

**LAUREL COUNTY SCHOOL DISTRICT**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2013**  
**with**  
**REPORT OF INDEPENDENT AUDITORS**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of the *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Auditor's Contract-General Audit Requirements and Appendix II to the Independent Auditor's Contract-State Audit Requirements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

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

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

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

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and the schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The management's discussion and analysis and budgetary comparison information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 11, 2013, on our consideration of Laurel County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Laurel County School District's internal control over financial reporting and compliance.

*Cloyd & Associates, PSC*  
Cloyd & Associates, PSC  
London, Kentucky  
November 11, 2013

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

LAUREL COUNTY SCHOOL DISTRICT - LONDON, KY

Year Ended June 30, 2013

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

### **FINANCIAL HIGHLIGHTS**

The District's solid financial position is attributed to sound fiscal management and continuing review of all policies in search of ways to increase revenues and/or reduce costs. Our current financial position is strong and our budget for FY 2014 is solid and supports the educational needs of the students the District serves while at the same time is capable of responding to the fluid nature of changes in the current economic landscape.

For next year (FY 2014) the District has increased the property and vehicle tax rates that will generate an additional \$963,081 of local revenue to help offset continued decreases in state and federal funding.

Bonds are issued as the District renovates and builds facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District's net total bonded debt increased by \$4,925,000 during the current fiscal year.

In fiscal year 2013 the District issued one bond in the amount of \$8,900,000 using the proceeds for a major addition/renovation at a middle school.

In fiscal year 2013, excluding revenue from bonds of \$8.9 million, total Fund revenue was \$88.4 million which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes and excluding construction cost of \$7.6 million total fund expenditures were \$89.7 million.

### **OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
LAUREL COUNTY SCHOOL DISTRICT - LONDON, KY  
Year Ended June 30, 2013

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories:

**Governmental Funds:** Most of the District's basic activities are reported in these funds, which focus on how money flows into and out of these funds and the balances left at year-end that is available for spending. The funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The statements for these funds provide a short-term view of the District's general operations and the basic services they provide to help determine where financial resources may be found to finance the District's programs.

**Proprietary Funds:** These are business-type activities where the District charges students or parents for the services it provides. These funds are reported using the full accrual accounting method in the same way that all activities are reported in the Statement of Net position and Statement of Revenues, Expenses, and Changes in Net Position. School food service is the major activity considered as business-type activities in the District.

**Fiduciary funds:** These are trust funds used to account for resources held for the benefit of parties outside the District. These funds are not reflected in the District-wide financial statements because the resources of these funds are not available to support the District's own activities or programs. The basis of accounting for fiduciary funds is similar to that of proprietary funds.

The basic governmental fund financial statements can be found on pages 10-20 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 21-37 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**LAUREL COUNTY SCHOOL DISTRICT - LONDON, KY**  
Year ended June 30, 2013

**DISTRICT-WIDE FINANCIAL ANALYSIS**

Net position is an indicator of a district's financial position. Laurel County School District assets exceeded liabilities by \$68,349,772 as of June 30, 2013, an increase of \$4,452,168 from the previous year.

**Net Position Comparison Statement**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Change</u>
Current assets	\$ 18,909,911	\$ 12,205,017	\$ 6,704,894
Long-term assets	6,084,514	4,877,444	1,207,070
Capital Assets Net of Depreciation	<u>132,777,073</u>	<u>130,065,072</u>	<u>2,712,001</u>
<b>Total assets</b>	<b><u>157,771,498</u></b>	<b><u>147,147,533</u></b>	<b><u>10,623,965</u></b>
Current liabilities	7,803,694	6,199,858	1,603,836
Long-term liabilities	<u>81,618,032</u>	<u>77,050,072</u>	<u>4,567,960</u>
<b>Total liabilities</b>	<b><u>89,421,726</u></b>	<b><u>83,249,930</u></b>	<b><u>6,171,796</u></b>
<b>Net Position</b>			
Net investment in capital assets net of debt	51,854,331	54,405,232	(2,550,901)
Restricted net position	7,177,750	3,983,993	3,193,757
Unrestricted net position	<u>9,317,691</u>	<u>5,508,379</u>	<u>3,809,312</u>
<b>Total Net Position</b>	<b><u>\$ 68,349,772</u></b>	<b><u>\$ 63,897,604</u></b>	<b><u>\$ 4,452,168</u></b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**LAUREL COUNTY SCHOOL DISTRICT - LONDON, KY**  
Year Ended June 30, 2013

<b>Capital Asset Activity</b>	<b>June 30, 2012</b>	<b>FY 2013</b>	<b>FY 2013</b>	<b>June 30, 2013</b>
	<b>Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance</b>
<b>Governmental Activities</b>				
Land & Land Improvements	\$ 7,356,192	\$ -	\$ -	\$ 7,356,192
Buildings	142,103,267	464,442	-	142,567,709
Technology	7,345,550	385,612	671,668	7,059,494
Vehicles	9,053,202	9,504	380,228	8,682,477
General Equipment	1,985,691	129,008	57,908	2,056,791
Construction Work in Progress	383,798	7,131,215	-	7,515,013
Total historical cost	168,227,700	8,119,780	1,109,804	175,237,676
Less accumulated depreciation	46,793,207	5,059,071	1,088,438	50,763,840
<b>Governmental capital assets, net</b>	<b>\$ 121,434,493</b>	<b>\$ 3,060,709</b>	<b>\$ 21,366</b>	<b>\$ 124,473,836</b>
<b>Business-type Activities</b>				
Buildings	\$ 10,776,135	\$ -	\$ -	\$ 10,776,135
Technology	57,907	-	8,560	49,347
General Equipment	2,616,537	-	1,792	2,614,745
Total historical cost	13,450,579	-	10,352	13,440,227
Less accumulated depreciation	4,820,000	327,341	10,352	5,136,989
<b>Business-type capital assets, net</b>	<b>\$ 8,630,579</b>	<b>\$ (327,341)</b>	<b>\$ -</b>	<b>\$ 8,303,238</b>

**Comments on General Fund Budget Comparisons**

- Total General Fund revenues for the fiscal year ended June 30, 2013, net of inter-fund transfers, were \$63,474,859.
- Total General Fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual revenue being \$1,258,043 more than budget or 2% more. The major contributors to this increase were an increase in Utility Tax due to settlement of \$596,090 with one provider for past due amounts, an increase of \$426,646 due to a change in funding for At-Risk students and \$224,259 more Omitted Property Tax collected than budgeted.
- Total General Fund budgeted expenditures net of budgeted contingency and interfund transfers compared to actual expenditures were \$2,302,679 less than budget or 3.6% less. The major contributors to this decrease were budgeted vehicle purchases of \$660,000 were eliminated and salary and benefit cost of \$1,580,000 were reduced by non-rehires in vacated positions and transfers of salaries to categorical programs.

The Budget Versus Actual comparison statement can be found on page 16 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**LAUREL COUNTY SCHOOL DISTRICT - LONDON, KY**  
Year Ended June 30, 2013

The following table presents a summary of revenues and expenditures reported on the Annual Financial Report for the fiscal year ended June 30, 2013, excluding beginning balance and inter-fund transfers, compared to the fiscal year ended June 30, 2012.

**REVENUES**

	<u>FY 2013</u>	<u>FY 2012</u>	<u>Change</u>
Local revenue sources	\$ 19,896,425	\$ 19,007,526	\$ 888,899
State revenue sources	57,196,665	56,798,649	398,016
Federal Revenue	11,344,391	12,983,449	(1,639,058)
Bond Proceeds	8,994,133	9,425,000	(430,867)
<b>Total revenues</b>	<u><b>97,431,614</b></u>	<u><b>98,214,624</b></u>	<u><b>(783,010)</b></u>

**EXPENDITURES**

Instruction	46,967,437	48,273,107	(1,305,670)
Student Support Services	4,871,404	4,813,844	57,561
Instructional Support	4,303,115	5,018,289	(715,173)
District Administration	785,801	1,009,905	(224,104)
School Administration	3,227,785	3,286,709	(58,924)
Business Support	1,789,158	1,652,262	136,896
Plant Operations	9,001,473	8,131,248	870,225
Student Transportation	4,092,853	4,177,827	(84,975)
Food Service	6,752,704	6,025,007	727,697
Enterprise Operations	105,902	108,786	(2,884)
Community Support	774,912	876,926	(102,015)
Adult Education Operations	-	-	-
Bond Refunding Payment	-	-	-
Building Renovations/Additions	7,631,786	4,337,483	3,294,303
Debt Service	7,003,381	16,379,607	(9,376,226)
Lease Payments	-	84,065	(84,065)
<b>Total expenditures</b>	<u><b>97,307,711</b></u>	<u><b>104,175,065</b></u>	<u><b>(6,867,354)</b></u>
<b>Revenue in Excess (Deficit) of Expenditures:</b>	<u><b>\$ 123,903</b></u>	<u><b>\$ (5,960,441)</b></u>	<u><b>\$ 6,084,344</b></u>

The major factors in the above changes are the result of revenue from bond sale in FY 2013 and portion of that revenue not being expended for construction until FY 2014.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**LAUREL COUNTY SCHOOL DISTRICT - LONDON, KY**  
Year Ended June 30, 2013

**BUDGETARY IMPLICATIONS**

Kentucky's public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District overall budget. By statute the General Fund budget must have a minimum 2.0% contingency. The District adopted a budget with a \$4,799,079 (8.28%) contingency and ended the year with an actual contingency of \$8,564,215 (15.53%).

