) <u>Disbursements</u>	Cash Balance <u>June 30, 2013</u>	Accounts <u>Receivable</u>	Accounts <u>Payable</u>	Due to Student Groups <u>June 30, 2013</u>
Glasgow Middle School	\$ 55,312	\$ 128,304	\$ 121,806	\$ 61,810	\$ 485	\$ 3,084	\$ 59,211
Highland Elementary	109,923	77,208	74,725	112,406	2,132	35	114,503
South Green Elementary	<u>18,112</u>	<u>71,359</u>	<u>66,411</u>	<u>23,060</u>	<u>-</u>	<u>38</u>	<u>23,022</u>
	<u>\$ 183,347</u>	<u>\$ 276,871</u>	<u>\$ 262,942</u>	<u>\$ 197,276</u>	<u>\$ 2,617</u>	<u>\$ 3,157</u>	<u>\$ 196,736</u>

**GLASGOW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	7750002 13	\$ 572,168
Summer Meal Program	10.559	7690024 12	34,868
National School Breakfast Program	10.553	7760005 13	251,397
Total Child Nutrition Cluster			<u>858,433</u>
Other Programs			
Commodity Supplement Food Program	10.565	7750002 13	68,282
Total Other Programs			<u>68,282</u>
Total U.S. Department of Agriculture			<u>\$ 926,715</u>
<u>U.S. Department of Education:</u>			
Passed-through State Department of Education:			
Title I, Part A Cluster			
Title I Grants 12 & 13	84.010	3100002	\$ 1,008,705
Total Title I, Part A Cluster			<u>1,008,705</u>
Special Education Cluster (IDEA)			
Special Education Grants 12 & 13	84.027	3810002	369,965
Special Education Preschool Grants 11 & 12	84.173	3800002	13,087
Total Special Education Cluster (IDEA)			<u>383,052</u>
Education Technology State Grants Cluster			
Educational technology State Grant	84.318	3210002	7,836
Total Education Technology State Grants Cluster			<u>7,836</u>
Other Programs			
Career and Technical Education	84.048	4621232	23,144
Education Job Fund	84.410	EJOB00	3,127
21st Century 11 & 12	84.287	3400002	430,265
Rural Education 11 & 12	84.358	3140002	42,013
Improving teacher Quality	84.367	3230002	130,715
Race to the Top	84.413	3960002	24,408
Migrant- 2012	84.011	3110002	11,512
Total Other Programs			<u>665,184</u>
Total U.S. Department of Education			<u>\$ 2,064,777</u>
Total expenditures of federal awards			<u>\$ 2,991,492</u>

GLASGOW INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2013

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Glasgow Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Food Distribution:

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

**GLASGOW INDEPENDENT SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued (unqualified):

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported
- Noncompliance material to financial Statements noted? Yes No

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs :Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of major programs:

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

Auditee qualified as low-risk auditee? Yes No

Identification of Major Programs:

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>
U.S. Department of Education	
Passed Through Kentucky Department of Education:	
Title I Grants to Local Educational Agencies	84.010
Twenty-First Century Community Learning Centers	84.287

**GLASGOW INDEPENDENT SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONCLUDED
For the Year Ended June 30, 2013**

II. FINANCIAL STATEMENTS FINDINGS

a. No matters were reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

a. No matters were reported.

**GLASGOW INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2013**

No matters were reported.



Cindy L. Greer, CPA ▪ L. Joe Rutledge, CPA ▪ Jonathan W. Belcher, CPA ▪ R. Brent Billingsley, CPA

Skip R. Campbell, CPA ▪ Sammie D. Parsley, CPA ▪ Ryan Mosier, CPA ▪ Jenna B. Pace, CPA ▪ Adam Duvall

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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Glasgow Independent School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Glasgow Independent School District's basic financial statements, and have issued our report thereon dated October 24, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Glasgow Independent 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 Glasgow Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Glasgow Independent 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 Glasgow Independent 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*.

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.

Campbell, Myers & Ratledge, PLLC

Glasgow, Kentucky
October 24, 2013



Cindy L. Greer, CPA ▪ L. Joe Rutledge, CPA ▪ Jonathan W. Belcher, CPA ▪ R. Brent Billingsley, CPA

Skip R. Campbell, CPA ▪ Sammie D. Parsley, CPA ▪ Ryan Mosier, CPA ▪ Jenna B. Pace, CPA ▪ Adam Duvall

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

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

Report on Compliance for Each Major Federal Program

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

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 Glasgow Independent 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*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Glasgow Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

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

Campbell, Myers & Rutledge, PLLC

Glasgow, Kentucky
October 24, 2013



CAMPBELL, MYERS AND RUTLEDGE, PLLC

Cindy L. Greer, CPA ▪ L. Joe Rutledge, CPA ▪ Jonathan W. Belcher, CPA ▪ R. Brent Billingsley, CPA

Skip R. Campbell, CPA ▪ Sammie D. Parsley, CPA ▪ Ryan Mosier, CPA ▪ Jenna B. Pace, CPA ▪ Adam Duvall

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

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 Glasgow Independent School District as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Glasgow Independent School District's internal control over financial reporting (internal control) as a basis for designing 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 the Glasgow Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Glasgow Independent 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.

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 material weaknesses. 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.

This communication is intended solely for the information and use of management, Glasgow Independent School District, others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Campbell, Myers & Rutledge, PLLC

Certified Public Accountants

October 24, 2013