

# Logan County School District

## Financial Statements

June 30, 2012



# Logan County School District

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June 30, 2012

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## Independent Auditors' Report

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

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 the Logan County School District (the "District") as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the

District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2012 on our consideration of Logan County School District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 through 21 and 64 through 67 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining and individual non-major fund financial statements and other information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purpose 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 financial statements. The combining and individual non-major fund financial statements and other information, 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Carr, Riggs & Ingram, L.L.C.*

**Required Supplementary  
Information**

**Management's Discussion  
and Analysis**

# Logan County School District

## Russellville, Kentucky

### Management's Discussion and Analysis

### For the Fiscal Year Ended June 30, 2012

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This discussion and analysis of the Logan County School District (the District) is offered by management as a narrative overview of the financial activities of the District for the fiscal year ended June 30, 2012. Readers are encouraged to consider this information in conjunction with the District's financial statements, notes to financial statements, and additional information contained within the body of the audit.

#### FINANCIAL HIGHLIGHTS

- Total government-wide net assets decreased 1.89% for the fiscal year ended June 30, 2012, compared to a 0.38% increase for 2011. Unrestricted net assets decreased \$503,631 and restricted net assets decreased \$921,974. Total expenses related to governmental activities for the fiscal year ended June 30, 2012 were \$31,313,583, down \$230,711 from the previous year, of which \$5,055,782 were offset by operating and capital grants and contributions, down \$2,242,599 from the preceding year. General revenues (mainly property taxes, utility taxes, and funding from the state) provided for the balance of the expenditures.
- Approximately \$1,071,944 were expended on facility acquisition and improvements during the year, with \$127,233 of uncompleted work under contract. The District has designed an elementary school that would be built in two phases. Actual construction has been deferred due to projected cost and budget constraints. Construction and renovations are performed consistent with the District's long-range facilities plan approved by the Kentucky Department of Education.
- In accordance with Board policy to maintain approximately three months of General Fund operating expenses as a minimum fund balance, \$5,265,000 of fund balance was committed to insure uninterrupted operations of the district. The Board also committed \$449,825 for accumulated sick leave, and \$1,800,000 for future construction.
- On January 13, 2012, the District issued \$1,970,000 in General Obligation Bonds with an average interest rate of 2.09% to refund 2004 Series bonds with an average interest rate of 4.72% resulting in a reduction of total debt service payments over the next thirteen years of \$185,186, and a net present value gain of \$170,218.
- The financial statements reflect a total of \$5,389,206 of revenues and aid from the state for technology and payments made by the state on-behalf of district employees for retirement contributions and health insurance. A like amount of expenses are also recorded in the financial statements.



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## **OVERVIEW OF FINANCIAL STATEMENTS**

This annual report consists of three components — management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include government-wide financial statements and fund financial statements, which reflect different perspectives of the District's financial operations.

The government-wide financial statements consist of two statements: *Statement of Net Assets* and *Statement of Activities*. These statements provide both short-term and long-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual funds of the District, reporting the District's operations in more detail than the government-wide statements. The governmental funds statements reflect how operations were financed in the short term as well as what remains for future spending. The proprietary funds statements show short-term and long-term financial information about the activity the District operates like a business (food service). Fiduciary funds statements provide information on financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include *Notes to Financial Statements* that provide more detailed and additional information that is essential to a full understanding of the data provided in the basic government-wide and fund financial statements. Following the statements is *Required Supplementary Information* that further supports the financial statements with a comparison of the District's budget for the year.

The *Notes to Financial Statements* can be found on pages 39 through 62 of this report.

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide statements report information about the District as a whole using the accrual basis of accounting similar to that which is used by private-sector businesses. The *Statement of Net Assets* includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the *Statement of Activities*, regardless of when cash is received or disbursed.

The two government-wide statements report the District's net assets — the difference between the District's total assets and total liabilities, and how they have changed. Increases or decreases in net assets over time may be an indicator of the District's financial position. One must consider, however, additional factors in assessing the overall financial position of the District such as Kentucky's funding from the state's general budget, the District's local tax base, educational programs and expenditures required by law regardless of funding, and other factors.



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The District's activities are divided into two categories in the government-wide financial statements:

- **Governmental Activities** — Most of the District's services are included here such as instruction, student and administrative support, operation and maintenance of facilities, and pupil transportation. Capital assets and long-term obligations are also included. Locally assessed taxes and intergovernmental revenues principally support these governmental activities.
- **Business-Type Activities** — These activities are partially funded by charges for the goods and services provided. The District's food service is reported as a business-type activity. Food service is also partially funded by federal and state grants.

The most striking difference between the District and a private-sector company is the source of revenues. Unlike most private-sector businesses, the assets of the District exist to provide services to students and do not generate revenue. The major revenue sources include Kentucky's Seek Excellence in Education Funding (SEEK), the state's school funding formula appropriated from its biennial general budget, and locally assessed taxes. Current and future operations, including the payment of related debt on capital assets, are dependent upon these funding sources continuing at adequate levels.

Government-wide financial statements can be found on pages 23 through 26 of this report.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information regarding the District's accounting funds as opposed to the District as a whole, focusing on the District's major funds. A fund is a grouping of related accounts used to segregate sources of funding and spending on particular programs or activities. The District's funds are mandated by the state as part of a statewide uniform system of accounting for school districts to ensure compliance with finance and legal requirements. The District's major funds are the General Fund, Special Revenue Fund, and Construction Fund. The District has three types of funds:

**Governmental Funds** – Most of the District's services and activities are included in governmental funds which focus on cash inflows and outflows and the balances remaining at year-end that are available for future spending. The modified accrual method of accounting is used to report these funds, which measures cash and financial assets that can be readily converted to cash. Therefore, the governmental funds statements provide a detailed short-term view to help indicate the financial resources available to finance the District's programs in the near future. Since the governmental funds statements do not encompass the additional long-term focus of the government-wide statements, a reconciliation of the differences is provided in the financial statements.



**Proprietary Funds** – The District’s proprietary fund is the food service fund. The proprietary fund statements are the same as the business-type activities in the government-wide statements, but provide more detail and additional information, such as cash flows.

**Fiduciary Funds** – The District is fiduciary for assets that belong to others and is responsible for ensuring that assets reported in the fiduciary funds are used only for their intended purposes. The District’s fiduciary funds consist of student activities funds and the scholarship fund. These funds are excluded from the government-wide financial statements because the assets cannot be used to finance the operations of the District.

The basic governmental fund financial statements can be found on pages 27 through 32 of this report.

## **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net assets.** Total net assets of governmental activities decreased 1.58%, while business-type activities decreased 10% in 2012. Total long-term obligations decreased \$754,726 while assets other than capital assets decreased \$1,754,960. Total unrestricted net assets decreased 6%. Restricted net assets decreased \$921,974 mostly due to lesser funds restricted for construction. The District’s largest asset is its investment in capital assets, constituting 73% of total assets, verses 70% in the prior year. Capital assets, net of related debt, are 69% of net assets. Long-term obligations make up 92% of the total liabilities.

Following is a summary of the District’s government-wide net assets for the fiscal years ended June 30, 2011 and 2012:

### **Net Assets for the Fiscal Years Ended June 30, 2011 and 2012**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>District Total</b>	
	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>
Current and other assets	\$ 13,071,412	\$ 11,434,901	\$ 530,117	\$ 411,668	\$ 13,601,529	\$ 11,846,569
Capital assets	31,368,708	31,356,912	667,935	699,368	32,036,643	32,056,280
<b>Total assets</b>	<b>44,440,120</b>	<b>42,791,813</b>	<b>1,198,052</b>	<b>1,111,036</b>	<b>45,638,172</b>	<b>43,902,849</b>
Long-term obligations	11,382,578	10,612,917	31,029	45,964	11,413,607	10,658,881
Other liabilities	1,322,495	945,538	7,743	24,592	1,330,238	970,130
<b>Total liabilities</b>	<b>12,705,073</b>	<b>11,558,455</b>	<b>38,772</b>	<b>70,556</b>	<b>12,743,845</b>	<b>11,629,011</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	20,905,617	21,689,517	664,633	685,849	21,570,250	22,375,366
Restricted	2,373,313	1,451,339	0	0	2,373,313	1,451,339
Unrestricted	8,456,117	8,092,502	494,647	354,631	8,950,764	8,447,133
<b>Total net assets</b>	<b>\$ 31,735,047</b>	<b>\$ 31,233,358</b>	<b>\$ 1,159,280</b>	<b>\$ 1,040,480</b>	<b>\$ 32,894,327</b>	<b>\$ 32,273,838</b>

**Logan County School District**  
**Russellville, Kentucky**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2012**



**Changes in net assets.** The District's governmental activities net assets decreased by \$501,689 and business-type assets decreased \$118,800.

The decrease in governmental activities net assets is due to decreased state funding. Though state funding decreased more than the resultant decrease in net assets, other factors reflect a lesser decrease. The Kentucky School Facilities Construction Commission (SFCC) makes direct payments of principal and interest on District bonds issued for construction of facilities. The bonds payable are included in the long-term obligations of the District and the payments are recorded as revenue from the state. The resultant increase in net assets from the direct payment of principal by the SFCC was approximately \$181,230. Another increase is the expenditure of current revenues on capital assets, an expenditure that does not reduce net assets on the government-wide statements.

