

Logan County School District

Financial Statements

June 30, 2013



Logan County School District

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Independent Auditor's Report

Kentucky State Committee for School District Audits
Members of the Board of Education
Logan County School District
Russellville, 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 the Logan County School District (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

• Management's Responsibility for the Financial Statements

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

• Auditor's Responsibility

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

An audit 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 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.

- **Emphasis of Matter**

As described in Note 1 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and GASB No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to these matters.

- **Other Matters**

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 through 21 and 64 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any

assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements and other information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 other information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

• **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2013, on our consideration of Logan County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Carr, Riggs & Ingram, LLC
Russellville, Kentucky
November 1, 2013

**Required Supplementary
Information**

**Management's Discussion
and Analysis**

Logan County School District

Russellville, Kentucky

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

This discussion and analysis of the Logan County School District (the District) is offered by management as a narrative overview of the financial activities of the District for the fiscal year ended June 30, 2013. Readers are encouraged to consider this information in conjunction with the District's financial statements, notes to financial statements, and additional information contained within the body of the audit.

FINANCIAL HIGHLIGHTS

- Total government-wide net position decreased 1.13% for the fiscal year ended June 30, 2013, compared to a 1.89% decrease for 2012. Total expenses related to governmental activities for the fiscal year ended June 30, 2013 were \$30,827,228, down \$486,355 from the previous year, of which \$5,042,678 were offset by operating and capital grants and contributions. General revenues (mainly property taxes, utility taxes, and funding from the state) provided for the balance of the expenditures.
- Approximately \$277,832 were expended on facility acquisition and improvements during the year, with \$799,942 of uncompleted work under contract. The District has designed an elementary school that would be built in two phases. Actual construction has been deferred due to projected cost and budget constraints. Construction and renovations are performed consistent with the District's long-range facilities plan approved by the Kentucky Department of Education.
- In accordance with Board policy to maintain approximately three months of General Fund operating expenses as a minimum fund balance, \$5,200,000 of fund balance was committed to insure uninterrupted operations of the district. The Board also committed \$492,732 for accumulated sick leave, and \$2,000,000 for future construction.
- On February 1, 2013, the District issued \$2,860,000 in General Obligation Bonds with an average interest rate of 2.19% to advance refund 2006 Series bonds with an average interest rate of 4.17% resulting in a reduction of total debt service payments over the next thirteen years of \$179,761, and a net present value gain of \$162,465.
- The financial statements reflect a total of \$5,568,111 of revenues and aid from the state for technology and payments made by the state on-behalf of district employees for retirement contributions and health insurance. A like amount of expenses are also recorded in the financial statements.



OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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



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

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

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

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

FUND FINANCIAL STATEMENTS

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

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



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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The total net position of governmental activities decreased 0.93%, while business-type activities decreased 7% in 2013. Total unrestricted net position decreased 2%, or \$168,810. Restricted net position decreased \$444,201 mostly due to lesser funds restricted for construction and debt service. The District’s largest asset is its investment in capital assets, constituting 74% of total assets. Capital assets net of related debt are 71% of total net position

Following is a summary of the District’s government-wide net position for the fiscal years ended June 30, 2012 and 2013:

Net Position for the Fiscal Years Ended June 30, 2012 and 2013

	Governmental Activities		Business-Type Activities		District Total	
	2012	2013	2012	2013	2012	2013
Current and other assets	\$ 11,434,901	\$ 10,724,061	\$ 411,668	\$ 277,214	\$ 11,846,569	\$ 11,001,275
Capital assets	31,356,912	30,713,429	699,368	743,985	32,056,280	31,457,414
Total assets	42,791,813	41,437,490	1,111,036	1,021,199	43,902,849	42,458,689
Deferred outflows	369,883	608,974	-	-	369,883	608,974
Long-term obligations	10,243,034	10,361,948	45,964	50,184	10,288,998	10,412,132
Other liabilities	945,538	599,823	24,592	4,177	970,130	604,000
Total liabilities	11,188,572	10,961,771	70,556	54,361	11,259,128	11,016,132
Contingency	-	142,946	-	-	-	142,946
Net position						
Invested in capital assets, net of related debt	21,689,517	21,895,895	685,849	727,229	22,375,366	22,623,124
Restricted	1,451,339	1,007,138	0	0	1,451,339	1,007,138
Unrestricted	8,092,502	8,038,714	354,631	239,609	8,447,133	8,278,323
Total net position	\$ 31,233,358	\$ 30,941,747	\$ 1,040,480	\$ 966,838	\$ 32,273,838	\$ 31,908,585

Logan County School District
Russellville, Kentucky
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013



Changes in net position. The expenses in the schedule of changes in net position below, and the resultant decrease in net position, includes \$78,993 of write-off of bond issuance costs resulting from the implementation of GASB Statement No. 65 as described in Note 1 of the *Notes to Financial Statements*. The District's governmental activities net position decreased by \$291,611 and business-type assets decreased \$73,642.