**LOCAL ECONOMIC OUTLOOK**

The economic forecast for the London/Laurel County area continues to be stable.

Census data from the University of Louisville indicates on average a 7% population growth every five years for the next twenty-five years. Laurel County Schools FY 2013 student enrollment was level compared with FY 2012 enrollment but the District expects to return to additional student growth in FY 2014. Property assessments increased \$6 million (0.2%) for the FY 2014 fiscal year.

Laurel County has an intersection of a north/south interstate, I-75, and a major east/west highway. Economic strength can be found in the balance among manufacturing, professional services, retail trade, tourism, educational, health and social service, and transportation. The area's diverse economic infrastructure has insulated it from major economic downturns. Local government officials continue to be very proactive in attracting new employers to the area and have been successful in attracting new jobs to the area.

**CONTACTING THE LAUREL COUNTY SCHOOL DISTRICT MANAGEMENT**

Questions regarding this report should be directed to the Business Manager or the Director of Accounting, by phone (606) 862-4600 or by mail at 718 North Main Street, London, KY 40741.

LAUREL COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2013

ASSETS	Governmental Activities	Business-type Activities	Total
<b>Current Assets</b>			
Cash and cash equivalents	\$ 14,581,357	\$ 542,157	\$ 15,123,514
SFCC Current receivable of bonds payable	446,294	-	446,294
Accounts receivable	2,379,553	350,027	2,729,580
Supplies Inventory	434,869	175,654	610,523
<b>Total current assets</b>	<u>17,842,073</u>	<u>1,067,838</u>	<u>18,909,911</u>
<b>Noncurrent Assets</b>			
SFCC Long term receivable of bond principal	6,084,514	-	6,084,514
Capital Assets	175,237,675	13,440,227	188,677,902
Less: Accumulated depreciation	(50,763,840)	(5,136,989)	(55,900,829)
<b>Total noncurrent assets</b>	<u>130,558,349</u>	<u>8,303,238</u>	<u>138,861,587</u>
<b>Total assets</b>	<u>\$ 148,400,422</u>	<u>\$ 9,371,076</u>	<u>\$ 157,771,498</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 1,893,497	\$ 5,467	\$ 1,898,964
Interest payable	847,836	-	847,836
Current portion of bond obligations	4,280,000	-	4,280,000
Current portion of accrued sick leave	168,000	-	168,000
Accrued payroll and withholding obligations	486,115	-	486,115
Deferred revenue	122,779	-	122,779
<b>Total current liabilities</b>	<u>7,798,227</u>	<u>5,467</u>	<u>7,803,694</u>
<b>Noncurrent Liabilities</b>			
Noncurrent portion of bonds obligations	80,885,000	-	80,885,000
Noncurrent portion of accrued sick leave	733,032	-	733,032
<b>Total noncurrent liabilities</b>	<u>81,618,032</u>	<u>-</u>	<u>81,618,032</u>
<b>Total Liabilities</b>	<u>89,416,259</u>	<u>5,467</u>	<u>89,421,726</u>
<b>NET POSITION</b>			
Net investment in capital assets	43,551,093	8,303,238	51,854,331
Restricted for:			
Capital projects	6,161,173	-	6,161,173
Other purposes	1,011,896	4,681	1,016,577
Unrestricted	8,260,001	1,057,690	9,317,691
<b>Total net position</b>	<u>58,984,163</u>	<u>9,365,609</u>	<u>68,349,772</u>
<b>Total liabilities and net position</b>	<u>\$ 148,400,422</u>	<u>\$ 9,371,076</u>	<u>\$ 157,771,498</u>

LAUREL COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
Instruction	\$ 48,171,437	\$ 91,152	\$ 6,786,738	\$ -	\$ (41,293,547)	\$ -	\$ (41,293,547)
Support services:							
Student	4,871,405	1,250	68,259	-	(4,801,895)	-	(4,801,895)
Instruction staff	4,041,681	-	1,377,543	-	(2,664,138)	-	(2,664,138)
District administrative	784,437	-	-	-	(784,437)	-	(784,437)
School administrative	3,227,785	-	76,890	-	(3,150,895)	-	(3,150,895)
Business	1,789,158	-	253,815	-	(1,535,343)	-	(1,535,343)
Plant operation and maintenance	6,997,267	-	33,864	-	(6,963,403)	-	(6,963,403)
Student transportation	4,091,612	-	-	-	(4,091,612)	-	(4,091,612)
Facilities acquisition and construction	500,571	-	-	-	(500,571)	-	(500,571)
Community service activities	1,117,782	-	771,311	-	(346,471)	-	(346,471)
Other	-	-	-	-	-	-	-
Interest on long-term debt	3,384,616	-	-	521,855	(2,862,762)	-	(2,862,762)
<b>Total governmental activities</b>	<b>78,977,752</b>	<b>92,402</b>	<b>9,368,420</b>	<b>521,855</b>	<b>(68,995,076)</b>	<b>-</b>	<b>(68,995,076)</b>
<b>Business-type Activities</b>							
Food service	6,410,944	1,495,180	4,777,636	-	-	(138,128)	(138,128)
Adult education	668	-	-	-	-	(668)	(668)
Day care	105,902	107,194	-	-	-	1,292	1,292
Other business activities	21,860	27,202	-	-	-	5,342	5,342
<b>Total business-type activities</b>	<b>6,539,375</b>	<b>1,629,576</b>	<b>4,777,636</b>	<b>-</b>	<b>-</b>	<b>(132,163)</b>	<b>(132,163)</b>
<b>Total school district</b>	<b>\$ 85,517,126</b>	<b>\$ 1,721,978</b>	<b>\$ 14,146,056</b>	<b>\$ 521,855</b>	<b>(68,995,076)</b>	<b>(132,163)</b>	<b>(69,127,238)</b>

**General Revenues**

Property taxes	\$ 11,827,684	\$ -	\$ 11,827,684
Delinquent property tax	366,814	-	366,814
Motor vehicle taxes	1,177,515	-	1,177,515
Utility taxes	4,170,604	-	4,170,604
Other taxes	424,259	-	424,259
Revenue in lieu of taxes	68,552	-	68,552
Investment earnings	40,405	1,278	41,683
State aid formula grants	55,332,296	-	55,332,296
Gains on sale of fixed assets	5,299	-	5,299
Loss compensation	11,943	-	11,943
Miscellaneous	140,644	12,113	152,757
<b>Total general revenues</b>	<b>73,566,017</b>	<b>13,390</b>	<b>73,579,407</b>
Change in net position	4,570,941	(118,773)	4,452,168
Net position - beginning	54,413,222	9,484,382	63,897,604
Net position - ending	<b>\$ 58,984,163</b>	<b>\$ 9,365,609</b>	<b>\$ 68,349,772</b>

LAUREL COUNTY SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2013

	General Fund	Special Revenue	Construction Fund	Other Nonmajor Governmental	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 8,649,101	\$ (1,705,053)	\$ 7,637,309	\$ -	\$ 14,581,357
Accounts receivable	447,786	1,931,767	-	-	2,379,553
Supplies inventory	434,869	-	-	-	434,869
<b>Total assets</b>	<b>\$ 9,531,756</b>	<b>\$ 226,714</b>	<b>\$ 7,637,309</b>	<b>\$ -</b>	<b>\$ 17,395,778</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 313,426	\$ 103,935	\$ 1,476,136	\$ -	\$ 1,893,497
Accrued payroll and withholding obligations	486,115	-	-	-	486,115
Deferred revenue	-	122,779	-	-	122,779
Current portion of accumulated sick leave	168,000	-	-	-	168,000
<b>Total liabilities</b>	<b>967,541</b>	<b>226,714</b>	<b>1,476,136</b>	<b>-</b>	<b>2,670,391</b>
<b>Fund Balances</b>					
Nonspendable	434,869	-	-	-	434,869
Restricted	-	-	6,161,173	-	6,161,173
Committed	600,000	-	-	-	600,000
Assigned	105,778	-	-	-	105,778
Unassigned	7,423,568	-	-	-	7,423,568
<b>Total fund balances</b>	<b>8,564,215</b>	<b>-</b>	<b>6,161,173</b>	<b>-</b>	<b>14,725,387</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,531,756</b>	<b>\$ 226,714</b>	<b>\$ 7,637,309</b>	<b>\$ -</b>	<b>\$ 17,395,778</b>