Following is a summary schedule of changes in the District's net assets for the years ended June 30, 2011 and 2012:

**Changes in Net Assets for the Fiscal Years Ended June 30, 2011 and 2012**

	Governmental Activities		Business-Type Activities		District Total	
	2011	2012	2011	2012	2011	2012
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 7,192	\$ 15,108	\$ 720,783	\$ 681,746	\$ 727,975	\$ 696,854
Operating grants & contributions	5,817,334	3,754,661	1,298,250	1,322,762	7,115,584	5,077,423
Capital grants and contributions	1,481,047	1,301,121			1,481,047	1,301,121
General revenues						
Locally assessed taxes	5,906,957	6,110,352			5,906,957	6,110,352
Investment earnings	76,518	34,505	2,950	997	79,468	35,502
State aid	18,337,997	19,393,456			18,337,997	19,393,456
Other revenue	142,499	202,691	(70,889)	(83,225)	71,610	119,466
<b>Total revenues</b>	<b>31,769,544</b>	<b>30,811,894</b>	<b>1,951,094</b>	<b>1,922,280</b>	<b>33,720,638</b>	<b>32,734,174</b>
<b>Expenses</b>						
Instruction	20,178,923	19,640,729			20,178,923	19,640,729
Student and instructional staff support	3,022,073	2,979,721			3,022,073	2,979,721
School administration	1,715,677	1,712,329			1,715,677	1,712,329
District administration, business, and personnel support	867,697	913,711			867,697	913,711
Plant operation and maintenance	2,794,798	2,957,437			2,794,798	2,957,437
Pupil transportation	2,241,732	2,421,879			2,241,732	2,421,879
Interest on long-term debt	431,897	398,318			431,897	398,318
Food service			2,006,739	2,041,080	2,006,739	2,041,080
Child Daycare			46,437	-	46,437	-
Other	291,497	289,459			291,497	289,459
<b>Total expenses</b>	<b>31,544,294</b>	<b>31,313,583</b>	<b>2,053,176</b>	<b>2,041,080</b>	<b>33,597,470</b>	<b>33,354,663</b>
<b>Increase in net assets</b>	<b>\$ 225,250</b>	<b>\$ (501,689)</b>	<b>\$ (102,082)</b>	<b>\$ (118,800)</b>	<b>\$ 123,168</b>	<b>\$ (620,489)</b>



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Locally assessed taxes increased 3.4% compared to 2.5% in the prior year. Investment earnings decreased 55% due to lower interest rates. Locally generated revenues accounted for 20% of total governmental revenues for 2012 and 19% for 2011, while general revenue state aid was 63% and 58% respectively. State SEEK funds and the supplementing federal State Fiscal Stabilization Funds decreased a total of \$271,207 compared to a total decrease in the prior year of \$374,347.

For 2012 and 2011, direct instruction expenses were 63% and 64% of total governmental expenses, with student support, staff support, and school administration making up another 15% for both years. District administration and business and personnel support accounted for less than 3% of total governmental expenses for both 2012 and 2011. Also for 2012 and 2011, operation and maintenance of facilities was 9% for both years and pupil transportation was 8% and 7% respectively.

## **FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

As noted previously, the General Fund, Special Revenue Fund, and Construction Fund are the District's major funds. The Other Governmental Funds reflected in the financial statements consist of: the SEEK Fund, also known as the Capital Outlay Fund; the FSPK Fund, also known as the Building Fund; and, the Debt Service Fund.

The District's proprietary fund is the food service operation funded by sales and operating grants, mainly federal grants for students qualifying for free or reduced-priced meals. The District has two fiduciary funds. The Student Activity Fund is used to account for monies held for student groups. The Scholarship Fund resources can only be used to fund continuing education scholarships for District graduates and is funded totally by contributions and investment earnings.

The main sources of the General Fund's revenues are state aid in the form of SEEK allocations and locally assessed taxes. The majority of the Districts activities are accounted for in the General Fund. The Special Revenue Fund consists of grant revenues, mostly state funds and federal funds administered through the state, and expenditures of those grants for specific programs in accordance with the grants' guidelines.

The SEEK Capital Outlay Fund's revenues are derived from state SEEK allocations based upon student enrollment. The FSPK Building Fund's revenues are produced by a five-cent special property tax assessment and matching state funds. The use of both funds resources is generally restricted to facilities acquisition or improvement and payment of the related debt on facilities. The Construction Fund is used to account for facility construction and improvement projects funded by other funds or borrowing.



The Debt Service Fund is used to account for all activities related to long-term bond obligations. Revenues are transfers from other funds, mainly the SEEK Capital Outlay Fund and FSPK Building Fund, and state aid from Kentucky's SFCC. The revenues are used to make payments on the long-term obligations and related expenditures.

Following is a summary of total fund balances for the fiscal years ended June 30, 2011 and 2012:

**Total Governmental Funds Balances as of June 30, 2011 and 2012**

	FYE 2011	FYE 2012	Increase (Decrease)
<b>Governmental Funds</b>			
General Fund	\$ 9,529,357	\$ 9,043,685	\$ (485,672)
Special Revenue Fund	182,059	179,718	(2,341)
Construction Fund	1,172,127	827,165	(344,962)
Other governmental funds			
SEEK Capital Outlay Fund	365,332	366,275	943
FSPK Building Fund	474,104	27,661	(446,443)
Debt Service Fund	50,685	50,520	(165)
<b>Total governmental funds</b>	<b>\$ 11,773,664</b>	<b>\$ 10,495,024</b>	<b>\$ (1,278,640)</b>
<b>Proprietary Fund (Food Service Fund)</b>	<b>\$ 1,159,280</b>	<b>\$ 1,040,480</b>	<b>\$ (118,800)</b>
<b>Fiduciary Funds</b>			
Scholarship Fund	\$ 774,345	\$ 753,265	\$ (21,080)
School Activity Funds	0	0	0
<b>Total Fiduciary Funds</b>	<b>\$ 774,345</b>	<b>\$ 753,265</b>	<b>\$ (21,080)</b>

The decrease in the Food Service Fund balance is due to indirect costs charged to food service from the General Fund and increased food cost during the year. The Student Activity Funds show no fund balance because all monies in the funds are held for, and are due to, student groups. The Scholarship Fund's balance decreased because of lower investment earnings.

The Debt Service Fund is a required conduit for payment of long-term obligations and consequently the balance changes with funds transferred for payment of bond principal and interest. The Construction Fund's balance is from transfers into the fund to provide for on-going construction projects, the decrease of which is due to construction expenditures. The balances of the SEEK Capital Outlay Fund and FSPK Building Fund are restricted for use on facilities construction projects as required for participation of the SFCC in funding future debt service for those projects. The FSPK Building Fund balance decreased due to transfers made into the Construction Fund.



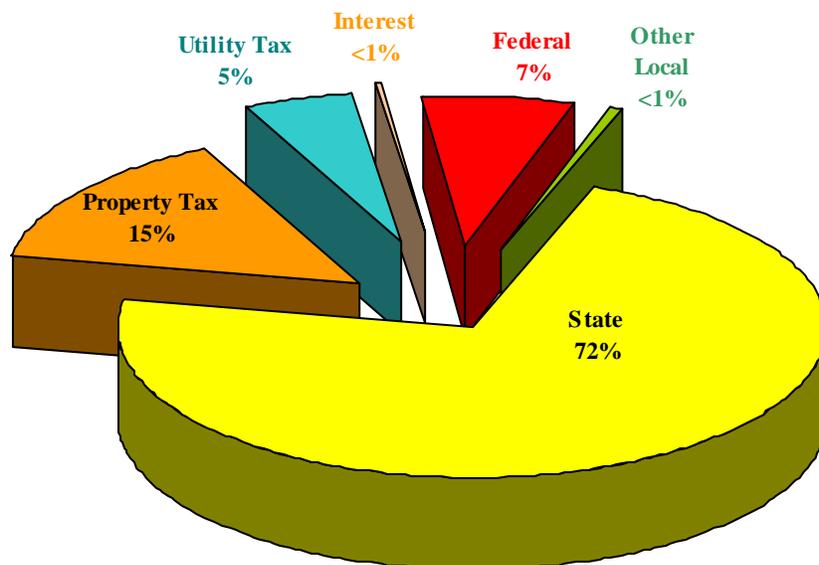
The Special Revenue Fund's balance will inherently fluctuate annually. Grants are obtained for specified purposes and the balance of the fund will change dependent upon when the grant funds are received and disbursed.

As described earlier, in 2011 the state decreased SEEK funding but partially supplemented it with federal School Fiscal Stabilization Funds, which are reflected in the Special Revenue Fund. The District also received federal American Recovery and Reinvestment Act funds in 2011, though not as much as in the prior year, reflected in the Special Revenue Fund as well. This resulted in certain expenses that are normally paid out of the General Fund being paid out of the Special Revenue Fund in 2011. This skews some General Fund comparisons and ratios to previous years.

The relationship of Total Governmental Funds expenditures remained relatively static, while the types of revenues reflect the additional federal funding, some in lieu of state funding, as described above.

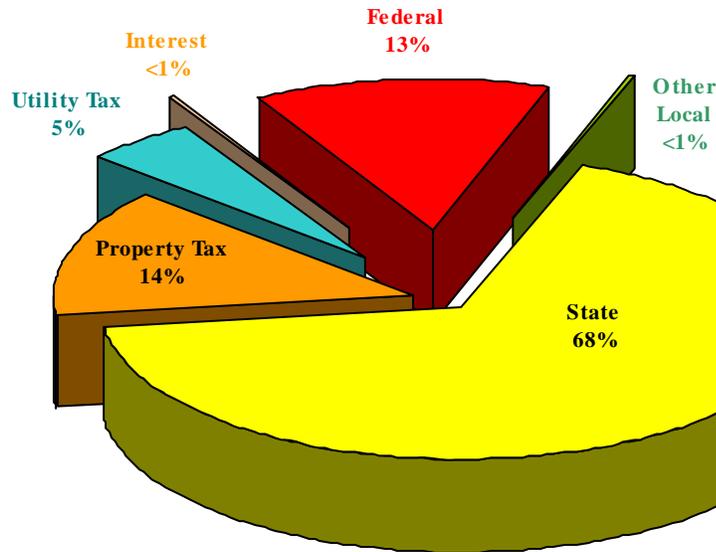
The following graphs indicate the relationship of types of revenues to total revenues of Total Governmental Funds for the fiscal years ended June 30, 2012 and 2011:

**Total Governmental Funds Revenues for the Fiscal Year Ended June 30, 2012**





**Total Governmental Funds Revenues for the Fiscal Year Ended June 30, 2011**



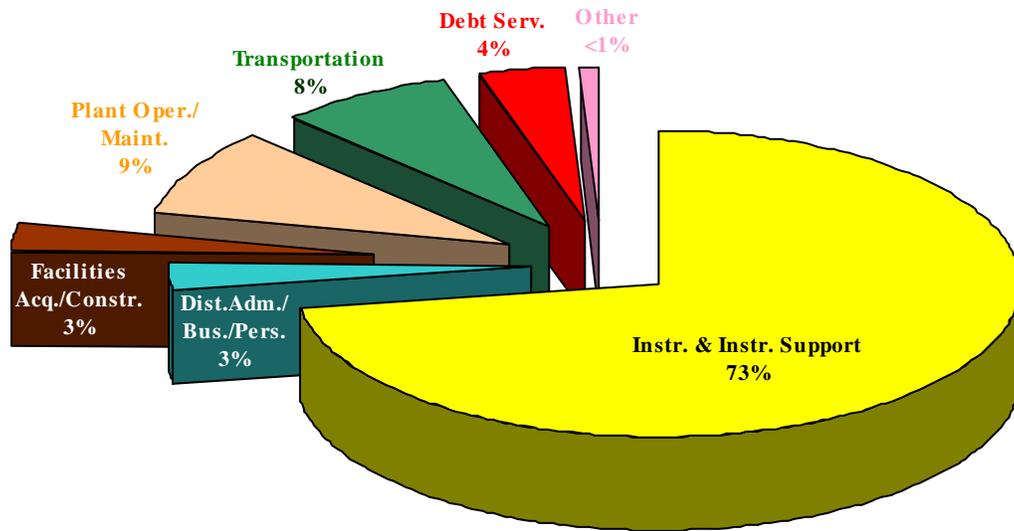
The District continues to find economies in operations wherever possible. Though the District is proceeding with planned instructional programs as much as feasible with reduced state funding, it has required the use of monies previously accumulated and some reductions in expenditures. Further cuts in expenditures will be required in the future if state funding remains at lower levels and as the accumulated funds are depleted.