The decrease in governmental activities net position is mostly due to decreased state funding, with other factors affecting it to a lesser degree. The Kentucky School Facilities Construction Commission (SFCC) makes direct payments of principal and interest on District bonds issued for construction of facilities. The bonds payable are included in the long-term obligations of the District and the payments are recorded as revenue from the state. The resultant increase in net position from the direct payment of principal by the SFCC was approximately \$189,518.

Following is a summary schedule of changes in the District's net position for the years ended June 30, 2012 and 2013:

Changes in Net Position for the Fiscal Years Ended June 30, 2012 and 2013

	Governmental Activities		Business-Type Activities		District Total	
	2012	2013	2012	2013	2012	2013
Revenues						
Program revenues						
Charges for services	\$ 15,108	\$ 15,198	\$ 681,746	\$ 626,841	\$ 696,854	\$ 642,039
Operating grants & contributions	3,754,661	3,792,132	1,322,762	1,404,979	5,077,423	5,197,111
Capital grants and contributions	1,301,121	1,250,546			1,301,121	1,250,546
General revenues						
Locally assessed taxes	6,110,352	6,263,395			6,110,352	6,263,395
Investment earnings	34,505	31,616	997	586	35,502	32,202
State aid	19,393,456	19,186,266			19,393,456	19,186,266
Other revenue	202,691	(3,536)	(83,225)	(86,885)	119,466	(90,421)
Total revenues	30,811,894	30,535,617	1,922,280	1,945,521	32,734,174	32,481,138
Expenses						
Instruction	19,640,729	19,645,239			19,640,729	19,645,239
Student and instructional staff support	2,979,721	2,891,379			2,979,721	2,891,379
School administration	1,712,329	1,722,133			1,712,329	1,722,133
District administration, business, and personnel support	913,711	951,905			913,711	951,905
Plant operation and maintenance	2,957,437	2,612,618			2,957,437	2,612,618
Pupil transportation	2,421,879	2,296,192			2,421,879	2,296,192
Interest on long-term debt	398,318	331,394			398,318	331,394
Food service			2,041,080	2,019,163	2,041,080	2,019,163
Other	289,459	376,368			289,459	376,368
Total expenses	31,313,583	30,827,228	2,041,080	2,019,163	33,354,663	32,846,391
Increase (Decrease) in net position	\$ (501,689)	\$ (291,611)	\$ (118,800)	\$ (73,642)	\$ (620,489)	\$ (365,253)



Locally assessed taxes increased 2.5% compared to 3.4% in the prior year. Locally generated revenues accounted for 21% of total governmental revenues for 2013 and 20% for 2012, while general revenue state aid was 63% for both years. State SEEK funds and the supplementing federal State Fiscal Stabilization Funds decreased a total of \$151,468 for 2013, with decreases in 2012 of \$271,207 and \$374,347 in 2011.

For 2013 and 2012, direct instruction expenses were 64% and 63% of total governmental expenses, with student support, staff support, and school administration making up another 15% for both years. District administration and business and personnel support accounted for 3% of total governmental expenses for both 2013 and 2012. Also for 2013 and 2012, operation and maintenance of facilities was 8% and 9%, respectively, with pupil transportation being 7% and 8%.

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

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

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

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

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

Logan County School District
Russellville, Kentucky
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013



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

Following is a summary of total fund balances for the fiscal years ended June 30, 2012 and 2013:

Total Governmental Funds Balances as of June 30, 2012 and 2013

	FYE 2012	FYE 2013	Increase (Decrease)
Governmental Funds			
General Fund	\$ 9,043,685	\$ 9,090,064	\$ 46,379
Special Revenue Fund	179,718	103,735	(75,983)
Other governmental funds			
Construction Fund	827,165	812,083	(15,082)
SEEK Capital Outlay Fund	366,275	0	(366,275)
FSPK Building Fund	27,661	0	(27,661)
Debt Service Fund	50,520	28,380	(22,140)
Total governmental funds	\$ 10,495,024	\$ 10,034,262	\$ (460,762)
Proprietary Fund (Food Service Fund)	\$ 1,040,480	\$ 966,838	\$ (73,642)
Fiduciary Funds			
Scholarship Fund	\$ 753,265	\$ 744,644	\$ (8,621)
School Activity Funds	0	0	0
Total Fiduciary Funds	\$ 753,265	\$ 744,644	\$ (8,621)

The decrease in the Food Service Fund balance is mainly due to indirect costs charged to food service from the General Fund. The Student Activity Funds show no fund balance because all monies in the funds are held for, and are due to, student groups. The Scholarship Fund's balance decreased because of low investment earnings and contributions being less than scholarships awarded.