**LAUREL COUNTY SCHOOL DISTRICT**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF NET POSITION**  
June 30, 2013

Total fund balance per fund financial statements	\$ 14,725,388
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	124,473,835
Certain assets are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net position.	6,530,808
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.	<u>(86,745,868)</u>
Net position for governmental activities	<u>\$ 58,984,163</u>

LAUREL COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2013

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
From local sources					
Property taxes	\$ 7,133,063	\$ -	\$ -	\$ 4,480,221	\$ 11,613,284
Motor vehicle taxes	1,177,515	-	-	-	1,177,515
Utility taxes	4,170,604	-	-	-	4,170,604
Franchise fees	580,701	-	-	-	580,701
Other taxes	424,772	-	-	-	424,772
Earnings on investments	40,405	103	-	-	40,509
Other local revenues	47,761	91,152	-	-	138,913
State sources					
SEEK	37,536,288	-	-	3,921,072	41,457,360
Other	12,000,722	2,220,760	-	642,546	14,864,028
Federal - direct	73,344	141,549	-	-	214,893
Federal - indirect	223,077	7,006,007	-	-	7,229,084
Revenue in lieu of taxes	68,552	-	-	-	68,552
Other revenues	-	-	-	-	-
<b>Total revenues</b>	<b>63,476,805</b>	<b>9,459,571</b>	<b>-</b>	<b>9,043,839</b>	<b>81,980,215</b>
<b>Expenditures</b>					
Instruction	36,128,640	7,081,190	-	-	43,209,829
Support services					
Student	4,799,585	68,259	-	-	4,867,844
Instruction staff	2,802,310	1,377,543	-	-	4,179,853
District administration	722,760	-	-	-	722,760
School administration	3,145,432	76,890	-	-	3,222,322
Business	1,535,104	253,815	-	-	1,788,919
Plant operation and maintenance	8,226,024	33,864	-	-	8,259,888
Student transportation	3,706,845	-	-	-	3,706,845
Facilities acquisition and construction	-	-	7,631,786	-	7,631,786
Community service activities	4,711	771,311	-	-	776,022
Debt service	-	-	-	7,003,381	7,003,381
Other expenditures	341,760	-	-	-	341,760
<b>Total expenditures</b>	<b>61,413,172</b>	<b>9,662,871</b>	<b>7,631,786</b>	<b>7,003,381</b>	<b>85,711,210</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>2,063,633</b>	<b>(203,300)</b>	<b>(7,631,786)</b>	<b>2,040,458</b>	<b>(3,730,995)</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of bonds	-	-	8,994,133	-	8,994,133
Deposits with escrow agents	-	-	-	-	-
Net proceeds from sale of fixed assets	38,609	-	-	-	38,609
Operating transfers in	169,105	203,300	1,874,276	6,360,835	8,607,516
Operating transfers out	(203,300)	-	(2,923)	(8,401,293)	(8,607,516)
<b>Total other financing sources (uses)</b>	<b>4,414</b>	<b>203,300</b>	<b>10,865,487</b>	<b>(2,040,458)</b>	<b>9,032,742</b>
<b>Net change in fund balances</b>	<b>2,068,047</b>	<b>-</b>	<b>3,233,701</b>	<b>-</b>	<b>5,301,748</b>
<b>Fund balance, July 1, 2012</b>	<b>6,496,168</b>	<b>-</b>	<b>2,927,472</b>	<b>-</b>	<b>9,423,640</b>
<b>Fund balance, June 30, 2013</b>	<b>\$ 8,564,215</b>	<b>\$ -</b>	<b>\$ 6,161,173</b>	<b>\$ -</b>	<b>\$ 14,725,388</b>

**LAUREL COUNTY SCHOOL DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2013

Net change in total fund balances per fund financial statements \$ 5,301,748

Amounts reported for governmental activities in the statement of revenues, expenses,  
and changes in net position are different because:

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of revenues, expenses, and changes in net position and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year. 3,060,708

The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position. (8,900,000)

Unrealized gains and losses are not presented in this financial statement because they do not provide or use current financial resources but they are presented in the statement of revenues, expenses, and changes in net position. (21,366)

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position. 3,975,000

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of revenues, expenses, and changes in net position when they are incurred. 1,154,851

Change in net position of governmental activities \$ 4,570,941

**LAUREL COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
Year Ended June 30, 2013

Revenues	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original Tentative Working	Final Working	General Fund	
From local sources				
Property taxes	\$ 7,113,361	\$ 7,228,958	\$ 7,557,322	\$ 328,364
Motor vehicle taxes	1,156,920	1,289,110	1,177,515	(111,595)
Utility taxes	3,500,000	3,500,000	4,170,604	670,604
Unmined minerals taxes	-	-	513	513
Francise taxes	700,000	610,000	580,701	(29,299)
Other local revenues	76,000	77,000	116,313	39,313
Earnings on investments	45,000	35,000	40,405	5,405
State sources				
SEEK	37,597,396	37,109,642	37,536,288	426,646
Other	11,875,000	11,831,000	11,735,740	(95,260)
Federal - direct	70,000	70,000	73,344	3,344
Federal - indirect	75,000	75,000	223,077	148,077
Revenue in lieu of taxes	145,000	145,000	142,697	(2,303)
Other revenues	72,000	246,105	120,339	(125,766)
<b>Total revenues</b>	<b>62,425,677</b>	<b>62,216,815</b>	<b>63,474,859</b>	<b>1,258,043</b>
<b>Expenditures</b>				
Instruction	37,798,752	37,902,694	36,126,694	1,776,000
Support services				-
Student	5,036,758	4,960,266	4,799,585	160,681
Instruction staff	3,315,739	3,279,077	2,802,310	476,767
District administration	812,296	800,690	722,760	77,930
School administration	3,283,119	3,282,155	3,145,432	136,723
Business	1,525,230	1,569,487	1,535,104	34,383
Plant operation and maintenance	7,588,560	7,677,905	8,226,024	(548,119)
Student transportation	3,713,254	3,901,925	3,706,845	195,080
Community service activities	189,000	3,938	4,711	(773)
Debt service	-	-	-	-
Other expenditures	146,981	335,767	341,760	(5,993)
<b>Total expenditures</b>	<b>63,409,689</b>	<b>63,713,904</b>	<b>61,411,226</b>	<b>2,302,679</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>(984,012)</b>	<b>(1,497,089)</b>	<b>2,063,633</b>	<b>3,560,722</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of bonds	-	-	-	-
Net proceeds from sale of fixed assets	-	-	38,609	38,609
Operating transfers in	-	-	169,105	169,105
Operating transfers out	(200,000)	(200,000)	(203,300)	(3,300)
<b>Total other financing sources (uses)</b>	<b>(200,000)</b>	<b>(200,000)</b>	<b>4,414</b>	<b>204,414</b>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<b>(1,184,012)</b>	<b>(1,697,089)</b>	<b>2,068,047</b>	<b>3,765,135</b>
<b>Fund balance, July 1, 2012</b>	<b>5,416,490</b>	<b>6,496,168</b>	<b>6,496,168</b>	<b>-</b>
<b>Fund balance, June 30, 2013</b>	<b>\$ 4,232,478</b>	<b>\$ 4,799,079</b>	<b>\$ 8,564,215</b>	<b>\$ 3,765,135</b>

**LAUREL COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2013

<b>ASSETS</b>	<u>Food Service Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 439,974	\$ 102,183	\$ 542,157
Accounts receivable	350,027	-	350,027
Inventory	175,654	-	175,654
<b>Total current assets</b>	<u>965,655</u>	<u>102,183</u>	<u>1,067,838</u>
<b>Noncurrent Assets</b>			
Capital Assets	13,440,227	-	13,440,227
Less: Accumulated depreciation	(5,136,989)	-	(5,136,989)
<b>Total noncurrent assets</b>	<u>8,303,238</u>	<u>-</u>	<u>8,303,238</u>
<b>Total assets</b>	<u>\$ 9,268,893</u>	<u>\$ 102,183</u>	<u>\$ 9,371,076</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 5,109	\$ 358	\$ 5,467
<b>Total current liabilities</b>	<u>5,109</u>	<u>358</u>	<u>5,467</u>
<b>NET POSITIONS</b>			
Net investment in capital assets	8,303,238	-	8,303,238
Restricted for:			
Other	960,546	101,825	1,062,371
Unrestricted	-	-	-
<b>Total net position</b>	<u>9,263,784</u>	<u>101,825</u>	<u>9,365,609</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 9,268,893</u>	<u>\$ 102,183</u>	<u>\$ 9,371,076</u>