Transportation, both regular and special education transportation, continues to be under-funded by the state, even as costs rise. Plant operation and maintenance expenditures remain steady as the District maintains facilities at a level to defer any deterioration. Debt Service is relatively constant based upon required bond and interest scheduled payments. Instruction and instructional support spending as a percentage of total spending decreased 2% as described above.

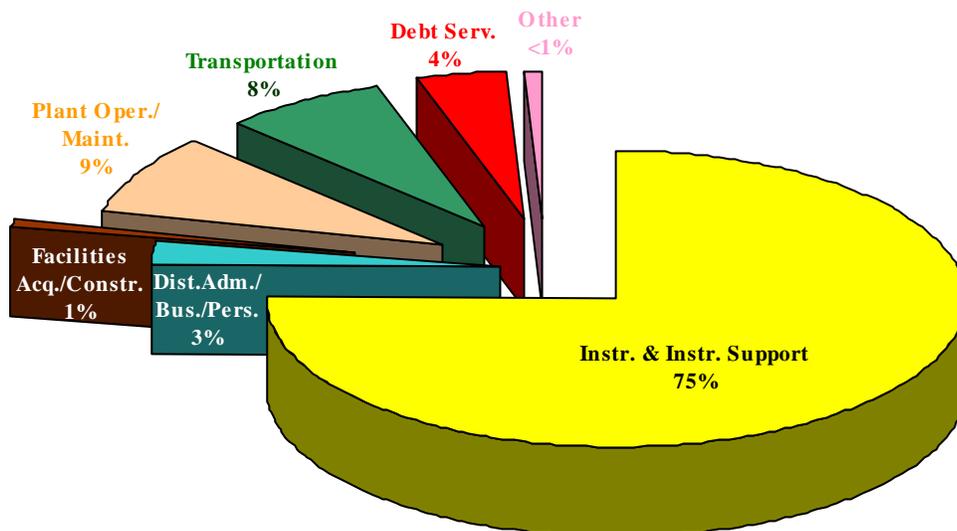
Following are graphs indicating the relationship of types of expenditures to total expenditures of Total Governmental Funds for the fiscal years ended June 30, 2012 and 2011:



Total Governmental Funds Expenditures for the Fiscal Year Ended June 30, 2012



Total Governmental Funds Expenditures for the Fiscal Year Ended June 30, 2011





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## **GENERAL FUND BUDGETARY HIGHLIGHTS**

In accordance with directives from the Kentucky Department of Education (DOE) and Kentucky law, the District's funds 2012 budgets were prepared to account for most transactions on a cash receipt / cash disbursement / encumbrance basis. The DOE requires a budget in which any remaining unassigned fund balance is shown as a contingency expense. Over the course of the year, the District revises the annual operating budget as circumstances dictate or as required by the DOE. The major changes from the original General Fund budget to the final budget resulted from changes in SEEK funding estimates, budgeted transfers, and changes in instructional programs.

As noted on the *Budgetary Comparison Schedule for the General Fund* contained in the *Required Supplemental Information*, the General Fund budget did not include \$5,273,196 of state payments on-behalf of District employees for retirement and health benefits and state provided technology. These payments are reflected in the GAAP basis actual amounts as state program revenues and in each type of expenditure in relation to wages paid, with the major portion contained in instructional expenditures. Local revenues are budgeted conservatively resulting in a favorable variance of local revenues for the year.

The favorable variance in instruction expenditures reflects changes in instructional programs during the year. The unfavorable variance in plant operations and maintenance reflects unexpected facility maintenance expenditures and utilities. The favorable variance in student transportation was due to unused allowances for fuel costs. The unfavorable variance in site acquisition resulted from obtaining property as a contribution to the district. Contingency funds will always reflect a surplus as it is not an expenditure category.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** At June 30, 2012, the District had \$32,056,280 invested in capital assets net of depreciation: historical cost totaled \$53,888,953 with accumulated depreciation totaling \$21,832,673. These assets include school, athletic, and support facilities, as well as technology, food service, and other equipment. \$1,071,944 was expended on facility acquisition and improvements during the year. An elementary school that would be built in two phases has been designed; however, actual construction will be dependent upon projected cost and available funding, and is currently being deferred. Depreciation charged to expense during the year totaled \$1,741,851, the majority of which was charged to governmental functions. More detailed information relating to capital assets may be found in Note 3 of the *Notes to Financial Statements*.



Following is a summary of capital assets, net of depreciation, for the fiscal years ended June 30, 2011 and 2012:

**Net Capital Assets for the Fiscal Years Ended June 30, 2011 and 2012**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>District Total</b>	
	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>
Land	\$ 1,051,742	\$ 1,136,780			\$ 1,051,742	\$ 1,136,780
Land Improvements	607,860	560,435			607,860	560,435
Building and Improvements	25,713,073	24,974,386	\$ 465,962	\$ 450,108	26,179,035	25,424,494
Construction in Progress	234,809	853,474			234,809	853,474
Technology Equipment	975,099	837,841	5,731	15,759	980,830	853,600
Transportation Equipment	1,949,037	2,050,681			1,949,037	2,050,681
Other equipment and furniture	837,088	943,315	196,242	233,501	1,033,330	1,176,816
	<b>\$ 31,368,708</b>	<b>\$ 31,356,912</b>	<b>\$ 667,935</b>	<b>\$ 699,368</b>	<b>\$ 32,036,643</b>	<b>\$ 32,056,280</b>

**Long-Term Debt.** The District's long-term general obligation bonds outstanding at June 30, 2012 were \$9,965,000. Of that amount, the Kentucky SFCC has agreed to make a portion of the principal and interest repayment under agreements previously described. Though the District is liable for the full amount of the bonds and the full amount is recorded on the financial statements, the SFCC has agreed to repay \$1,394,048 of the bonds leaving the District to pay \$8,570,952. The liability for compensated absences remains relatively steady. Other long-term obligations, mostly leases on equipment, will increase with the commitment of new leases and decrease as the leases are paid down.

The District's general obligation bonds are rated Aa3. The amount of total general obligation bonds that the District may issue is dependent upon the amount of resources in the SEEK Capital Outlay and FSPK Building Funds available for debt service. The state must approve the issuance of any new bonds of the District.

More detailed information about the District's long-term liabilities may be found in Note 4 of the *Notes to Financial Statements*.



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## **OUTLOOK FOR THE FUTURE**

The most crucial aspect in the financial future of the District is continued adequate funding from the state. The District's major source of revenue is state aid, primarily Kentucky SEEK funding. The calculated SEEK amount due to the District has not been fully funded by the state in the preceding few years.

The District has worked diligently on a long-term plan to accumulate funds for additional instructional programs, future construction, and an adequate operating reserve. The future construction is needed to provide and maintain facilities at their proper level. Additional instructional programs have proved useful in guiding the district towards student proficiency as mandated and measured by the state. These are multi-year commitments that the District must be assured of being able to fulfill before undertaking. While the District is on a sound financial foundation for the present time and near future, the long-range plans of the District, and the work that has gone into them to date, could be jeopardized without adequate funding from the state.

With state limitations on the amount local taxes may be increased and a corresponding base percentage decrease to state SEEK funding for assessment growth, the District is unable to generate significant additional funds from local assessments. The District will continue to operate conservatively to assure the availability of adequate resources while making every effort to maintain all facilities at their best operating level and providing innovative instructional services and opportunities to the students of Logan County.

In Kentucky, public schools' fiscal year is July 1 through June 30. Some programs, such as most federal grants, operate on a different fiscal year but are reflected in the District's overall budget. By law, the District's budget must have a minimum 2% budgeted contingency. The District has adopted a 2012-2013 fiscal year budget with a 3% budgeted contingency, but with funds committed for a minimum fund balance of approximately three months of operating expense. Significant actions that impact the District's 2012-2013 finances include decreased state funding, additional spending for facility maintenance outside of bonded building and renovation projects, and continued funding of initiatives such as additional instructional programs and all-day kindergarten.

The 2012-2013 fiscal year is the first year of this biennium state budget cycle. For the last two years, funding from the state was cut during the year due to the state's inability to fund the full amount of the biennium budget, and therefore the projected SEEK funding. The state's ability to fully fund the current biennium budget cycle has not been determined. The District received some federal stimulus funds in the previous years to help offset some of the state funding short-fall, but no such funds are expected for 2012-2013.



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## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, creditors, and other stakeholders with a general overview of the Logan County School District's accountability for the money it receives. Any questions about this report or requests for additional information should be directed to Marshall H. Kemp, Superintendent, or Danny L. Harris, CPA, Director of Business and Finance, at Logan County School District, 2222 Bowling Green Road, P. O. Box 417, Russellville, KY 42276, or by calling (270) 726-2436.

# Basic Financial Statements

Logan County School District  
Statement of Net Assets

June 30, 2012	Governmental Activities	Business- Type Activities	Total
<b>Assets</b>			
Cash	\$ 10,784,047	\$ 383,319	\$ 11,167,366
Accounts receivable:			
Taxes	342,197	-	342,197
Accounts	12,574	-	12,574
Intergovernmental	217,091	-	217,091
Inventory	-	28,349	28,349
Bond issuance costs	136,290	-	136,290
Less: accumulated amortization	(57,298)	-	(57,298)
Non-depreciable capital assets	1,990,254	-	1,990,254
Depreciable capital assets	50,242,198	1,656,501	51,898,699
Less: accumulated depreciation	(20,875,540)	(957,133)	(21,832,673)
Total assets	42,791,813	1,111,036	43,902,849
<b>Liabilities</b>			
Accounts payable	832,189	24,592	856,781
Accrued liabilities	26,710	-	26,710
Deferred revenue	1,986	-	1,986
Accrued interest	84,653	-	84,653
Long-term obligations:			
Due within one year:			
Outstanding bonds	910,000	-	910,000
Other	42,537	3,488	46,025
Compensated absences	449,825	28,944	478,769
Due beyond one year:			
Outstanding bonds	8,644,053	-	8,644,053
Other	70,805	10,031	80,836
Compensated absences	495,697	3,501	499,198
Total liabilities	11,558,455	70,556	11,629,011

<b>June 30, 2012</b>	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	21,689,517	685,849	22,375,366
Restricted	1,451,339	-	1,451,339
Unrestricted	8,092,502	354,631	8,447,133
<b>Total Net Assets</b>	<b>\$ 31,233,358</b>	<b>\$ 1,040,480</b>	<b>\$ 32,273,838</b>

See accompanying notes to the financial statements.