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



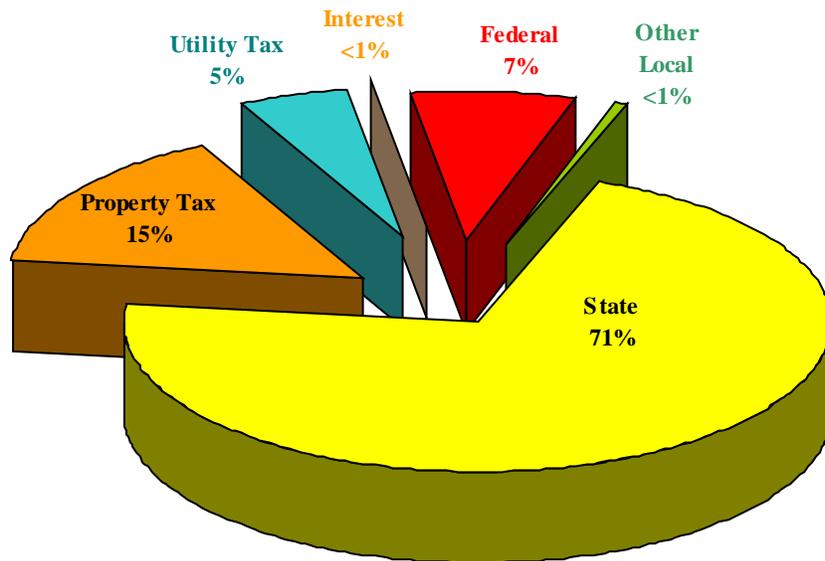
The Special Revenue Fund's balance will inherently fluctuate annually. Grants are obtained for specified purposes and the balance of the fund will change dependent upon when the grant funds are received and disbursed.

The General Fund's balance increased \$46,379 while all other governmental funds' balances decreased. General Fund expenditures were in excess of revenues for 2013 in the amount of \$730,068, but net transfers from other funds of \$776,447 resulted in the increase. For 2013, total General Fund revenues decreased \$169,377 and total expenditures decreased \$303,083. Total governmental funds' balances decreased \$460,762 for 2013.

The relationship of Total Governmental Funds revenue and expenditure types remained relatively static in relation to total revenue and expenditures.

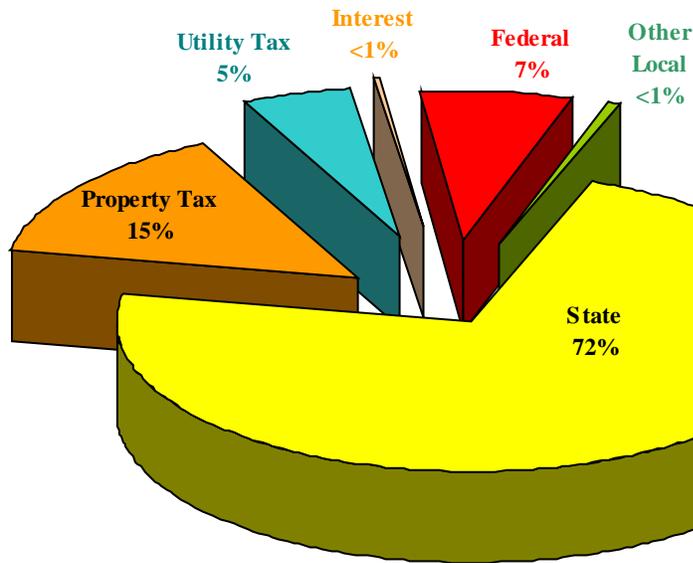
The following graphs indicate the relationship of types of revenues to total revenues of Total Governmental Funds for the fiscal years ended June 30, 2013 and 2012:

Total Governmental Funds Revenues for the Fiscal Year Ended June 30, 2013





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



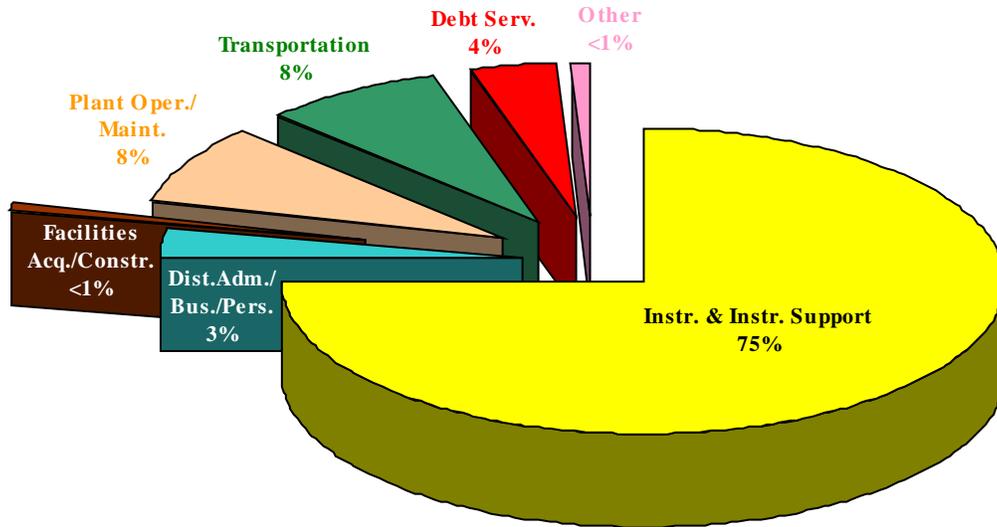
The District continues to find economies in operations wherever possible. Though the District is proceeding with planned instructional programs as much as feasible with reduced state funding, it has required the use of monies previously accumulated and some reductions in expenditures. Further cuts in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

Transportation, both regular and special education transportation, continues to be under-funded by the state, even as costs rise. Plant operation and maintenance expenditures remain mostly steady as the District maintains facilities at a level to defer any deterioration. Debt Service is relatively constant based upon required bond and interest scheduled payments. Instruction and instructional support spending as a percentage of total spending increased 2% for 2013.

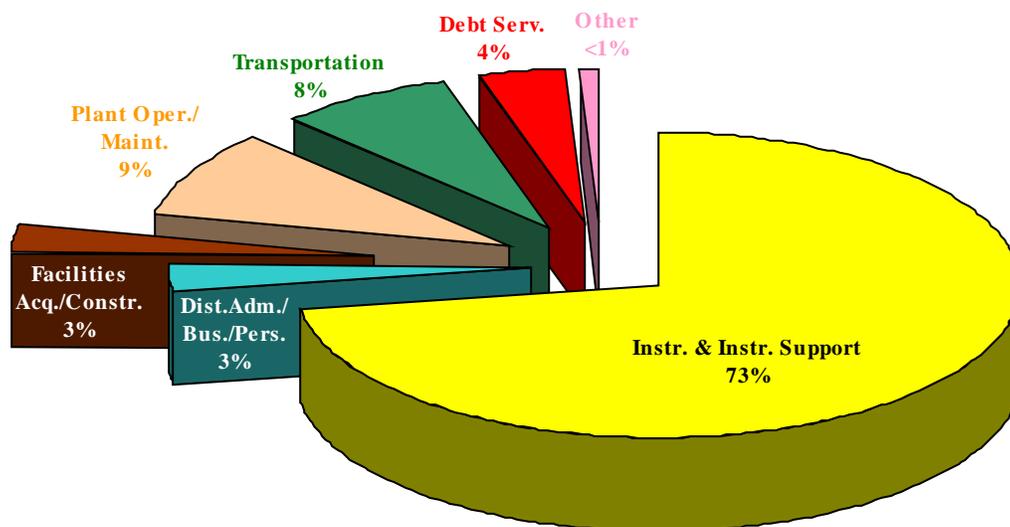
Following are graphs indicating the relationship of types of expenditures to total expenditures of Total Governmental Funds for the fiscal years ended June 30, 2013 and 2012:



Total Governmental Funds Expenditures for the Fiscal Year Ended June 30, 2013



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





GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with directives from the Kentucky Department of Education (DOE) and Kentucky law, the District's funds 2013 budgets were prepared to account for most transactions on a cash receipt / cash disbursement / encumbrance basis. The DOE requires a budget in which any remaining unassigned fund balance is shown as a contingency expense. Over the course of the year, the District revises the annual operating budget as circumstances dictate or as required by the DOE. The major changes from the original General Fund budget to the final budget resulted from changes in SEEK funding estimates and budgeted transfers.

As noted on the *Budgetary Comparison Schedule for the General Fund* contained in the *Required Supplemental Information*, the General Fund budget did not include \$5,214,119 of state payments on-behalf of District employees for retirement and health benefits and state provided technology. These payments are reflected in the GAAP basis actual amounts as state program revenues and in each type of expenditure in relation to wages paid, with the major portion contained in instructional expenditures. Local revenues are budgeted conservatively resulting in a favorable variance of local revenues for the year.