**LAUREL COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
Year Ended June 30, 2013

	<u>Food Service Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
<b>Operating Revenues</b>			
Food service sales	\$ 1,495,180	\$ 5,806	\$ 1,500,986
Community service activities	-	107,194	107,194
Other operating revenues	12,113	21,396	33,509
<b>Total operating revenues</b>	<u>1,507,293</u>	<u>134,396</u>	<u>1,641,689</u>
<b>Operating Expenses</b>			
Salaries and wages	2,822,691	86,572	2,909,263
Professional and contract services	-	-	-
Supplies and materials	3,260,912	41,859	3,302,771
Depreciation	327,341	-	327,341
Other operating expenses	-	-	-
<b>Total operating expenses</b>	<u>6,410,944</u>	<u>128,431</u>	<u>6,539,375</u>
<b>Operating income (loss)</b>	<u>(4,903,651)</u>	<u>5,965</u>	<u>(4,897,686)</u>
<b>Nonoperating revenues (expenses)</b>			
Federal grants	3,593,883	-	3,593,883
State grants	877,223	-	877,223
Donated commodities	306,529	-	306,529
Operating transfers Out	-	-	-
Interest income	1,278	-	1,278
<b>Total nonoperating revenues (expenses)</b>	<u>4,778,913</u>	<u>-</u>	<u>4,778,912</u>
<b>Net income (loss)</b>	<u>(124,738)</u>	<u>5,965</u>	<u>(118,773)</u>
<b>Total net position, July 1, 2012</b>	<u>9,388,522</u>	<u>95,860</u>	<u>9,484,382</u>
<b>Total net position, June 30, 2013</b>	<u>\$ 9,263,784</u>	<u>\$ 101,825</u>	<u>\$ 9,365,609</u>

**LAUREL COUNTY SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended June 30, 2013

	Food Service Fund	Other Enterprise Funds	Total
<b>Cash Flows from Operating Activities</b>			
Cash received from lunchroom sales	\$ 1,145,154	\$ 5,868	\$ 1,151,022
Cash received from user charges	-	128,190	128,190
Cash received from other activities	12,113	400	12,513
Cash payments to employees for services	(1,997,470)	(86,572)	(2,084,042)
Cash payments to suppliers for goods and services	(2,967,309)	(40,824)	(3,008,133)
Cash payments for other operating activities	(11,781)	(1,636)	(13,417)
<b>Net cash from operating activities</b>	<b>(3,819,294)</b>	<b>5,426</b>	<b>(3,813,868)</b>
<b>Cash Flows from Capital Financing Activities</b>			
Acquisition of capital assets	-	-	-
<b>Net cash from capital financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Nonoperating grants received	3,645,885	-	3,645,885
Operating transfers out	-	-	-
<b>Net cash from noncapital financing activities</b>	<b>3,645,885</b>	<b>-</b>	<b>3,645,885</b>
<b>Cash Flows from Investing Activities</b>			
Interest on investments	1,278	-	1,278
<b>Net cash flows from investing activities</b>	<b>1,278</b>	<b>-</b>	<b>1,278</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(172,131)</b>	<b>5,426</b>	<b>(166,706)</b>
<b>Cash and cash equivalents - beginning</b>	<b>612,105</b>	<b>96,757</b>	<b>708,862</b>
<b>Cash and cash equivalents - ending</b>	<b>\$ 439,974</b>	<b>\$ 102,183</b>	<b>\$ 542,157</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating income (loss)	\$ (4,903,651)	\$ 5,965	\$ (4,897,686)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Depreciation	327,341	-	327,341
Donated Commodities	306,529	-	306,529
On-behalf payments	825,221	-	825,221
Realized loss/gain on sale of assets	-	-	-
Changes in assets and liabilities:			
Receivables	(350,027)	63	(349,964)
Inventory	(13,741)	-	(13,741)
Accounts payable	(10,966)	(602)	(11,569)
Accrued liabilities	-	-	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (3,819,294)</b>	<b>\$ 5,426</b>	<b>\$ (3,813,868)</b>
<b>Non-Cash Non-Capital Financing Activities</b>			
Donated commodities received from federal government	\$ 306,529	\$ -	\$ 306,529

**LAUREL COUNTY SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
June 30, 2013

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 454,149
Accounts Receivable	<u>8,944</u>
<b>Total assets</b>	<u><u>\$ 463,093</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 23,217
Due to student groups	<u>439,876</u>
<b>Total liabilities</b>	<u>463,093</u>
<b>Total net position</b>	<u><u>\$ -</u></u>

**LAUREL COUNTY SCHOOL DISTRICT**  
NOTES TO BASIC FINANCIAL STATEMENTS  
Year Ended June 30, 2013

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

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

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Laurel County Board of Education. The basic 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. Such funds or groups have been considered as prospective component units under GASB Statement Number 39, *Determining Whether Certain Organizations Are Component Units*, and have been determined to have insignificant assets, liabilities, equity, revenue and expenditures to be considered component units. In addition, the Board has the ability to exert little control over the fiscal activities of the funds or groups.

The basic 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:

Laurel County School District Finance Corporation - In a prior year the Board of Education resolved to authorize the establishment of the Laurel 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 Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Basis of Presentation

District-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental, which normally are supported by tax revenues, and those that are considered business-type activities, which rely significantly on fees and charges for support.

The district-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. 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 reconciliations with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

**LAUREL COUNTY SCHOOL DISTRICT**  
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
Year Ended June 30, 2013

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Basis of Presentation - continued

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

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities; and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in 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:

I. Government Fund Types

- (A) The General Fund is the main operating fund of the District. It accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

**LAUREL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year Ended June 30, 2013

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Basis of Presentation - continued

I. Government Fund Types - continued

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

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

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

II. Proprietary Fund Types (Enterprise Fund)

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

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

III. Fiduciary Fund Type (Agency Funds)

(A) The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Accounting Procedures for Kentucky School Activity Funds*.

Basis of Accounting

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

**LAUREL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year Ended June 30, 2013

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Basis of Accounting - continued

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing 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. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue. The District reports deferred revenue on its statement of net position and governmental funds balance sheet. In both the district-wide and governmental fund statements, grants that are intended to finance future periods are reported as deferred revenue. In subsequent periods, the liability for deferred revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The fair value of donated commodities used during the year is reported in the statement of activities as an expense with a like amount reported as donated commodities revenue.

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

Property Taxes

Property taxes are levied by September 30 on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

**LAUREL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year Ended June 30, 2013

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The property tax rates assessed for the year ended June 30, 2013, to finance the General Fund operations were \$.47 per \$100 valuation for real property, \$.47 per \$100 valuation for business personal property and \$.350 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Prepaid Assets

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. 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.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
School buses	10 years
Other vehicles	5 years
Audio-visual equipment	15 years
Food service equipment	12 years
Furniture and fixtures	20 years
Rolling stock	15 years
Other general equipment	10 years

Interfund Receivables and Payables

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 position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**LAUREL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
**Year Ended June 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

The entire compensated absence liability includes the remaining 70% plus any accrued sick leave for people not eligible and is reported on the district-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as an assigned portion of fund balance. The balance of the liability is not recorded.

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

Budgetary Process

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

- Revenues are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved by the Board, it can be amended. Budgetary receipts represent original estimates modified for adjustments, if any, during the fiscal year. Budgetary disbursements represent original appropriations adjusted for budget transfers and additional appropriations, if any, approved during the fiscal year.

Each budget is prepared and controlled at the revenue and expenditure function/object level. All budget appropriations lapse at year-end. For purposes of audit presentation, the District only presents the General Fund budget within the financial statements.

Cash and Cash Equivalents

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

Inventories

On district-wide and governmental fund financial statements inventories of supplies and materials are stated at cost and are expensed when used.

The school food service fund inventory consists of food, supplies and U.S. Government commodities.

The food service fund inventory is stated at cost and uses the specific identification method; and the general fund inventory is stated at cost and uses the first-in, first-out method.

**LAUREL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year Ended June 30, 2013

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The Board adopted GASB Statement Number 54 in a prior year and under this statement, the fund balance is separated into five categories as follows:

**Nonspendable** fund balance is permanently nonspendable by decree of donor. Examples would be an endowment or that which may not be used for another purpose such as amounts used to prepay future expenses or already purchased inventory on hand.