Logan County School District  
Statement of Activities

Year Ended June 30, 2012	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities							
Instruction	\$19,640,729	\$ -	\$ 2,620,142	\$ 129,828	\$(16,890,759)	\$ -	\$(16,890,759)
Support services:							
Student	1,147,683	-	132,875	-	(1,014,808)	-	(1,014,808)
Instructional staff	1,832,038	-	559,826	-	(1,272,212)	-	(1,272,212)
District administration	540,277	-	-	-	(540,277)	-	(540,277)
School administration	1,712,329	-	-	-	(1,712,329)	-	(1,712,329)
Business	373,434	-	1,941	-	(371,493)	-	(371,493)
Plant operations and maintenance	2,957,437	15,108	18,872	589,599	(2,333,858)	-	(2,333,858)
Student transportation	2,421,879	-	207,000	-	(2,214,879)	-	(2,214,879)
Other	275,962	-	214,005	-	(61,957)	-	(61,957)
Building improvement	-	-	-	354,659	354,659	-	354,659
Interest on long-term debt	398,318	-	-	227,035	(171,283)	-	(171,283)
Loss on disposal of assets	13,497	-	-	-	(13,497)	-	(13,497)
Total governmental activities	31,313,583	15,108	3,754,661	1,301,121	(26,242,693)	-	(26,242,693)

Business-Type Activities

Food services	2,041,080	681,746	1,322,762	-	-	(36,572)	(36,572)
Total business-type activities	2,041,080	681,746	1,322,762	-	-	(36,572)	(36,572)
<b>Total School District</b>	<b>\$33,354,663</b>	<b>\$ 696,854</b>	<b>\$ 5,077,423</b>	<b>\$ 1,301,121</b>	(26,242,693)	(36,572)	(26,279,265)

General Revenues and Transfers

Taxes:

Property	3,450,927	-	3,450,927
Motor vehicle	595,128	-	595,128
Utilities	1,568,396	-	1,568,396
Other	495,901	-	495,901
State aid	19,393,456	-	19,393,456
Investment earnings	34,505	997	35,502
Other	118,583	883	119,466
Transfers	84,108	(84,108)	-
Total general revenues and transfers	25,741,004	(82,228)	25,658,776
Change in Net Assets	(501,689)	(118,800)	(620,489)
Net Assets – Beginning of Year	31,735,047	1,159,280	32,894,327
<b>Net Assets – End of Year</b>	<b>\$ 31,233,358</b>	<b>\$ 1,040,480</b>	<b>\$32,273,838</b>

Logan County School District  
 Balance Sheet  
 Governmental Funds

June 30, 2012	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash	\$ 9,247,371	\$ 22,653	\$ 1,069,567	\$ 444,456	\$ 10,784,047
Accounts receivable:					
Taxes	342,197	-	-	-	342,197
Accounts	12,574	-	-	-	12,574
Intergovernmental	-	217,091	-	-	217,091
<b>Total Assets</b>	<b>\$ 9,602,142</b>	<b>\$ 239,744</b>	<b>\$ 1,069,567</b>	<b>\$ 444,456</b>	<b>\$ 11,355,909</b>

**Liabilities and Fund Balances**

Liabilities					
Accounts payable	\$ 531,747	\$ 58,040	\$ 242,402	\$ -	\$ 832,189
Accrued liabilities	26,710	-	-	-	26,710
Deferred revenue	-	1,986	-	-	1,986
<b>Total liabilities</b>	<b>558,457</b>	<b>60,026</b>	<b>242,402</b>	<b>-</b>	<b>860,885</b>
Fund Balances					
Restricted	-	179,718	827,165	444,456	1,451,339
Committed	7,514,825	-	-	-	7,514,825
Unassigned	1,528,860	-	-	-	1,528,860
<b>Total fund balances</b>	<b>9,043,685</b>	<b>179,718</b>	<b>827,165</b>	<b>444,456</b>	<b>10,495,024</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 9,602,142</b>	<b>\$ 239,744</b>	<b>\$ 1,069,567</b>	<b>\$ 444,456</b>	<b>\$ 11,355,909</b>

Logan County School District  
 Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Assets

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June 30,	2012
Total Fund Balances – Governmental Funds	\$ 10,495,024
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$52,232,452, and the accumulated depreciation is \$20,875,540.</p>	31,356,912
<p>Bond issuance costs are shown as expenditures on the fund statements. However, they are reported as assets and amortized on the statement of net assets. Net bond issuance costs at year-end amounted to:</p>	78,992
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:</p>	
Bonds payable	(9,554,053)
Accrued interest on the bonds	(84,653)
Other debt	(113,342)
Compensated absences	(945,522)
<b>Total Net Assets – Governmental Activities</b>	<b>\$ 31,233,358</b>

See accompanying notes to the financial statements.

Logan County School District  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year Ended June 30, 2012	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	\$ 2,919,304	\$ -	\$ -	\$ 531,623	\$ 3,450,927
Motor vehicle	595,128	-	-	-	595,128
Utilities	1,568,396	-	-	-	1,568,396
Other	495,901	-	-	-	495,901
Earnings on investments	32,764	360	-	1,741	34,865
Other local revenue	145,633	-	-	-	145,633
Intergovernmental – state	19,393,456	1,724,005	-	1,171,293	22,288,754
Intergovernmental – federal	17,687	2,160,124	-	-	2,177,811
Total revenues	25,168,269	3,884,489	-	1,704,657	30,757,415

Expenditures

Current:

Instruction	15,828,137	2,817,045	-	-	18,645,182
Support services:					
Student	1,013,188	132,875	-	-	1,146,063
Instructional staff	1,269,099	559,826	-	-	1,828,925
District administration	516,805	-	-	-	516,805
School administration	1,712,045	-	-	-	1,712,045

Business	367,782	1,941	-	-	369,723
Plant operations and maintenance	2,893,324	18,872	-	-	2,912,196
Student transportation	2,324,195	207,000	-	-	2,531,195
Other	54,426	214,005	-	-	268,431
Land/site acquisition	53,042	-	-	1,550	54,592
Facilities acquisition and construction	-	-	916,894	-	916,894
Debt service:			-		
Principal	-	-	-	880,000	880,000
Interest	-	-	-	341,219	341,219
Bond issuance cost	-	-	-	30,620	30,620
<b>Total expenditures</b>	<b>26,032,043</b>	<b>3,951,564</b>	<b>916,894</b>	<b>1,253,389</b>	<b>32,153,890</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(863,774)</b>	<b>(67,075)</b>	<b>(916,894)</b>	<b>451,268</b>	<b>(1,396,475)</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds of advance refunding bonds – net of discount	-	-	-	1,962,012	1,962,012
Payment to advance refunded bond escrow agent	-	-	-	(1,928,285)	(1,928,285)
Operating transfers in	673,707	64,734	571,932	990,912	2,301,285
Operating transfers out	(295,605)	-	-	(1,921,572)	(2,217,177)
<b>Total other financing sources (uses)</b>	<b>378,102</b>	<b>64,734</b>	<b>571,932</b>	<b>(896,933)</b>	<b>117,835</b>
<b>Net Change in Fund Balances</b>	<b>(485,672)</b>	<b>(2,341)</b>	<b>(344,962)</b>	<b>(445,665)</b>	<b>(1,278,640)</b>
<b>Fund Balances – Beginning of Year</b>	<b>9,529,357</b>	<b>182,059</b>	<b>1,172,127</b>	<b>890,121</b>	<b>11,773,664</b>
<b>Fund Balances – End of Year</b>	<b>\$ 9,043,685</b>	<b>\$ 179,718</b>	<b>\$ 827,165</b>	<b>\$ 444,456</b>	<b>\$ 10,495,024</b>

Logan County School District  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures and Changes in  
 Fund Balances to the Statement of Activities

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Year Ended June 30,	2012
Total Net Change in Fund Balances – Governmental Funds	\$ (1,278,640)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays, \$1,703,410, exceeds depreciation expense, \$1,686,913, in the period.</p>	16,497
<p>Gains and losses are not presented in governmental funds because they do not provide or use current financial resources. However, they are presented on the statement of activities. The difference between the proceeds from the sale of assets and the actual gain/loss from the sale net to this amount for the year.</p>	(75,120)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	921,815
<p>The issuance of a bond is shown as an other financing source in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets. Correspondingly, the transfer to an escrow agent for the partial refunding of bonds is shown as an other financing use in the governmental funds, but the transfer reduces long-term liabilities in the statement of net assets. The net of these other financing sources and uses is shown here for the period.</p>	(33,727)
<p>Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the statement of activities are recognized when they are incurred.</p>	(52,514)
<p style="text-align: center;"><b>Change in Net Assets – Governmental Activities</b></p>	<p style="text-align: right;"><b>\$ (501,689)</b></p>

See accompanying notes to the financial statements.

Logan County School District  
Statement of Net Assets  
Proprietary Funds

June 30, 2012	Enterprise Fund Food Service
<b>Assets</b>	
Current Assets	
Cash	\$ 383,319
Inventory	28,349
Total current assets	411,668
Non-Current Assets	
Fixed assets – net	699,368
<b>Total Assets</b>	<b>\$ 1,111,036</b>
<b>Liabilities and Net Assets</b>	
Current Liabilities	
Accounts payable	\$ 24,592
Compensated absences	28,944
Other	3,488
Total current liabilities	57,024
Long-Term Liabilities	
Compensated absences	3,501
Other	10,031
Total long-term liabilities	13,532
Net Assets	
Invested in capital assets, net of related debt	685,849
Unrestricted	354,631
Total net assets	1,040,480
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,111,036</b>

See accompanying notes to the financial statements.

Logan County School District  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds

Year Ended June 30, 2012	Enterprise Fund Food Service
Operating Revenues	
Lunchroom sales	\$ 681,746
Total operating revenues	681,746
Operating Expenses	
Salaries and wages	869,925
Contract services	46,426
Materials and supplies	1,069,791
Depreciation expense	54,938
Total operating expenses	2,041,080
Operating loss	(1,359,334)
Non-Operating Revenues (Expenses)	
State operating grants	134,898
Federal operating grants	1,075,549
Donated commodities	112,315
Interest revenue	997
Gain on disposal of assets	883
Total non-operating revenues (expenses)	1,324,642
Loss before transfers	(34,692)
Transfers	(84,108)
Change in Net Assets	(118,800)
Total Net Assets – Beginning of Year	1,159,280
<b>Total Net Assets – End of Year</b>	<b>\$ 1,040,480</b>

See accompanying notes to the financial statements.