The favorable variance in instruction expenditures reflects changes in instructional programs during the year. The favorable variance in plant operations and maintenance reflects unused allowances for energy costs and various cost savings programs instituted during the year. The favorable variance in student transportation was due to unused allowances for fuel costs. Contingency funds will always reflect a surplus as it is not an expenditure category.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. At June 30, 2013, the District had \$31,457,414 invested in capital assets net of depreciation: historical cost totaled \$54,675,165 with accumulated depreciation totaling \$23,217,751. These assets include school, athletic, and support facilities, as well as technology, food service, and other equipment. \$277,832 was expended on facility acquisition and improvements during the year, with \$799,942 of uncompleted work under contract. An elementary school that would be built in two phases has been designed; however, actual construction will be dependent upon projected cost and available funding, and is currently being deferred. Depreciation charged to expense during the year totaled \$1,744,518, the majority of which was charged to governmental functions. More detailed information relating to capital assets may be found in Note 3 of the *Notes to Financial Statements*.



Following is a summary of capital assets, net of depreciation, for the fiscal years ended June 30, 2012 and 2013:

Net Capital Assets for the Fiscal Years Ended June 30, 2012 and 2013

	Governmental Activities		Business-Type Activities		District Total	
	2012	2013	2012	2013	2012	2013
Land	\$ 1,136,780	\$ 1,208,949			\$ 1,136,780	\$ 1,208,949
Land Improvements	560,435	705,783			560,435	705,783
Building and Improvements	24,974,386	24,753,660	\$ 450,108	\$ 434,255	25,424,494	25,187,915
Construction in Progress	853,474	265,178			853,474	265,178
Technology Equipment	837,841	698,414	15,759	17,436	853,600	715,850
Transportation Equipment	2,050,680	2,225,463			2,050,680	2,225,463
Other equipment and furniture	943,315	855,982	233,502	292,294	1,176,817	1,148,276
	\$ 31,356,911	\$ 30,713,429	\$ 699,369	\$ 743,985	\$ 32,056,280	\$ 31,457,414

Long-Term Debt. The District's long-term general obligation bonds outstanding at June 30, 2013 were \$9,330,000. Of that amount, the Kentucky SFCC has agreed to make a portion of the principal and interest repayment under agreements previously described. Though the District is liable for the full amount of the bonds and the full amount is recorded on the financial statements, the SFCC has agreed to repay \$1,227,717 of the bonds leaving the District to pay \$8,102,283. The liability for compensated absences remains relatively steady at \$968,868. Other long-term obligations, mostly leases on equipment, will increase with the commitment of new leases and decrease as the leases are paid down.

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

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



OUTLOOK FOR THE FUTURE

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

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

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

In Kentucky, public schools' fiscal year is July 1 through June 30. Some programs, such as most federal grants, operate on a different fiscal year but are reflected in the District's overall budget. By law, the District's budget must have a minimum 2% budgeted contingency. The District has adopted a 2013-2014 fiscal year budget with a 5% budgeted contingency, but with funds committed for a minimum fund balance of approximately three months of operating expense. Significant actions that impact the District's 2013-2014 finances include decreased state funding, additional spending for facility maintenance outside of bonded building and renovation projects, and continued funding of initiatives such as additional instructional programs and all-day kindergarten.

The 2013-2014 fiscal year is the second year of this biennium state budget cycle. In past years, funding from the state was cut during the year due to the state's inability to fund the full amount of the biennium budget, and therefore the projected SEEK funding. The state's ability to fully fund the current biennium budget cycle has not been determined. The 2013-2014 allocated SEEK funding is \$6.00 per student less than the preceding year.



CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Logan County School District
Statement of Net Position

June 30, 2013	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 10,025,268	\$ 120,263	\$ 10,145,531
Accounts receivable:			
Taxes	305,438	-	305,438
Accounts	83,648	3,164	86,812
Intergovernmental	309,707	125,112	434,819
Inventory	-	28,675	28,675
Non-depreciable capital assets	1,474,127	-	1,474,127
Depreciable capital assets	51,468,412	1,732,626	53,201,038
Less: accumulated depreciation	(22,229,110)	(988,641)	(23,217,751)
Total assets	41,437,490	1,021,199	42,458,689
Deferred Outflows of Resources			
Deferred amount on debt refundings	608,974	-	608,974
Total deferred outflows of resources	608,974	-	608,974
Liabilities			
Accounts payable	509,139	4,177	513,316
Accrued liabilities	26,830	-	26,830
Unearned revenue	10,884	-	10,884
Accrued interest	52,970	-	52,970
Long-term obligations:			
Due within one year:			
Outstanding bonds	790,000	-	790,000
Other	49,222	5,933	55,155
Compensated absences	492,732	30,139	522,871
Due beyond one year:			
Outstanding bonds	8,565,703	-	8,565,703
Other	21,583	10,823	32,406
Compensated absences	442,708	3,289	445,997
Total liabilities	10,961,771	54,361	11,016,132