**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.

**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.

**Assigned** fund balances are those 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. Assigned fund balance 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 nonspendable 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, then unassigned funds.

**LAUREL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year Ended June 30, 2013

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are reappropriated in the next year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2013, in the governmental funds balance sheet.

Net Position

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

Operating Revenues and Expenses

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

Contributions of Capital

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

Interfund Activity

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

**NOTE B - ESTIMATES**

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

**NOTE C - 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. As of June 30, 2013, none of the District's bank balance were exposed to custodial credit risk because of coverage by Federal Depository insurance and by collateral agreements and collateral held by the pledging banks' trust departments in the District's name.

**LAUREL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
 Year Ended June 30, 2013

**NOTE C- CUSTODIAL CREDIT RISK – DEPOSITS - CONTINUED**

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

	<u>Bank Balance</u>	<u>Book Balance</u>
First National Bank & Trust	\$ 17,105,020	\$ 15,305,847
Cumberland Valley National Bank & Trust	302,931	273,669
Petty cash	<u>-</u>	<u>171</u>
	<u>\$ 17,407,951</u>	<u>\$ 15,579,687</u>

Breakdown per financial statements is as follows:

Governmental funds	\$ 14,581,357
Proprietary funds	542,157
Agency funds	<u>456,173</u>
	<u>\$ 15,579,687</u>

**NOTE D - RECEIVABLES**

The District recognizes revenues as receivables when they are measurable and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. While the District receives revenues from many different sources throughout each year, accounts and grants receivable from outside sources may be grouped into the following categories (as stated in the District-wide financial statements):

	<u>June 30, 2013</u>
Accounts receivable from outside sources	
Accounts receivable	\$ 447,786
Grants receivable	<u>1,931,767</u>
	<u>\$ 2,379,553</u>

Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables as qualifying expenditures are made.

**LAUREL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year Ended June 30, 2013

**NOTE E - CAPITAL ASSETS**

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

	June 30, 2012			June 30, 2013
	Balance	Additions	Retirements	Balance
<b>Governmental Activities</b>				
Land & Land Improvements	\$ 7,356,192	\$ -	\$ -	\$ 7,356,192
Buildings	142,103,268	464,441	-	142,567,709
Technology	7,345,551	385,612	671,668	7,059,495
Vehicles	9,053,202	9,504	380,228	8,682,478
General Equipment	1,985,692	129,008	57,908	2,056,792
Construction Work in Progress	383,795	7,131,215	-	7,515,010
Total historical cost	168,227,700	8,119,780	1,109,804	175,237,676
Less accumulated depreciation	46,793,207	5,059,071	1,088,438	50,763,840
Governmental capital assets, net	<u>\$ 121,434,493</u>	<u>\$ 3,060,709</u>	<u>\$ 21,366</u>	<u>\$ 124,473,836</u>
<b>Business-type Activities</b>				
Buildings	\$ 10,776,135	\$ -	\$ -	\$ 10,776,135
Technology	57,907	-	8,560	49,347
General Equipment	2,616,537	-	1,792	2,614,745
Total historical cost	13,450,579	-	10,352	13,440,227
Less accumulated depreciation	4,820,000	327,341	10,352	5,136,989
Business-type capital assets, net	<u>\$ 8,630,579</u>	<u>\$ (327,341)</u>	<u>\$ -</u>	<u>\$ 8,303,238</u>

Depreciation expense for business-type activities was entirely incurred in the operation of the School Food Services. Depreciation for governmental activities was charged to governmental functions as follows:

Instruction	\$ 3,740,298
Student	3,560
Instruction staff	121,483
District administrative	65,273
School administrative	1,867
Business	239
Plant operation and maintenance	741,585
Student transportation	384,767
	<u>\$ 5,059,072</u>

**LAUREL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year Ended June 30, 2013

**NOTE F - LONG-TERM OBLIGATIONS**

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
2005	8,180,000	3.50% - 4.00%
2006	14,510,000	4.50% - 4.625%
2007	25,210,000	4.00% - 5.00%
2008	3,550,000	2.40% - 3.6%
2009	4,050,000	1.50% - 3.15%
2010	11,650,000	1.70% - 6.50%
2010	2,280,000	2.125% - 2.75%
2010	8,720,000	.75% - 5.0%
2012	9,425,000	1.00% - 2.80%
2012	8,900,000	1.00% - 3.00%

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

In 1987, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements. The District has reflected the amount due from the Commission over the life of the bonds as a receivable in the Statement of Net Position since there is no reason to believe that the Kentucky General Assembly will not continue to approve continued participation.

**LAUREL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year Ended June 30, 2013

**NOTE F - LONG-TERM OBLIGATIONS - CONTINUED**

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

Year	Laurel County School District		Kentucky School Facility Construction Commission		ARRA Rebate	Total
	Principal	Interest	Principal	Interest	Interest	
2013-14	\$ 3,833,706	\$ 2,812,056	\$ 446,294	\$ 214,502	\$ 312,680	\$ 7,619,238
2014-15	3,949,432	2,691,972	440,568	203,496	305,865	7,591,333
2015-16	4,082,315	2,561,641	452,685	191,380	297,843	7,585,864
2016-17	4,219,202	2,424,147	465,798	178,265	288,750	7,576,162
2017-18	4,381,775	2,260,279	423,225	164,247	278,495	7,508,021
2018-19	4,503,872	2,136,723	436,128	151,346	267,225	7,495,294
2019-20	4,654,334	1,985,859	310,666	137,544	255,205	7,343,608
2020-21	4,819,065	1,820,442	320,935	127,276	242,463	7,330,181
2021-22	4,993,180	1,646,596	331,820	116,390	228,651	7,316,637
2022-23	5,171,500	1,468,606	343,500	104,712	214,000	7,302,318
2023-24	5,359,048	1,281,181	355,952	92,260	198,412	7,286,853
2024-25	5,600,058	1,042,611	324,942	79,037	181,748	7,228,396
2025-26	5,847,362	796,890	337,638	66,342	164,160	7,212,392
2026-27	6,105,423	535,174	319,577	53,490	145,517	7,159,181
2027-28	2,478,808	306,025	251,192	42,224	117,620	3,195,869
2028-29	2,558,570	225,868	261,430	31,989	79,918	3,157,775
2029-30	2,647,650	141,200	272,350	21,067	40,007	3,122,274
2030-31	1,768,551	72,682	246,449	10,437	9,756	2,107,875
2031-32	824,426	36,413	100,574	4,055	-	965,468
2032-33	835,915	12,539	89,085	1,336	-	938,875
	<u>\$ 78,634,192</u>	<u>\$ 26,258,904</u>	<u>\$ 6,530,808</u>	<u>\$ 1,991,395</u>	<u>\$ 3,628,315</u>	<u>\$ 117,043,614</u>

A summary of the changes in long-term liabilities during the fiscal year ended June 30, 2013 is as follows:

Governmental Activities	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Bonded debt obligations	\$ 80,240,000	\$ 8,900,000	\$ 3,975,000	\$ 85,165,000
Capital Lease obligations	-	-	-	-
Accrued sick leave	785,072	-	52,040	733,032
	<u>\$ 81,025,072</u>	<u>\$ 8,900,000</u>	<u>\$ 4,027,040</u>	<u>\$ 85,898,032</u>

**LAUREL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year Ended June 30, 2013

**NOTE F - LONG-TERM OBLIGATIONS - CONTINUED**

School Building Refunding Revenue Bonds

In November 2013, the Laurel County School Finance Corporation issued \$8,900,000 in School Building Revenue Bonds with interest ranging from 1.0% - 3.00% over the life of the bonds. The proceeds were used to fund major addition/renovation at North Laurel Middle School.

**NOTE G - RETIREMENT PLANS**

Kentucky Teachers' Retirement System

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

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

*Funding policy* – Contribution rates are established by KTRS. Members contribute 10.855% of their salaries to KTRS. Employer contributions for federally funded employees were 14.105% and employer contributions for non-federally funded employees were 1.0%. The Commonwealth of Kentucky, on behalf of the District's certified employees, is required to contribute a portion of the retirement (see Note Q- *On-Behalf Payments*) The federal program for any salaries paid by that program pays the matching contributions.

Medical Insurance Plan

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 or eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

*Funding policy* – In order to fund the post-retirement healthcare benefit, active member contributions are matched by the state at .75% of member's gross salaries. Those who became members before July 1, 2008 contribute 1.25 of their 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 1.00% of members' salary for the 2012-2013 fiscal year.