Logan County School District  
Statement of Cash Flows  
Proprietary Funds

Year Ended June 30, 2012	Enterprise Fund Food Service
Cash Flows from Operating Activities	
Cash received from user charges	\$ 682,866
Cash payments to employees for services	(749,197)
Cash payments for contract services	(46,426)
Cash payments to suppliers for goods and services	(926,129)
Net cash used in operating activities	(1,038,886)
Cash Flows from Non-Capital Financing Activities	
Indirect cost transfer to general fund	(84,108)
Non-operating grants received	1,094,437
Other	1,050
Net cash provided by non-capital financing activities	1,011,379
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	(70,141)
Payments on other debt	(6,180)
Net cash used in capital and related financing activities	(76,321)
Cash Flows from Investing Activities	
Interest on investments	997
Net cash provided by investing activities	997
Net Decrease in Cash	(102,831)
Cash – Beginning of Year	486,150
Cash – End of Year	\$ 383,319

<b>Year Ended June 30, 2012</b>	<b>Enterprise Fund Food Service</b>
<b>Reconciliation of Operating Loss to Net Cash Used In Operating Activities</b>	
Operating loss	\$ (1,359,334)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	54,938
Commodities used	112,315
On-behalf payments received	116,010
Changes in assets and liabilities:	
Receivables	1,120
Inventories	14,498
Accounts payable	16,849
Accrued benefits	4,718
<hr/>	
<b>Net Cash Used In Operating Activities</b>	<b>\$ (1,038,886)</b>

#### Non-Cash Capital and Related Financing Activities

- The food service fund received \$112,315 of donated commodities from the federal government.
- The District received on-behalf payments of \$116,010 relating to insurance benefits.

See accompanying notes to the financial statements.

Logan County School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2012	Agency Funds	Private Purpose Trust Funds
<b>Assets</b>		
Cash	\$ 219,084	\$ 753,265
Accounts receivable	118,559	-
<b>Total Assets</b>	<b>\$ 337,643</b>	<b>\$ 753,265</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable	\$ 12,919	\$ -
Due to student groups	324,724	-
<b>Total liabilities</b>	<b>337,643</b>	<b>-</b>
Net Assets		
Held in trust for scholarships	-	753,265
<b>Total net assets</b>	<b>-</b>	<b>753,265</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 337,643</b>	<b>\$ 753,265</b>

See accompanying notes to the financial statements.

Logan County School District  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

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Year Ended June 30, 2012	Private Purpose Trust Funds
Additions	
Earnings on investments	\$ 1,949
Other local revenue	2,221
Total additions	4,170
Deductions	
Scholarships	25,250
Total deductions	25,250
Change in Net Assets	(21,080)
Net Assets – Beginning of Year	774,345
<b>Net Assets – End of Year</b>	<b>\$ 753,265</b>

See accompanying notes to the financial statements.

**Note 1: Summary of Significant Accounting Policies**

• ***Reporting Entity***

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

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

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

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

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

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

• ***Basis of Presentation***

**Government-Wide Financial Statements** — The statement of net assets 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. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

**Fund Financial Statements** — Fund financial statements report detailed information about the District's funds, including fiduciary funds. Separate statements for each fund category — governmental, proprietary and fiduciary — are presented. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

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

The District has the following funds:

▶ **Governmental Fund Types**

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

The *Special Revenue Fund* accounts for proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. 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. The special revenue fund is a major fund.

*Capital Projects Funds* are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

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 and certain operating costs.

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

The *Facility Support Program of Kentucky (FSPK) Fund* 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 are restricted for use in financing projects identified in the District's facility plan.

The *Construction Fund* accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. The construction fund is a major fund.

The *Debt Service Fund* is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest and other debt related costs.

► **Proprietary Fund Types**

*Enterprise Funds*

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

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

► **Fiduciary Fund Types** (includes agency and private purpose trust funds)

Fiduciary funds account for assets held by the District in a trustee's capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement.

*Agency Funds*

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

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

*Private Purpose Trust Funds*

The *Private Purpose Trust Funds* are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

• ***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.

The records of the District and the budgetary process are based on the modified accrual basis of accounting. This practice is the accounting method prescribed by the Committee for School District Audits. The District is required by state law to adopt annual budgets for the general fund, special revenue fund and capital projects funds.

For financial purposes, the accounting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance.

The proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net assets.

The financial statements of the governmental fund types are prepared on the modified accrual basis of accounting. On this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt,

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

which is recognized as an expenditure when paid. The proprietary funds are accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

• ***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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.

• ***Inventory***

Supplies and materials are charged to expenditures when purchased (purchases method) with the exception of the proprietary funds, which record inventory at the lower of cost, determined by first-in first-out ("FIFO") method, or market.

• ***Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**Note 1: Summary of Significant Accounting Policies**  
(Continued)

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

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

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

• **Deferred Revenue**

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

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

• **Compensated Absences**

The District uses the vesting method to compute compensated absences for sick leave. Sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits at termination. The District records a liability for accumulated unused sick leave when earned for all employees with more than five years of service.

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

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

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the funds from which the employees will be paid.

• ***Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. Bonds are recognized as a liability on the fund financial statements when due.

• ***Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

• ***Property Taxes***

Property taxes collected are recorded as revenues in the fund for which they were levied. The assessment date of the property taxes is January 1 of each year. The levy is normally set during the September board meeting. Assuming property tax bills are timely mailed, the collection date is the period from September 15 through December 31. Collections from the period September 15 through November 1 receive a two percent discount. The due date is the period from November 2 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien being filed by the County Attorney.

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

• **Revenues — Exchange and Non-Exchange Transactions**

Revenues resulting from exchange transactions are where each party receives equal value. On the modified accrual basis of accounting, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means 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 60 days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Assets from property taxes are normally recognized when an enforceable legal claim arises. However, for the District, an enforceable legal claim arises after the period for which taxes are levied. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September. On the modified accrual basis of accounting, assets and revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Revenues from non-exchange transactions must also be available before they can be recognized.

• **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 as non-operating revenues/expenses in proprietary funds.

• **Interfund Balances**

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

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

• ***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.

• ***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise funds.

• ***Subsequent Events***

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through November 7, 2012, which was the date the financial statements were made available.

• ***New Accounting Pronouncements***

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, effective immediately for the provisions related to the use and reporting of the alternative measurement method, and effective for periods beginning after June 15, 2011, for the provisions related to the frequency and timing of measurements for actuarial valuations first used to report funded status information in OPEB plan financial statements. This statement addresses issues related to the use of the alternative measurement method and the frequency and timing of the measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The new requirements are not applicable to the District.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, effective for periods beginning after December 15, 2011, improves financial reporting by addressing issues related to service concession arrangements (SCA's), which are a type of public-private or public partnership. The new requirements are not applicable to the District.

**Note 1: Summary of Significant Accounting Policies**  
*(Continued)*

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus — An Amendment of GASB Statements No. 14 and No. 34*, effective for periods beginning after June 15, 2012, improves financial reporting by enhancing guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The new requirements are not applicable to the District.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, effective for periods beginning after December 15, 2011, incorporates into GASB's authoritative literature certain accounting and financial reporting guidance included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure, which do not conflict with or contradict GASB pronouncements. The District intends to implement the new requirements for the fiscal year 2012–13 financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, effective for periods beginning after December 15, 2011, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The District intends to implement the new requirements for the fiscal year 2012–13 financial statements.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions — An Amendment of GASB Statement No. 53*, effective for periods beginning after June 15, 2011, clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The new requirements are not applicable to the District.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012, improves financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to provide more consistent financial reporting. The District plans to implement the new requirements for the fiscal year 2013–2014 financial statements.

**Note 1: Summary of Significant Accounting Policies**  
(Continued)

GASB Statement No. 66, *Technical Corrections—2012: An Amendment of GASB Statements No. 10 and No. 62*, effective for periods beginning after December 15, 2012, resolves conflicting accounting and reporting guidance that could diminish consistent financial reporting and enhance the usefulness of financial reports. The District plans to implement the new requirements for the fiscal year 2013–2014 financial statements.

GASB Statement No. 67, *Financial Reporting for Pension Plans: An Amendment of GASB Statement No. 25*, effective for fiscal years beginning after June 15, 2013, improves financial reporting by state and local governmental pension plans. The new requirements are not applicable to the District.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions: An Amendment of GASB Statement No. 27*, effective for fiscal years beginning after June 15, 2014, improves information provided by state and local governmental employers about financial support for pensions, which is provided by other entities. The District plans to implement the new requirements for the fiscal year 2014–2015. The effects of this statement on the District are unknown.

**Note 2: Cash**

• **Deposits**

At June 30, 2012, the carrying amounts of the District's deposits were \$12,139,715 and the bank balances were \$13,081,463, which were covered by federal depository insurance or by collateral held by the bank's agent in the District's name.

The carrying amounts are reflected in the financial statements as follows:

June 30,	2012
Governmental funds	\$ 10,784,047
Proprietary funds	383,319
Fiduciary funds	972,349
	\$ 12,139,715

Logan County School District  
Notes to the Financial Statements (Continued)

**Note 2: Cash (Continued)**

▶ *Custodial Credit Risk-Deposits*

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. However, state statutes require the District's bank deposits to be collateralized. The District's bank balance of \$13,081,463 was not exposed to custodial credit risk as of June 30, 2012.