June 30, 2013	Governmental Activities	Business-type Activities	Total
Contingency			
Contingency-loss from KSBIT settlement	142,946	-	142,946
Total contingency	142,946	-	142,946
Net Position			
Invested in capital assets, net of related debt	21,895,895	727,229	22,623,124
Restricted	1,007,138	-	1,007,138
Unrestricted	8,038,714	239,609	8,278,323
Total Net Position	\$ 30,941,747	\$ 966,838	\$ 31,908,585

See accompanying notes to the financial statements.

Logan County School District Statement of Activities

Year Ended June 30, 2013	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
Instruction	\$ 19,645,239	\$ -	\$ 2,720,081	\$ 75,983	\$ (16,849,175)	\$ -	\$ (16,849,175)
Support Services:							
Student	1,216,729	-	146,355	-	(1,070,374)	-	(1,070,374)
Instructional staff	1,674,650	-	605,672	-	(1,068,978)	-	(1,068,978)
District administration	555,869	-	-	-	(555,869)	-	(555,869)
School administration	1,722,133	-	-	-	(1,722,133)	-	(1,722,133)
Business	396,036	-	-	-	(396,036)	-	(396,036)
Plant operations and maintenance	2,612,618	15,198	16,287	-	(2,581,133)	-	(2,581,133)
Student transportation	2,296,192	-	83,903	-	(2,212,289)	-	(2,212,289)
Other	259,225	-	219,834	-	(39,391)	-	(39,391)
Building improvement	-	-	-	946,647	946,647	-	946,647
Interest on long-term debt	331,394	-	-	227,916	(103,478)	-	(103,478)
Bond issuance costs	38,150	-	-	-	(38,150)	-	(38,150)
Total governmental activities	30,748,235	15,198	3,792,132	1,250,546	(25,690,359)	-	(25,690,359)
Business-type Activities:							
Food services	2,019,163	626,841	1,404,979	-	-	12,657	12,657
Total business-type activities	2,019,163	626,841	1,404,979	-	-	12,657	12,657
Total School District	\$ 32,767,398	\$ 642,039	\$ 5,197,111	\$ 1,250,546	(25,690,359)	12,657	(25,677,702)

General Revenues			
Taxes:			
Property	3,558,277	-	3,558,277
Motor vehicle	608,399	-	608,399
Utilities	1,512,157	-	1,512,157
Other	584,562	-	584,562
State aid	19,186,266	-	19,186,266
Investment earnings	31,616	586	32,202
Other	48,581	-	48,581
Extraordinary item - loss on KSBIT settlement	(142,946)	-	(142,946)
Gain on disposal of assets	3,944	-	3,944
Transfers	86,885	(86,885)	-
<hr/>			
Total general revenues, extraordinary item, and transfers	25,477,741	(86,299)	25,391,442
<hr/>			
Change in Net Position	(212,618)	(73,642)	(286,260)
Net Position - Beginning of Year	31,233,358	1,040,480	32,273,838
Effect of Adoption of GASB 65	(78,993)	-	(78,993)
<hr/>			
Net Position - Beginning of Year, as restated	31,154,365	1,040,480	32,194,845
<hr/>			
Net Position - End of Year	\$ 30,941,747	\$ 966,838	\$ 31,908,585
<hr/> <hr/>			

Logan County School District
 Balance Sheet
 Governmental Funds

June 30, 2013	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 9,134,315	\$ 45,568	\$ 845,385	\$ 10,025,268
Accounts receivable:				
Taxes	305,438	-	-	305,438
Accounts	83,648	-	-	83,648
Intergovernmental	-	309,707	-	309,707
Due from other funds	195,088	-	-	195,088
Total Assets	\$ 9,718,489	\$ 355,275	\$ 845,385	\$ 10,919,149

Liabilities and Fund Balances

Liabilities				
Accounts payable	\$ 601,595	\$ 45,568	\$ 4,922	\$ 652,085
Accrued liabilities	26,830	-	-	26,830
Due to other funds	-	195,088	-	195,088
Unearned revenue	-	10,884	-	10,884
Total liabilities	628,425	251,540	4,922	884,887
Fund Balances				
Restricted	62,940	103,735	840,463	1,007,138
Committed	7,692,732	-	-	7,692,732
Unassigned	1,334,392	-	-	1,334,392
Total fund balances	9,090,064	103,735	840,463	10,034,262
Total Liabilities and Fund Balances	\$ 9,718,489	\$ 355,275	\$ 845,385	\$ 10,919,149