**LAUREL COUNTY SCHOOL DISTRICT**  
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
Year Ended June 30, 2013

**NOTE G - RETIREMENT PLANS-CONTINUED**

County Employees Retirement System

Substantially all other employees (full time classified personnel) are covered under the County Employee's Retirement System (CERS), a cost-sharing, multiple employers, and public employer's retirement system. The plan provides for retirement, disability, and death benefits. Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the plan documents.

The CERS issues a publicly available financial report which may be obtained by writing to Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Funding Policy - Funding for the plan is provided through payroll withholdings and matching District contributions. Effective September 1, 2008, new CERS members are required to pay 6% of their salary, while all other members hired prior to that date continue to pay 5% and a District contribution of 19.55% of the employee's total compensation subject to contribution.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans

The District's total payroll for the year was \$46,388,449. The payroll for employees covered under KTRS was \$36,811,774 and for CERS was \$9,503,188; the payroll for part time temporary employees, which are not covered under either retirement system, was \$73,487.

The contribution requirement for CERS for the year ended June 30, 2013, 2012 and 2011 was \$2,350,354, \$2,316,425, and \$2,193,660, respectively. The contribution requirement for KTRS for the year ended June 30, 2013, 2012 and 2011 was \$4,837,206, \$4,623,319, and \$4,362,030, respectively. The District met their contribution requirements.

**NOTE H - LEASES**

The District leases maintenance equipment when needed and office copiers on an annual basis under operating leases. For the year ended June 30, 2013, aggregate cost for equipment and copier rentals was \$281,142.

**NOTE I - CONTINGENCIES**

*Grants* - The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of funds advanced, or refuse to reimburse the District for its disbursements, and the collectability of any related receivables as of June 30, 2013 may be impaired. 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.

*Kentucky School Boards Insurance Trust (KSBIT)*-The Kentucky School Boards Insurance Trust was created in 1978 to provide insurance through nonprofit self-insured pools authorized under Kentucky law. These pools allow school districts, colleges and universities to combine their resources while sharing risks. Due to various economic factors, the Pools have incurred significant deficits. KSBIT has taken a number of steps to address the Pools' deficits: however, the deficits have grown as claims costs have escalated and a substantial number of districts have continued to leave the Pools due to competitive pressures.

**LAUREL COUNTY SCHOOL DISTRICT**  
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
Year Ended June 30, 2013

**NOTE I – CONTINGENCIES-CONTINUED**

The Board of Trustees of KSBIT had claims and reserve reviews undertaken by independent outside firms to confirm the Pools' deficits. As a result of these reviews and after consultation with the Kentucky Department of Insurance, KSBIT will be considering the following actions as part of a corrective action plan required by law.

- A final determination, under a fair methodology yet to be determined, to be approved by the Kentucky Department of Insurance of current and past participating members to fund the deficit.
- As applicable, a financing option that will give participating districts the choice of paying their portion, if any of the assessment over a twenty-year period.
- The KSBIT self-insurance Pools will no longer accept new or renewal business after January 2013.
- While these are still viable considerations, on November 7, 2013 the Kentucky Department of Insurance (DOI) filed petitions in Franklin Circuit Court asking that two of the Kentucky School Boards Insurance Trust's self-insured funds be placed in rehabilitation, which means DOI will directly manage the funds.

As of the date of this report, KSBIT has proffered several estimate methodologies over a broad range. Neither methodology has been accepted by the Kentucky Department of Insurance and reasonable estimate of each districts' liability is not known nor has a payment amount been mandated to the school districts. In addition, the management of the Laurel County School District cannot reasonably estimate the outcome of this issue

Based on the current information available, there is a reasonable possibility that the Laurel County School District will be required to pay some part of the deficit. However, at this time no reasonable or acceptable estimate is available; therefore no liability is recorded in the financial statements regarding this issue. The management of the District does believe it will not incur significant adverse effects whatever the disposition of this issue.

**NOTE J - LITIGATION**

The District is subject to legal actions in various states 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 financial statements as a result of the cases presently in progress.

**NOTE K – IMPLEMENTATION OF GASB STATEMENT NO. 63**

The District has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, for the year ended June 30, 2013. This standard established guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position.

The noticeable changes to this audit include the use of the new wording, "net position", instead of the previously used wording of "net assets" and resulted in only a formatting change in the current year's audit.

**LAUREL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year Ended June 30, 2013

**NOTE L - RISK MANAGEMENT**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. Settled claims resulting from these risks have created a potential liability as discussed in Note I-Contingencies.

Contributions for Workers' Compensation coverage are based on premium rates established in conjunction with the insurance carrier, subject to claims experience modifications and discounts.

**NOTE M – DEFICIT FUND BALANCES**

The District did not have any funds with deficit balances, nor did it have any operating deficit balances at June 30, 2013.

**NOTE N – COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss. There were no instances of noncompliance noted.

**NOTE O – TRANSFER OF FUNDS**

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching	General	Special Revenue	Technology Match	\$ 203,300
Operating	Capital Outlay	Construction	Construction	671,138
Operating	Building	Construction	Construction	1,203,138
Operating	Building	Debt Service	Debt Service	6,360,835
Operating	Capital Outlay	General	General	166,182
Operating	Construction	General	Reimbursement	2,923

**NOTE P – INTERFUND RECEIVABLES AND PAYABLES**

At June 30, 2013, there were no interfund balances outstanding that are reflected in the financial statements.

**LAUREL COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year Ended June 30, 2013

**NOTE Q – ON-BEHALF PAYMENTS**

The District receives on-behalf payments for fringe benefits from the Commonwealth of Kentucky. These amounts are included in the fund financial statements; however, the revenues and related expenditures are not budgeted amounts.

For the year ended June 30, 2013, total payments of \$12,429,314 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of revenues, expenses and changes in fund balances.

For the year ended June 30, 2013, total payments of \$131,592 were made for the Kentucky Educational Network (KEN), MUNIS Financial Management and McAfee Virus Protection software and services payments paid by the Kentucky Department of Education (KDE) on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of revenues, expenses and changes in fund balances.

For the year ended June 30, 2013, total payments of \$642,546 were made for the debt service payments paid by SFCC on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of revenues, expenses and changes in fund balances.

**NOTE R - FUND BALANCE DESIGNATIONS**

The following funds had non-spendable fund balances as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$ 434,869	Supplies inventory

The following funds had restricted fund balances as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Construction	\$ 6,161,173	Future Construction

The following funds had committed fund balances as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$ 600,000	Future bus requirements

**NOTE S – SUBSEQUENT EVENTS**

Management of the District has evaluated subsequent events through the date of the audit report. No events have occurred subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

**LAUREL COUNTY SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
 June 30, 2013

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
<b>Total assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>				
Designated for capital projects	-	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**LAUREL COUNTY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2013**

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>				
From local sources				
Property taxes	\$ -	\$ 4,480,221	\$ -	\$ 4,480,221
State sources				-
SEEK	837,320	3,083,752	-	3,921,072
Other	-	-	642,546	642,546
<b>Total revenues</b>	<u>837,320</u>	<u>7,563,973</u>	<u>642,546</u>	<u>9,043,839</u>
<b>Expenditure</b>				
Debt service	-	-	7,003,381	7,003,381
Plant operations and maintenance	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>7,003,381</u>	<u>7,003,381</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>837,320</u>	<u>7,563,973</u>	<u>(6,360,835)</u>	<u>2,040,458</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of bonds	-	-	-	-
Deposits with escrow agents	-	-	-	-
Cost of issuance	-	-	-	-
Operating transfers in	-	-	6,360,835	6,360,835
Operating transfers out	(837,320)	(7,563,973)	-	(8,401,293)
<b>Total other financing sources (uses)</b>	<u>(837,320)</u>	<u>(7,563,973)</u>	<u>6,360,835</u>	<u>(2,040,458)</u>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance July 1, 2012</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance June 30, 2013</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**LAUREL COUNTY SCHOOL DISTRICT**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - ELEMENTARY AND MIDDLE SCHOOL ACTIVITY FUNDS**  
**Year Ended June 30, 2013**