**Note 3: Capital Assets**

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

June 30, 2012	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities				
Capital assets that are not depreciated:				
Land	\$ 1,051,742	\$ 85,038	\$ -	\$ 1,136,780
Construction in progress	234,809	916,893	298,228	853,474
Total non-depreciable historical cost	1,286,551	1,001,931	298,228	1,990,254
Capital assets that are depreciated:				
Land improvements	1,330,999	-	-	1,330,999
Buildings and improvements	37,890,856	102,009	38,835	37,954,030
Technology equipment	3,698,937	274,231	234,061	3,739,107
Vehicles	5,403,260	427,345	611,312	5,219,293
General	1,820,902	242,949	65,082	1,998,769
Total depreciable historical cost	50,144,954	1,046,534	949,290	50,242,198
Less accumulated depreciation for:				
Land improvements	723,139	47,425	-	770,564
Buildings and improvements	12,177,783	808,700	6,839	12,979,644
Technology equipment	2,723,838	370,657	193,229	2,901,266
Vehicles	3,454,223	325,701	611,312	3,168,612
General	983,814	134,430	62,790	1,055,454
Total accumulated depreciation	20,062,797	1,686,913	874,170	20,875,540

Logan County School District  
Notes to the Financial Statements (Continued)

**Note 3: Capital Assets (Continued)**

June 30, 2012	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Total depreciable historical cost, net	30,082,157	(640,379)	75,120	29,366,658
<b>Governmental Activities, Capital Assets, Net</b>	<b>\$ 31,368,708</b>	<b>\$ 361,552</b>	<b>\$ 373,348</b>	<b>\$ 31,356,912</b>
Business-Type Activities				
Capital assets that are depreciated:				
Buildings and improvements	\$ 792,679	\$ -	\$ -	\$ 792,679
Technology equipment	43,152	18,785	27,439	34,498
General	816,231	67,754	54,661	829,324
Total depreciable historical cost	1,652,062	86,539	82,100	1,656,501
Less accumulated depreciation for:				
Buildings and improvements	326,717	15,854	-	342,571
Technology equipment	37,421	8,590	27,272	18,739
General	619,989	30,494	54,660	595,823
Total accumulated depreciation	984,127	54,938	81,932	957,133
Total depreciable historical cost, net	667,935	31,601	168	699,368
<b>Business-Type Activities, Capital Assets, Net</b>	<b>\$ 667,935</b>	<b>\$ 31,601</b>	<b>\$ 168</b>	<b>\$ 699,368</b>

**Note 3: Capital Assets (Continued)**

Depreciation expense was charged to governmental functions as follows:

June 30,	2012
Instruction	\$ 1,283,912
Support services:	
Student	1,620
Instructional staff	3,113
District administration	23,472
School administration	284
Business	3,711
Facilities operations	45,241
Student transportation	318,029
Other	7,531
<b>Total Depreciation Expense</b>	<b>\$ 1,686,913</b>

**Note 4: General Long-Term Obligations**

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

Issue Date	Proceeds	Rates
2003	\$ 1,920,000	1.50%–3.65%
2004	505,000	3.60%–5.00%
2006	2,795,000	3.70%–4.20%
2008	2,415,000	2.20%–3.20%
2009	2,780,000	2.00%–3.25%
2009	835,000	2.00%–2.80%
2012	1,970,000	1.25%–2.125%

On January 13, 2012, the District issued \$1,970,000 in General Obligation Bonds with an average interest rate of 2.09% to advance refund \$1,735,000 of outstanding 2004 Series bonds with an average interest rate of 4.72%. The net proceeds of \$1,928,285

**Note 4: General Long-Term Obligations** *(Continued)*

(after payment of \$30,620 in underwriting fees, insurance and other issuance costs) were transferred to an escrow agent to provide future debt service payments on the 2004 Series bonds. As a result, the advance refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$193,285. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2024 using the straight-line method. The District completed the advance refunding to reduce its total debt service payments over the next 13 years by \$185,196 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$170,218.

The District, through the general fund, including utility taxes and the SEEK capital outlay funds, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Logan County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District has entered into "participation agreements" with the School Facility Construction Commission (SFCC). 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, 2012 for debt service (principal and interest) are as follow:

Logan County School District  
Notes to the Financial Statements (Continued)

**Note 4: General Long-Term Obligations (Continued)**

Year	Logan County School District		School Facilities Construction Committee		Total
	Principal	Interest	Principal	Interest	
2012–2013	\$ 720,482	\$ 263,866	\$ 189,518	\$ 38,398	\$ 1,212,264
2013–2014	623,512	242,858	131,488	32,678	1,030,536
2014–2015	649,997	224,749	135,003	28,944	1,038,693
2015–2016	570,603	203,744	139,397	24,858	938,602
2016–2017	586,857	188,856	143,143	21,163	940,019
2017–2018	601,256	172,947	133,744	17,396	925,343
2018–2019	638,465	156,125	106,535	14,114	915,239
2019–2020	655,445	137,991	109,555	11,100	914,091
2020–2021	672,586	118,895	97,414	8,173	897,068
2021–2022	524,367	106,955	55,633	6,092	693,047
2022–2023	542,932	89,290	57,068	4,658	693,948
2023–2024	561,406	70,753	58,594	3,132	693,885
2024–2025	596,898	51,069	18,102	1,543	667,612
2025–2026	626,146	26,298	18,854	792	672,090
	<b>\$ 8,570,952</b>	<b>\$ 2,054,396</b>	<b>\$ 1,394,048</b>	<b>\$ 213,041</b>	<b>\$ 12,232,437</b>

Maturities of other debt are as follow for the fiscal year ending June 30:

June 30, 2012	Governmental	Business-Type/ Proprietary
2013	\$ 42,537	\$ 3,488
2014	49,222	4,042
2015	19,540	4,683
2016	1,728	1,306
2017	315	-
<b>Total</b>	<b>\$ 113,342</b>	<b>\$ 13,519</b>

Logan County School District  
Notes to the Financial Statements (Continued)

**Note 4: General Long-Term Obligations (Continued)**

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Amounts Due Within One Year
Governmental activities:					
Bonds and notes payable:					
General obligation debt	\$ 10,610,000	\$ 1,970,000	\$ (2,615,000)	\$ 9,965,000	\$ 910,000
Less deferred issuance discounts and premiums	(40,444)	(7,988)	7,368	(41,064)	-
Less deferred amount on refunded bonds	(214,795)	(193,285)	38,197	(369,883)	-
Total bonds and notes payable	10,354,761	1,768,727	(2,569,435)	9,554,053	910,000
Other liabilities:					
Other	108,330	46,827	(41,815)	113,342	42,537
Compensated absences	919,487	87,507	(61,472)	945,522	449,825
Total other liabilities	1,027,817	134,334	(103,287)	1,058,864	492,362
<b>Total Long-Term Liabilities</b>	<b>\$ 11,382,578</b>	<b>\$ 1,903,061</b>	<b>\$ (2,672,722)</b>	<b>\$ 10,612,917</b>	<b>\$ 1,402,362</b>
Business-type/proprietary activities:					
Other liabilities:					
Other	\$ 3,302	\$ 16,398	\$ (6,181)	\$ 13,519	\$ 3,488
Compensated absences	27,727	9,435	(4,717)	32,445	28,944
<b>Total Other Liabilities</b>	<b>\$ 31,029</b>	<b>\$ 25,833</b>	<b>\$ (10,898)</b>	<b>\$ 45,964</b>	<b>\$ 32,432</b>

**Note 5: Fund Balances**

The Board follows GASB Statement Number 54. Under this statement, fund balance is separated into five categories, as follows:

*Non-spendable fund balances* are amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

**Note 5: Fund Balances** *(Continued)*

*Restricted fund balances* arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2012, the District had \$179,718 restricted in the special revenue fund for grant programs, \$827,165 restricted in the construction fund for capital projects and \$444,456 restricted in the non-major funds (\$393,936 restricted for capital projects, which includes \$391,496 restricted for SFCC prior offers, and \$50,520 restricted for debt service).

*Committed fund balances* are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments in the general fund at June 30, 2012: \$1,800,000 for construction, \$449,825 for compensated absences and \$5,265,000 for a minimum fund balance policy.

*Assigned fund balances* are amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2012 was \$0. Assigned fund balances also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund.

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 and then unassigned funds. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically rebudgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2012 in the governmental funds balance sheet.

**Note 5: Fund Balances** *(Continued)*

Statutorily, the Kentucky Department of Education may assume financial control over any school district whose fund balance drops below 2% of the total expenditures of certain funds. To maintain balances above this level, they recommend reserving at least 5%. On June 21, 2012, the Board committed \$5,265,000 to ensure fund balance remains above these levels. While these funds have been properly committed and not budgeted for future years' expenditures, there is no mandate on how these funds would be used if the Board fell below this floor.

**Note 6: Pension Plans**

• ***Plan Descriptions***

The Logan County School District participates in the Teachers' Retirement System of the State of Kentucky, a component unit of the Commonwealth of Kentucky (KTRS) and the County Employees Retirement System, a component unit of the Commonwealth of Kentucky (CERS), cost-sharing multiple-employer defined benefit plans. KTRS and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. KTRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The KTRS and CERS issue a publicly available financial report that includes financial statements and required supplementary information. KTRS' report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 or by calling (502) 573-3266. CERS' report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601-6124 or by calling (502) 564-5656.

• ***Funding Policy***

KTRS plan members are required to contribute 10.355% (10.855% for new hires effective July 1, 2008) of their covered salary. CERS plan members are required to contribute 5.0% (6.0% for new hires effective July 1, 2008) of their covered salary. The District is required to contribute to the CERS and the Commonwealth of Kentucky is required to contribute to the KTRS. The contribution rate is actuarially determined. The current rate for KTRS is 13.605% (14.105% for new hires effective July 1, 2008) of

**Note 6: Pension Plans** *(Continued)*

annual covered payroll. The rate for CERS is 18.96%, 16.93% and 16.16% for the years ended June 30, 2012, 2011 and 2010, respectively, of annual covered payroll. The contribution requirements of the plan members, the District and Commonwealth of Kentucky are established and may be amended by the Plans' Board of Trustees. The District's contributions to CERS for the years ended June 30, 2012, 2011 and 2010 were \$799,380, \$724,750 and \$701,260, respectively, equal to the required contributions for each year.

For the year ended June 30, 2012 the Commonwealth contributed \$1,815,988 to the KTRS for the benefit of the District's participating employees. The District's contributions to the KTRS for the year ended June 30, 2012 were \$148,730.

The amount recognized for revenues and expenses/expenditures for on-behalf payments relating to fringe benefits, retirement benefits and insurance for the District's employees for the year ended June 30, 2012 was \$5,273,196 for the governmental funds and \$116,010 for proprietary funds.

• **Medical Insurance Plan**

*Plan Description* — In addition to the pension benefits described above, Kentucky Revised Statute 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 made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

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

**Note 6: Pension Plans** *(Continued)*

*Funding Policy* — In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Those who became members before July 1, 2008 contribute 1.25% of salary to the plan. Member contributions are 1.75% of salary for those who became members after July 1, 2008. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 0.5% of members' salary for the 2011–2012 fiscal year.

• ***Deferred Compensation Plans***

The District offers its employees to defer compensation in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permit them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities in the financial statements.

**Note 7: Contingencies**

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

**Note 8: 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 are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include workers' compensation insurance.