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

June 30,	2013
Total Fund Balances - Governmental Funds	\$ 10,034,262
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$52,942,539, and the accumulated depreciation is \$22,229,110.	30,713,429
Governmental funds record losses on debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are included on the government-wide financial statements as a deferred outflow of resources.	608,974
Long-term liabilities, including interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bonds payable	(9,355,703)
Accrued interest on the bonds	(52,970)
Other debt	(70,805)
Compensated absences	(935,440)
Total Net Position - Governmental Activities	\$ 30,941,747

See accompanying notes to the financial statements.

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

Year Ended June 30, 2013	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
From local sources:				
Taxes:				
Property	\$ 3,008,112	\$ -	\$ 550,165	\$ 3,558,277
Motor vehicle	608,399	-	-	608,399
Utilities	1,512,157	-	-	1,512,157
Other	584,562	-	-	584,562
Earnings on investments	31,033	289	583	31,905
Other local revenue	44,367	13,585	-	57,952
Intergovernmental - state	19,186,266	1,587,741	1,174,563	21,948,570
Intergovernmental - federal	23,996	2,266,500	-	2,290,496
Total revenues	24,998,892	3,868,115	1,725,311	30,592,318
Expenditures				
Current:				
Instruction	15,818,503	2,923,189	-	18,741,692
Support services:				
Student	1,068,929	146,355	-	1,215,284
Instructional staff	1,066,516	605,672	-	1,672,188
District administration	567,658	-	-	567,658
School administration	1,723,778	-	-	1,723,778

Business	394,742	-	-	394,742
Plant operations and maintenance	2,584,424	16,287	-	2,600,711
Student transportation	2,389,177	83,903	-	2,473,080
Other	43,064	219,834	-	262,898
Land/site acquisition	72,169	-	1,551	73,720
Building acquisition & construction	-	-	205,663	205,663
Debt service:				
Principal	-	-	910,000	910,000
Interest	-	-	302,265	302,265
Bond issuance cost	-	-	38,150	38,150
Total expenditures	25,728,960	3,995,240	1,457,629	31,181,829
Excess (Deficiency) of Revenues over Expenditures	(730,068)	(127,125)	267,682	(589,511)
Other Financing Sources (Uses)				
Proceeds of advance refunded bonds - net of discount	-	-	2,921,654	2,921,654
Payment to advance refunded bond escrow agent	-	-	(2,879,790)	(2,879,790)
Operating transfers in	934,918	51,142	1,970,543	2,956,603
Operating transfers out	(158,471)	-	(2,711,247)	(2,869,718)
Total other financing sources (uses)	776,447	51,142	(698,840)	128,749
Net Change in Fund Balances	46,379	(75,983)	(431,158)	(460,762)
Fund Balances - Beginning of Year	9,043,685	179,718	1,271,621	10,495,024
Fund Balances - End of Year	\$ 9,090,064	\$ 103,735	\$ 840,463	\$ 10,034,262

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

Year Ended June 30,	2013
Total Net Change in Fund Balances - Governmental Funds	\$ (460,762)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense, \$1,684,417, exceeds capital outlays, \$1,041,576, in the period.	(642,841)
Gains and losses are not presented in governmental funds because they do not provide or use current financial resources. However, they are presented on the statement of activities. The difference between proceeds from the sale of assets and the actual gain/loss from the sale net to this amount for the year.	(641)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	952,537
The issuance of a bond is shown as an other financing source in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position. Correspondingly, the transfer to an escrow agent for the partial refunding of bonds is shown as an other financing use in the governmental funds, but the transfer reduces long-term liabilities in the statement of net position. The net of these other financing sources and uses is shown here for the period.	(41,864)
Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the statement of activities are recognized when they are incurred.	(19,047)
Change in Net Position - Governmental Activities	\$ (212,618)

See accompanying notes to the financial statements.

Logan County School District
Statement of Net Position
Proprietary Funds

June 30, 2013	Enterprise Fund Food Service
Assets	
Current Assets	
Cash	\$ 120,263
Accounts receivable	
Accounts	3,164
Intergovernmental	125,112
Inventory	28,675
Total current assets	277,214
Non-Current Assets:	
Fixed assets - net	743,985
Total assets	1,021,199
Liabilities	
Current Liabilities	
Accounts payable	4,177
Compensated absences	30,139
Other	5,933
Total current liabilities	40,249
Long-Term Liabilities	
Compensated absences	3,289
Other	10,823
Total long-term liabilities	14,112
Net Position	
Invested in capital assets, net of related debt	727,229
Unrestricted	239,609
Total Net Position	\$ 966,838

See accompanying notes to the financial statements.