School/ Activity Fund	Cash and			Cash and Cash		Accounts	Accounts	Fund
	Equivalents	Receipts	Disbursements	Equivalents	Receivable	Payable	Balances	
	June 30, 2012			June 30, 2013	June 30, 2013	June 30, 2013	June 30, 2013	June 30, 2013
Bush Elementary School	\$ 21,034	\$ 15,200	\$ 21,922	\$ 14,312	\$ -	\$ -	\$ -	\$ 14,312
Camp Ground Elementary School	18,547	24,051	26,243	16,355	201	-	-	16,556
Cold Hill Elementary School	36,542	33,133	53,349	16,326	75	-	-	16,401
Colony Elementary School	22,646	20,228	22,501	20,373	25	97	-	20,301
Hazel Green Elementary School	16,268	16,907	22,255	10,920	25	-	-	10,945
Hunter Hills Elementary School	15,015	51,479	54,010	12,484	-	-	-	12,484
Johnson Elementary School	8,821	26,322	25,815	9,328	58	35	-	9,351
Keavy Elementary School	16,775	13,190	13,178	16,787	85	-	-	16,872
London Elementary School	21,694	51,336	41,915	31,115	565	2,001	-	29,679
North Laurel Middle School	63,428	175,520	187,773	51,175	2,054	169	-	53,060
South Laurel Middle School	65,754	243,668	243,732	65,690	973	3,401	-	63,262
Sublimity Elementary School	23,552	42,196	33,576	32,172	220	2,598	-	29,794
Wyan-Pine Elementary School	13,882	28,867	25,933	16,816	110	-	-	16,926
<b>Totals</b>	<b>\$ 343,958</b>	<b>\$ 742,097</b>	<b>\$ 772,203</b>	<b>\$ 313,852</b>	<b>\$ 4,391</b>	<b>\$ 8,301</b>	<b>\$ -</b>	<b>\$ 309,942</b>

Note: Receipts and disbursements do not include current year receivables and payables.

**LAUREL COUNTY SCHOOL DISTRICT**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -**  
**SOUTH LAUREL HIGH SCHOOL ACTIVITY FUND**  
Year ended June 30, 2013

	Fund Balances June 30, 2012	Receipts	Disbursements	Transfers In	Transfers Out	Accounts Receivable June 30, 2012	Accounts Payable June 30, 2012	Fund Balances June 30, 2013
Academic Team	\$ -	\$ 340	\$ 25	-	-	\$ -	\$ -	\$ 315
Agriculture	9,091	28,119	25,378	-	199	-	-	11,633
Art Department	4	1,452	1,454	140	72	-	-	70
Athletics	4,295	67,464	93,873	30,436	876	2,158	9,605	(0)
Athletic Tickets	-	3,000	3,200	200	-	-	-	-
Archery Club	454	931	1,988	604	-	-	-	0
Baseball Club	4,059	25,572	27,377	-	253	-	-	2,001
Beta Club	1,289	989	2,013	-	13	-	-	262
Boys Basketball Club	4,746	38,929	32,348	200	9,676	-	1,824	27
Boys Soccer	1,935	5,496	2,837	-	253	-	125	4,217
Careers	-	-	-	-	-	-	-	-
Chorale Club	617	16	-	-	-	-	-	-
Cross Country Sports	421	3,375	2,220	-	253	-	-	633
Culinary Skills	46	710	801	130	-	-	-	1,323
Guidance Department	217	27,176	23,956	-	-	-	-	85
Dance	2,791	22,968	20,520	-	253	-	-	3,437
DECA	89	46,927	46,417	700	183	-	-	4,986
Fashion Club	497	47	263	145	-	-	-	1,116
First Priority	1,318	-	36	-	-	-	-	426
Fishing	-	8,678	6,752	126	253	-	-	1,282
Football Club	3,975	12,030	13,270	-	2,220	-	1,800	(0)
Forensics	2	-	-	-	-	-	-	516
F.B.L.A.	700	-	-	-	700	-	-	2
F.C.C.L.A.	368	5,927	3,728	65	-	-	-	0
F.M.D. Club	1	-	-	-	-	-	-	2,632
FMD #2	1	-	-	-	-	-	-	1
General	3,882	15,536	14,138	1,500	-	-	-	1
Girls Basketball Club	9,461	18,000	18,197	75	5,139	157	-	1,799
Girls Golf Club	178	-	65	-	8,039	-	1,300	(0)
Girls Softball Club	3,855	16,551	19,998	-	-	-	40	113
								368

See accompanying independent auditor's report.

(continued)  
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**LAUREL COUNTY SCHOOL DISTRICT**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -**  
**SOUTH LAUREL HIGH SCHOOL ACTIVITY FUND -CONTINUED**  
Year ended June 30, 2013

	Fund Balances June 30, 2012	Receipts	Disbursements	Transfers in	Transfers Out	Accounts Receivable June 30, 2012	Accounts Payable June 30, 2012	Fund Balances June 30, 2013
Girls in Science	-	-	-	-	-	-	-	-
Golf Club	104	-	-	-	-	-	-	104
MMP	13,056	8,467	17,950	-	-	-	-	3,573
Junior Class	2	12,122	8,623	-	40	-	-	3,461
J.R.O.T.C.	5,213	16,173	15,111	-	105	-	122	6,048
Keyettes	2,994	5,046	3,526	-	135	-	-	4,379
Library Department	28	456	605	460	70	-	-	289
National Honor Soc.	85	410	508	13	-	-	-	(0)
Madrigal	4,133	41,662	42,148	1,500	505	-	-	4,642
Outdoor Club	330	335	-	-	-	-	-	665
Parking	1,049	3,961	2,437	200	2,772	-	-	1
PBIS	-	105	-	-	-	-	-	105
Pep Club	3	-	-	-	-	-	-	3
Science Club	24	300	-	-	246	-	-	78
Senior Class	15,116	16,333	32,726	1,277	-	-	-	(0)
Special Games	1,426	780	2,193	-	-	-	-	13
Staff Vending	2,056	3,663	6,003	613	-	87	-	416
Student Incentive	-	550	770	220	-	-	-	-
Swim Team	-	3,330	1,519	-	253	-	-	1,558
Tennis Club	1	-	-	-	-	-	-	1
TIP	465	120	-	-	168	-	-	417
Track Club	2,344	4,909	5,889	-	443	-	-	922
UNITE	549	68	-	-	-	-	-	617
Volleyball Club	9,820	16,501	11,956	-	5,928	-	-	8,437
Varsity Cheerleaders	2,928	29,142	29,719	-	253	-	-	2,098
Vending Machines	659	2,394	3,556	553	50	27	-	27
Youth Leadership Co	-	558	558	-	-	-	-	-
SLHS Donations	2,125	-	1,040	200	8	-	-	1,277
<b>Total accounts</b>	<b>\$ 118,802</b>	<b>\$ 517,628</b>	<b>\$ 547,690</b>	<b>\$ 39,357</b>	<b>\$ 39,357</b>	<b>\$ 2,429</b>	<b>\$ 14,816</b>	<b>\$ 76,353</b>

See accompanying independent auditor's report.

**LAUREL COUNTY SCHOOL DISTRICT**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -**  
**NORTH LAUREL HIGH SCHOOL ACTIVITY FUND**  
 Year ended June 30, 2013

	Fund Balances June 30, 2012	Receipts	Disbursements	Transfers in	Transfers Out	Accounts Receivable June 30, 2012	Accounts Payable June 30, 2012	Fund Balances June 30, 2013
Academic Team	\$ 3	\$ 340	\$ 524	\$ 181	\$ -	\$ -	\$ -	(0)
Art Club	102	-	-	-	102	-	-	0
Athletic Fund	24,272	175,269	185,624	1,011	-	1,368	-	16,296
Beta Club	63	3,214	3,237	-	-	16	-	56
Business Co-op Class	728	-	-	-	-	-	-	728
Bus Transportation	-	4,106	-	184	-	-	-	4,290
Charitable Gaming	1	-	-	-	-	-	-	1
Dance Team	664	12,765	11,435	-	-	-	-	1,993
DECA	2	-	-	-	-	-	-	2
Donation Incentives	14	2,480	2,725	514	-	400	-	684
Drama Club	127	1,127	393	-	-	-	-	861
First Priority	17	267	-	-	-	-	-	284
Flower Fund - Faculty	78	300	375	-	-	-	-	3
Fishing Club	232	4,337	3,403	-	936	-	-	231
F.B.L.A.	325	-	-	-	-	-	-	325
F.C.A.	-	1,625	-	-	1,165	-	-	460
F.C.C.L.A.	-	2,162	1,899	-	-	-	-	263
FFA	621	19,708	17,897	150	-	-	-	2,579
F.M.D Club	44	10,317	9,720	-	308	-	-	334
Future Educators	-	1,433	779	-	-	-	-	654
General	1,825	26,651	28,153	168	-	-	-	491
Junior Class	5,232	7,913	6,802	-	-	-	-	6,343
Library	165	176	135	-	-	-	-	206
Marching Band	-	1,268	3,921	2,666	-	-	-	13
Musical	-	-	-	-	-	-	-	-
National Honor Society	5	3,587	445	-	-	-	-	3,157
North Financial	374	83,580	83,898	-	-	-	-	56