**Note 9: 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 purchases commercial insurance.

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

**Note 10: Litigation**

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

**Note 11: Excess Expenditures over Appropriations**

The District has no funds with a deficit fund balance. However, the following funds had excess current year expenditures over current year appropriated revenues:

**Note 11: Excess Expenditures over Appropriations**  
*(Continued)*

Fund	Amount
General	\$ 485,672
Special Revenue	2,341
FSPK	446,443
Construction	344,962
Debt Service	165
Food Service	118,800

**Note 12: Fund Transfers**

Fund transfers for the year ended June 30, 2012 consist of the following:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	Matching	\$ 64,734
Operating	General	Construction	Construction	120,251
Operating	General	Debt Service	Debt Service	110,620
Operating	SEEK	Construction	Construction	2,000
Operating	SEEK	General	Operating	320,900
Operating	FSPK	General	Operating	268,699
Operating	FSPK	Construction	Construction	449,681
Operating	FSPK	Debt Service	Debt Service	880,292
Operating	Food Service	General	Indirect Costs	84,108

# Required Supplementary Information

Logan County School District  
Budgetary Comparison Schedule for the General Fund

Year Ended June 30, 2012	Budgeted Amounts		Actual (Budgetary Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
Revenues				
Local and intermediate sources	\$ 5,491,855	\$ 5,491,854	\$ 5,757,126	\$ 265,272
State programs	14,268,118	14,107,300	14,120,260	12,960
Federal programs	25,000	25,000	17,687	(7,313)
Total revenues	19,784,973	19,624,154	19,895,073	270,919
Expenditures				
Current:				
Instruction	12,068,745	12,039,585	11,952,473	87,112
Support services:				
Student	812,714	811,514	806,703	4,811
Instructional staff	1,091,867	1,014,047	1,018,646	(4,599)
District administration	533,588	471,335	458,806	12,529
School administration	1,334,969	1,334,969	1,331,354	3,615
Business	266,408	268,357	260,170	8,187
Plant operations and maintenance	2,661,786	2,672,733	2,732,927	(60,194)
Student transportation	1,723,166	2,186,504	2,134,647	51,857
Other	-	10,000	10,079	(79)
Land/site acquisition	-	-	53,042	(53,042)
Contingency	750,000	750,000	-	750,000
Total expenditures	21,243,243	21,559,044	20,758,847	800,197

Excess (Deficiency) of Revenues over Expenditures	(1,458,270)	(1,934,890)	(863,774)	1,071,116
Other Financing Sources (Uses)				
Operating transfers – net	(106,391)	373,224	378,102	4,878
Total other financing sources (uses)	(106,391)	373,224	378,102	4,878
Net Change in Fund Balance	(1,564,661)	(1,561,666)	(485,672)	1,075,994
Fund Balance – Beginning of Year	1,564,661	1,561,666	9,529,357	7,967,691
<b>Fund Balance – End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,043,685</b>	<b>\$ 9,043,685</b>

**Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures**

Inflows/revenues:

Actual amounts (budgetary basis)	\$ 19,895,073
Differences — budget to GAAP:	
On-behalf payments recorded under GAAP basis not included in budgeted amounts	5,273,196

**Total Revenues as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds**

**\$ 25,168,269**

Outflows/expenditures:

Actual amounts (budgetary basis)	\$ 20,758,847
Differences — budget to GAAP:	
On-behalf payments recorded under GAAP basis not included in budgeted amounts	5,273,196

**Total Expenditures as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds**

**\$ 26,032,043**

Logan County School District  
Budgetary Comparison Schedule for the Special Revenue Fund

Year Ended June 30, 2012	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<b>Revenues</b>				
Local and intermediate sources	\$ -	\$ 110	\$ 360	\$ 250
State programs	1,688,090	1,695,650	1,724,005	28,355
Federal programs	2,067,094	2,071,757	2,160,124	88,367
Total revenues	3,755,184	3,767,517	3,884,489	116,972
<b>Expenditures</b>				
Current:				
Instruction	2,737,645	2,752,552	2,817,045	(64,493)
Support services:				
Student	127,072	127,053	132,875	(5,822)
Instructional staff	540,956	530,370	559,826	(29,456)
Business	1,310	2,010	1,941	69
Plant operations and maintenance	18,045	18,872	18,872	-
Student transportation	187,391	187,391	207,000	(19,609)
Other	217,765	214,003	214,005	(2)
Total expenditures	3,830,184	3,832,251	3,951,564	(119,313)
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(75,000)	(64,734)	(67,075)	(2,341)

Other Financing Sources (Uses)				
Operating transfers – net	75,000	64,734	64,734	-
Total other financing sources (uses)	75,000	64,734	64,734	-
<hr/>				
Net Change in Fund Balance	-	-	(2,341)	(2,341)
Fund Balance – Beginning of Year	-	-	182,059	182,059
<hr/>				
<b>Fund Balance – End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 179,718</b>	<b>\$ 179,718</b>
<hr/> <hr/>				

# Supplementary Information

Logan County School District  
 Combining Balance Sheet  
 Non-Major Governmental Funds

June 30, 2012	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Other Governmental Funds
<b>Assets</b>				
Cash	\$ 366,275	\$ 27,661	\$ 50,520	\$ 444,456
<b>Total Assets</b>	<b>\$ 366,275</b>	<b>\$ 27,661</b>	<b>\$ 50,520</b>	<b>\$ 444,456</b>
<b>Fund Balances</b>				
Restricted	\$ 366,275	\$ 27,661	\$ 50,520	\$ 444,456
<b>Total Fund Balances</b>	<b>\$ 366,275</b>	<b>\$ 27,661</b>	<b>\$ 50,520</b>	<b>\$ 444,456</b>

Logan County School District  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-Major Governmental Funds

Year Ended June 30, 2012	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Other Governmental Funds
Revenues				
From local sources:				
Taxes:				
Property	\$ -	\$ 531,623	\$ -	\$ 531,623
Earnings on investments	943	798	-	1,741
Intergovernmental – state	323,675	620,583	227,035	1,171,293
Total revenues	324,618	1,153,004	227,035	1,704,657
Expenditures				
Land/site acquisition	775	775	-	1,550
Debt service:				
Principal	-	-	880,000	880,000
Interest	-	-	341,219	341,219
Bond issuance cost	-	-	30,620	30,620
Total expenditures	775	775	1,251,839	1,253,389
Excess (Deficiency) of Revenues over Expenditures	323,843	1,152,229	(1,024,804)	451,268

Other Financing Sources (Uses)

Proceeds of advance refunding bonds – net of discount	-	-	1,962,012	1,962,012
Payment to advance refunded bond escrow agent	-	-	(1,928,285)	(1,928,285)
Operating transfers in	-	-	990,912	990,912
Operating transfers out	(322,900)	(1,598,672)	-	(1,921,572)
<b>Total other financing sources (uses)</b>	<b>(322,900)</b>	<b>(1,598,672)</b>	<b>1,024,639</b>	<b>(896,933)</b>
Net Change in Fund Balance	943	(446,443)	(165)	(445,665)
Fund Balances – Beginning of Year	365,332	474,104	50,685	890,121
<b>Fund Balances – End of Year</b>	<b>\$ 366,275</b>	<b>\$ 27,661</b>	<b>\$ 50,520</b>	<b>\$ 444,456</b>

Logan County School District  
Combining Statement of Assets and Liabilities  
All School Activity Funds  
All Agency Funds

Year Ended June 30, 2012	Cash July 1, 2011	Receipts	Disbursements	Cash June 30, 2012	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2012
Logan County High School	\$ 7,520	\$ 552,681	\$ 551,973	\$ 8,228	\$ 118,470	\$ 10,532	\$ 116,166
Adairville Elementary School	25,213	80,040	79,909	25,344	-	42	25,302
Auburn Elementary School	85,129	72,071	77,728	79,472	89	1,911	77,650
Chandlers Elementary School	51,545	48,651	58,007	42,189	-	-	42,189
Lewisburg Elementary School	16,856	84,706	88,417	13,145	-	381	12,764
Olmstead Elementary School	45,697	63,809	58,800	50,706	-	53	50,653
<b>Total</b>	<b>\$ 231,960</b>	<b>\$ 901,958</b>	<b>\$ 914,834</b>	<b>\$ 219,084</b>	<b>\$ 118,559</b>	<b>\$ 12,919</b>	<b>\$ 324,724</b>

Logan County School District  
Statement of Assets and Liabilities  
School Activity Funds  
Logan County High School

Year Ended June 30, 2012	Cash July 1, 2011	Receipts	Disbursements	Cash June 30, 2012	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2012
Ace Academy	\$ -	\$ -	\$ -	\$ -	\$ 177	\$ -	\$ 177
Anthology	-	31	31	-	843	-	843
Archery	-	8,329	8,329	-	1,206	-	1,206
Art	-	555	555	-	82	-	82
Athletics	-	170,674	170,674	-	3,840	376	3,464
Baseball	-	6,007	6,007	-	4,735	-	4,735
Beta Club	-	7,815	7,815	-	5,016	-	5,016
Business and Office	-	-	-	-	2,722	-	2,722
Book	-	11,241	11,241	-	1,191	-	1,191
Book Club	-	566	566	-	267	-	267
Bookstore	-	1,338	1,338	-	548	-	548
Boys Basketball	-	14,381	14,381	-	1,686	621	1,065
Girls Basketball	-	15,184	15,184	-	458	144	314
Cheerleading	-	6,363	6,363	-	2,243	-	2,243
Class Academy	-	-	-	-	1,172	-	1,172
Cougar Academy	-	1,504	1,504	-	793	-	793
Cross Country	-	11,320	11,320	-	427	-	427
DECA	-	5,178	5,178	-	379	-	379
Drafting/Williams	-	-	-	-	4	-	4
Drama/Speech	-	40	40	-	103	-	103
FBLA Club	-	4,196	4,196	-	2,689	91	2,598
FCA Club	-	618	618	-	278	-	278
FFA Club	-	89,664	89,664	-	5,903	2,564	3,339
FCCLA Club	-	6,607	6,607	-	2,119	-	2,119
FMD	-	75	75	-	75	-	75

Football	-	17,456	17,456	-	4,660	304	4,356
Friends of Library	-	-	-	-	135	-	135
Game Tech Club	-	373	373	-	142	-	142
General	-	33,452	33,452	-	5,530	181	5,349
General #1 / Coke & Lance	-	775	775	-	81	-	81
General #2 / Coke & Lance	-	7,113	7,113	-	1,550	186	1,364
Golf	-	2,044	2,044	-	3,719	-	3,719
Greenhouse	7,520	25,323	24,615	8,228	8,971	-	17,199
Home Ec B	-	295	295	-	21	-	21
Home Ec C	-	2,726	2,726	-	337	-	337
Home Ec D	-	1,866	1,866	-	546	-	546
Industrial Arts	-	1,372	1,372	-	-	-	-
JROTC	-	-	-	-	195	-	195
JROTC Club	-	7,279	7,279	-	4,159	-	4,159
KTSA Club	-	-	-	-	34	-	34
LCHS Students for the	-	180	180	-	180	-	180
LCYSC	-	3,247	3,247	-	9,322	-	9,322
Library	-	54	54	-	508	-	508
Lost Book	-	182	182	-	520	-	520
Marketing	-	-	-	-	57	-	57
Pep Club	-	520	520	-	407	-	407
Project Graduation	-	17,539	17,539	-	143	-	143
Science Club	-	100	100	-	100	-	100
Science/Lee	-	-	-	-	28	-	28
Science/Logsdon	-	365	365	-	37	-	37
Science/Kelly, C.	-	460	460	-	453	-	453
Science/Myers	-	-	-	-	1	-	1
Science/Wood	-	235	235	-	50	-	50
Soccer/M.S.	-	7,069	7,069	-	270	-	270
Softball	-	4,184	4,184	-	3,737	67	3,670
Spanish Club	-	670	670	-	1,277	-	1,277

Logan County School District  
Statement of Assets and Liabilities (Continued)  
School Activity Funds  
Logan County High School

Year Ended June 30, 2012	Cash July 1, 2011	Receipts	Disbursements	Cash June 30, 2012	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2012
Spanish/Holland	-	19	19	-	19	-	19
Steam Academy	-	-	-	-	312	-	312
Student Council	-	1,454	1,454	-	1,932	-	1,932
Swim Team	-	901	901	-	1,708	-	1,708
Tennis	-	1,222	1,222	-	61	-	61
Track	-	11,645	11,645	-	2,962	-	2,962
United Way	-	-	-	-	735	-	735
Vo Ag	-	6,034	6,034	-	73	-	73
Volleyball	-	5,933	5,933	-	10,111	464	9,647
Year Book	-	28,908	28,908	-	14,431	5,534	8,897
<b>Totals</b>	<b>\$ 7,520</b>	<b>\$ 552,681</b>	<b>\$ 551,973</b>	<b>\$ 8,228</b>	<b>\$ 118,470</b>	<b>\$ 10,532</b>	<b>\$ 116,166</b>

Logan County School District  
Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Child Nutrition Cluster			
Passed-Through State Department of Education:			
School Breakfast Program	10.553	7760005 12	\$ 305,849
National School Lunch Program	10.555	7750002 12	769,700
Passed-Through State Department of Agriculture:			
Food Distribution Program – non-cash	10.555	057502	112,315
Total U.S. Department of Agriculture			1,187,864
U.S. Department of Defense			
ROTC – 2012	12.000	–	66,485
Total U.S. Department of Defense			66,485
U.S. Department for Energy Development and Independence			
Passed-Through State Workforce Cabinet:			
ARRA – SEMP School Energy Managers Project	81.041	5691	966
ARRA – SEMP School Energy Managers Project	81.041	5692	3,535
Total U.S. Department for Energy Development and Independence			4,501
U.S. Department of Education			
Passed-Through State Department of Education:			
Title I, Part A Cluster			
Title I – 2011	84.010	3100002 10	36,047
Title I – 2012	84.010	3100002 11	683,870
Subtotal			719,917
Migrant Education – 2011	84.011	3110002 10	26,037
Migrant Education – 2012	84.011	3110002 11	99,448
Subtotal			125,485
ARRA Homeless – 2010	84.387A	4990002 09	336
Education Jobs Fund	84.410	EJOB00 10	11,939
Special Education Cluster			
IDEA – Part B Special Education	84.027	3810002 10	13,200
IDEA – Part B Special Education	84.027	3810002 11	736,521
IDEA – Part B Preschool	84.173	3800002 10	2,451
IDEA – Part B Preschool	84.173	3800002 11	97,671
Subtotal			849,843

Year Ended June 30, 2012

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
English Language Acquisition Grants – 2011	84.365	3300002 10	644
English Language Acquisition Grants – 2012	84.365	3300002 11	2,622
Subtotal			3,266
Title II Teacher Quality – 2011	84.367	3230002 10	10,384
Title II Teacher Quality – 2012	84.367	3230002 11	161,682
Subtotal			172,066
Education Technology State Grant Cluster			
ARRA Education Technology – 2010	84.386	4210002 09	11,264
ARRA Enhancing Education Technology – 2010	84.386	4210002 09	10,457
Subtotal			21,721
Vocational Education – 2010	84.048	4621032 09	788
Vocational Education – 2011	84.048	4621132 10	1,121
Vocational Education – 2012	84.048	4621232 11	22,435
Subtotal			24,344
Fund for the Improvement of Education — Smaller Learning Communities	84.215L	5181	63,489
Passed-Through State Workforce Cabinet:			
Adult Education – Basic – 2012	84.002	3732	79,924
Adult Education – Professional Staff Development – 2012	84.002	3732S	3,630
Adult Education – Recruitment, Retention and Results	84.002	3651	13,178
Subtotal			96,732
Total U.S. Department of Education			2,089,138
<b>Total Expenditures of Federal Awards</b>			<b>\$ 3,347,988</b>

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal grant activity of Logan County School District (the “District”) under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Non-monetary assistance is reported in the schedule of fair value of the goods received.

**Note 3: Subrecipients**

There were no subrecipients during the fiscal year.

Logan County School District  
Summary Schedule of Prior Year Audit Findings

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None reported.



Carr, Riggs & Ingram, LLC

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**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Logan County School District as of and for the year ended June 30, 2012, which collectively comprise Logan County School District's basic financial statements and have issued our report thereon dated November 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the *Independent Auditors' Contract—General Audit Requirements*, Appendix II of the *Independent Auditors' Contract—State Audit Requirements*, Appendix III of the *Independent Auditors' Contract—Audit Extension Request* and Appendix IV of the *Independent Auditors' Contract—Instructions for the Submission of the Audit Report*.

● **Internal Control over Financial Reporting**

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

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

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

- **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material non-compliance of specific state statutes or regulations identified in Appendix II of the *Independent Auditors' Contract – State Audit Requirements*.

We noted certain matters that we reported to management of the District in a separate letter dated November 7, 2012.

This report is intended solely for the information and use of the members of the Logan County Board of Education, Kentucky State Committee for School District Audits, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

Carr, Riggs & Ingram, LLC  
Russellville, Kentucky  
November 7, 2012

**Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

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

● **Compliance**

We have audited Logan County School District's (the "District") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the *Independent Auditors' Contract—General Audit Requirements*, Appendix II of the *Independent Auditors' Contract—State Audit Requirements*, Appendix III of the *Independent Auditors' Contract—Audit Extension Request* and Appendix IV of the *Independent Auditors' Contract—Instructions for Submission of the Audit*

*Report.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

- **Internal Control over Compliance**

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance 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 non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the members of the Logan County Board of Education, Kentucky State Committee for School District Audits, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

**Section I — Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported

Non-compliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported

Type of auditors' 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

Logan County School District  
Schedule of Findings and Questioned Costs (Continued)

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Identification of major programs:

<b>CFDA Numbers</b>	<b>Name of Federal Program or Cluster</b>
84.010	Title I, Part A Cluster
84.011	Migrant Education

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

Auditee qualified as low-risk auditee?       Yes       No

**Section II — Financial Statement Findings**

None reported.

**Section III — Federal Award Findings And Questioned Costs**

None reported.



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## Management Letter

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

In planning and performing our audit of the financial statements of Logan County School District (the "District") for the year ended June 30, 2012, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated November 7, 2012 contains our report on the District's internal control. This letter does not affect our report dated November 7, 2012 on the financial statements of the District.

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

*Carr, Riggs & Ingram, L.L.C.*

Carr, Riggs & Ingram, LLC  
Russellville, Kentucky  
November 7, 2012

**Prior Year**

• **Logan County High School**

- During our procedures on ticket sales, we noted that money received for athletic events was not receipted to the central fund treasurer on a timely basis. We recommend that all money for ticket sales be turned in to the central fund treasurer and processed the day following the event.

**Current Year**

• **All Schools**

- During our procedures on the activity funds and discussion with management of the District, we noted that the activity fund budgets are not approved by the Board. We recommend that all schools submit an activity fund budget annually for the Board's approval in accordance with Accounting Procedures for Kentucky School Activity Funds (the "Redbook").

• **Adairville Elementary**

- During our procedures on the activity funds, we noted that budgets and annual receipts and disbursements are not being obtained from supporting organizations. We recommend annual budgets and an annual financial report listing receipts and disbursements be obtained from all supporting organizations and reviewed for propriety purposes as defined in the Redbook.

• **Logan County High School**

- During our procedures on receipts, we noted that deposit slips were not documented with dual initials indicating a dual counting of funds deposited on a consistent basis. We recommend two individuals count deposits and initial the deposit slip to document this procedure.

# LOGAN COUNTY BOARD OF EDUCATION

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Marshall H. Kemp, Superintendent  
Phone (270) 726-2436 ■ FAX (270) 726-8892

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November 7, 2012

Kentucky Department of Education  
Division of Finance  
Capital Plaza Tower, 15<sup>th</sup> Floor  
500 Mero Street  
Frankfort, KY 40601

RE: Logan County School District  
Letter of Comments and Recommendations  
Audit of FYE June 30, 2012

Ladies / Gentlemen:

As noted in the audit report, there were no material weaknesses, reportable conditions, instances of noncompliance, or questioned costs discovered in the audit of the financial statements of the Logan County School District for the fiscal year ended June 30, 2012. The auditor's *Letter of Comments and Recommendations* describes opportunities for strengthening internal controls and operating efficiency.

Following are the procedures to institute the recommendations and corrective actions to be taken or already established:

#### **All Schools**

All school activity fund budgets will be approved by the Board in the future. The 2013 activity fund budgets for all schools have been approved by the Board.

#### **Adairville Elementary School**

The school has been directed to obtain budgets and annual receipts and disbursements statements from all supporting organizations and to review them for propriety purposes.

Kentucky Department of Education  
Division of Finance  
November 7, 2012  
Page 2 of 2

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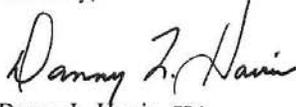
**Logan County High School**

The school has been informed to always have two individuals count deposits and initial the deposit slip with dual initials indicating same.

Even though funds from ballgame gate receipts are in the custody of the bank, the school has been directed to obtain the funds and prepare the deposit the next business day.

If there are any questions on the comments or corrective actions, or if any other information is needed, please feel free to call upon me.

Sincerely,



Danny L. Harris, CPA  
Finance Officer

CC: Carr Riggs & Ingram, LLC