**LAUREL COUNTY SCHOOL DISTRICT**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -**  
**NORTH LAUREL COUNTY HIGH SCHOOL ACTIVITY FUND - CONTINUED**  
 Year ended June 30, 2013

	Fund Balances June 30, 2012	Receipts	Disbursements	Transfers In	Transfers Out	Accounts Receivable June 30, 2012	Accounts Payable June 30, 2012	Fund Balances June 30, 2013
N.J.R.O.T.C	2,001	9,375	8,017	-	168	-	-	3,191
Pep Club	-	45	-	-	-	-	-	45
Rodeo Club	1,080	120	90	-	750	-	-	361
Science Club	-	966	517	308	-	-	-	757
Senior Class	304	13,115	12,904	-	-	-	-	515
Singing Jags	37	6,606	6,223	-	-	-	-	420
Spanish Club	961	5,020	5,853	-	-	-	-	128
Student Council	-	2,047	1,819	-	-	-	-	228
Student Flower Fund	3	-	-	-	-	-	-	3
Student Vending	-	8,942	9,443	1,102	-	-	100	561
STLP	349	786	787	374	-	-	-	721
Teacher Vending	136	7,883	8,038	18	-	281	-	281
Tech Student Assoc.	-	238	234	-	-	-	-	4
Textbook Replacement	66	1,399	-	-	-	-	-	1,465
UNITE	-	-	-	-	-	-	-	-
Yearbook	11,536	15,576	23,693	-	-	-	-	3,419
Young Democrats	-	892	887	-	-	-	-	-
Young Republicans	-	289	207	-	82	-	-	5
Change Order	-	9,400	9,400	-	-	-	-	-
Youth Service Center	7,527	567	1,737	-	3,166	-	-	-
<b>Total accounts</b>	<b>\$ 58,894</b>	<b>\$ 445,898</b>	<b>\$ 451,211</b>	<b>\$ 6,676</b>	<b>\$ 6,676</b>	<b>\$ 2,124</b>	<b>\$ 100</b>	<b>\$ 55,605</b>

**REQUIRED SUPPLEMENTARY INFORMATION**

**LAUREL COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended June 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. Department of Education</b>			
Passed through the Kentucky Department of Education:			
<i>Title I, Part A Cluster</i>			
Title I Grants to Local Educational Agencies	84.010	3210002 10	\$ 139
Title I Grants to Local Educational Agencies	84.010	3210002 11	10,472
Title I Grants to Local Educational Agencies	84.010	3210002 12	558,022
Title I Grants to Local Educational Agencies	84.010	3210002 13	2,610,515
<i>Total Title I, Part A Cluster</i>			3,179,148
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	3160002 13	592,515
<i>Special Education Cluster (IDEA)</i>			
Special Education--Grants to States	84.027	3810002 12	546,488
Special Education--Grants to States	84.027	3810002 13	1,608,745
			2,155,232
Special Education--Preschool Grants	84.173	3800002 13	32,925
<i>Total Special Education Cluster</i>			2,188,157
Tech-Prep Education	84.243	4631180 11	65
Title I - Neglected and Delinquent Children	84.013	3133	13,954
Career and Technical Education--Basic Grants to States	84.048	4621032 12	1,667
Career and Technical Education--Basic Grants to States	84.048	4621132 13	114,714
			116,381
Rural Education	84.358	3140002 12	56,193
Rural Education	84.358	3140002 13	182,988
			239,181
Education Job Funds	84.410	EJOB00 11	15,129
Improving Teacher Quality State Grants	84.367	3230002 12	20,494
Improving Teacher Quality State Grants	84.367	3230002 13	568,655
			589,149
Race to the Top	84.413	4521	20,119
<b>Total U.S. Department of Education</b>			6,953,800
<b>U.S. Department of Agriculture</b>			
Passed through the Kentucky Department of Education			
<i>Child Nutrition Cluster</i>			
National School Lunch Program	10.555	7750002 13	2,623,027
School Breakfast Program	10.553	7760005 13	933,153
Summer Food Services Program for Children	10.559	7760005 13	10,677
National School Lunch Program	10.555	77500002 13	306,529
<i>Total Child Nutrition Cluster</i>			3,873,386
Passed through State Department of Agriculture			
Fresh Fruits and Vegetable Program	10.582	7720012 13	27,027
<b>Total U.S. Department of Agriculture</b>			3,900,413
<b>U.S. Department of Labor</b>			
Passed through Kentucky Department of Education			
WIA Youth Activities	17.255	5883	46,603
<b>Total U.S. Department of Labor</b>			46,603

**LAUREL COUNTY SCHOOL DISTRICT**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
 Year ended June 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Defense</b>			
Direct Program			
Naval Junior Reserve Officer Training Corps	12.000	5041	71,308
ROTC Miscellaneous	12.000	5041	7,774
Air Force Junior Reserve Officer Training Corps	12.000	5043	<u>62,466</u>
<b>Total U.S. Department of Defense</b>			<u>141,549</u>
<b>Appalachian Regional Commission</b>			
Passed Through Kentucky Department of Education			
Appalachian Research, Technical Assistance, and and Demonstration Projects	23.011	6881	394
Appalachian Research, Technical Assistance, and and Demonstration Projects	23.011	6882	1,037
Appalachian Research, Technical Assistance, and and Demonstration Projects	23.011	6883	<u>4,173</u>
<b>Total Appalachian Regional Commission</b>			<u>5,604</u>
<b>Total cash expenditures</b>			<u><u>\$ 11,047,969</u></u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**LAUREL COUNTY SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2013

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Laurel County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B – IN-KIND COMMODITIES**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. The District no longer maintains a separate commodities inventory due to changes in program regulations. Commodities are included under the Child Nutrition Cluster. The valued amount of commodities received for June 30, 2013 is \$306,529.

**NOTE C – CLUSTER PROGRAMS**

The following CFDA numbers are considered cluster programs:

Special Education Cluster	
Special Education Grants to States	84.027
Special Education – Preschool Grants	84.173
Special Education – Grants to State, Recovery Act	84.391
Special Education – Preschool Grants, Recovery Act	84.392
Child Nutrition Cluster	
National School Lunch Program	10.555
National School Breakfast Program	10.553
Summer Food Services for Children	10.559
Title I Cluster	
Title I Grants to Local Educational Agencies	84.010
Title I Grants to Local Educational Agencies, Recovery Act	84.389

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Appendix I to the Independent Auditor's Contract-General Audit Requirements* and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Laurel County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Laurel County School District's basic financial statements, and have issued our report thereon dated November 11, 2013.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Laurel County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our test disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract-State Audit Requirements*.

**Purpose of this Report**

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

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
November 11, 2013

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

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

**Report on Compliance for Each Major Federal Program**

We have audited Laurel County School District's 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 Laurel County School District's major federal programs for the year ended June 30, 2013. The Laurel County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Laurel County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract-General Audit Requirements*, and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Laurel County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

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

### **Report on Internal Control over Compliance**

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

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

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

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

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the Laurel County School District, as of and for the year ended June 30, 2013, and have issued our report thereon dated November 11, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal awards is fairly stated in all material aspects in relation to the basic financial statements as a whole.

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
November 11, 2013

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditors' report issued		Unmodified	
Internal control over financial reporting:			
Material weakness identified	_____	Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statement notes	_____	Yes	<input checked="" type="checkbox"/> No

**Federal Awards**

Internal control over major programs:			
Material weaknesses identified	_____	Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<input checked="" type="checkbox"/> None reported
Type of auditors' report issued on compliance for major programs		Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____	Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334
Child Nutrition Cluster	
National School Lunch Program	10.555
School Breakfast Program	10.553
Summer Food Services Program for Children	10.559
Dollar threshold used to distinguish between Type A and Type B program	\$300,000
Auditee qualified as low risk	<input checked="" type="checkbox"/> Yes _____ No

(continued)

**LAUREL COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
Year Ended June 30, 2013

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings**

None

**LAUREL COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
Year Ended June 30, 2013

**Status of Prior Year Findings**

There were no prior year audit findings.

**MANAGEMENT LETTER COMMENTS**

Members of the Board of Education  
Laurel County School District  
London, Kentucky

In planning and performing our audit of the basic financial statements of Laurel County School District for the year ended June 30, 2013, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control structure.

During our audit we note matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters, if any. This letter does not affect our report thereon dated November 11, 2013, on the basic financial statements of Laurel County School District.

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

Respectfully,

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
November 11, 2013

**LAUREL COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
June 30, 2013**

**Prior Year Comments – School Activity Funds**

There were no comments in the prior year.

**Current Year Comments –School Activity Funds**

No current year comments were noted.