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

Year Ended June 30, 2013	Enterprise Fund Food Service
Operating Revenues	
Lunchroom sales	\$ 626,841
Total operating revenues	626,841
Operating Expenses	
Salaries and wages	909,955
Contract services	44,127
Materials and supplies	1,004,196
Depreciation expense	60,101
Total operating expenses	2,018,379
Operating loss	(1,391,538)
Non-Operating Revenues (Expenses)	
State operating grants	145,294
Federal operating grants	1,145,810
Donated commodities	113,875
Interest revenue	586
Loss on disposal of assets	(784)
Total non-operating revenues (expenses)	1,404,781
Income before transfers	13,243
Transfers	(86,885)
Change in Net Position	(73,642)
Net Position - Beginning of Year	1,040,480
Net Position - End of Year	\$ 966,838

See accompanying notes to the financial statements.

Logan County School District
Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2013	Enterprise Fund Food Service
Cash Flows from Operating Activities	
Cash received from user charges	498,565
Cash payments to employees for services	(782,896)
Cash payments for contract services	(44,127)
Cash payments to suppliers for goods and services	(911,062)
Net cash used in operating activities	(1,239,520)
Cash Flows from Non-Capital Financing Activities	
Indirect cost transfer to general fund	(86,885)
Nonoperating grants received	1,165,028
Other	270
Net cash provided by non-capital financing activities	1,078,413
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	(105,772)
Issuance of other debt	8,565
Payment on other debt	(5,328)
Net cash used in capital and related financing activities	(102,535)
Cash Flows from Investing Activities	
Interest on investments	586
Net cash provided by investing activities	586
Net Decrease in Cash	(263,056)
Cash - Beginning of Year	383,319
Cash - End of Year	\$ 120,263

Year Ended June 30, 2013	Enterprise Fund Food Service
Reconciliation of Operating Loss to Net Cash Used In Operating Activities	
Operating loss	\$ (1,391,538)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	60,101
Commodities used	113,875
On-behalf payments received	126,076
Changes in assets and liabilities:	
Receivables	(128,276)
Inventories	(326)
Accounts payable	(20,415)
Accrued benefits	983
Net Cash Used In Operating Activities	\$ (1,239,520)

Noncash Activities

- The food service fund received \$113,875 of donated commodities from the federal government.
- The District received on-behalf payments of \$126,076 relating to insurance benefits.

See accompanying notes to the financial statements.

Logan County School District
Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2013	Agency Funds	Private Purpose Trust Funds
Assets		
Cash	\$ 246,771	\$ 744,644
Accounts receivable	128,837	-
Total assets	375,608	744,644
Liabilities		
Accounts payable	10,555	-
Due to student groups	365,053	-
Total liabilities	375,608	-
Net Position		
Held in trust for scholarships	-	744,644
Net Position	\$ -	\$ 744,644

See accompanying notes to the financial statements.

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

Year Ended June 30, 2013	Private Purpose Trust Funds
Additions	
Earnings on investments	\$ 1,953
Other local revenue	7,676
Total additions	9,629
Deductions	
Scholarships	18,250
Total deductions	18,250
Change in Net Position	(8,621)
Net Position - Beginning of Year	753,265
Net Position - End of Year	\$ 744,644

See accompanying notes to the financial statements.

Note 1: Summary of Significant Accounting Policies

• Reporting Entity

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

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

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units," the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization and there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements as a blended component unit:

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

Note 1: Summary of Significant Accounting Policies
(Continued)

Board Members of the Logan County Board of Education also comprise the Corporation's Board of Directors.

• ***Basis of Presentation***

Government-Wide Financial Statements — The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the District, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

Note 1: Summary of Significant Accounting Policies
(Continued)

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:

▶ **Governmental Fund Types**

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

The *Special Revenue Fund* accounts for proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the schedule of expenditures of federal awards. The special revenue fund is a major fund.

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

The *Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund* receives those funds designated by the state as capital outlay funds and is

Note 1: Summary of Significant Accounting Policies
(Continued)

restricted for use in financing projects identified in the District's facility plan and certain operating costs.

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

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

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

▶ **Proprietary Fund Types**

Enterprise Funds

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

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

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

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

Note 1: Summary of Significant Accounting Policies
(Continued)

Agency Funds

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

Private Purpose Trust Funds

The *Private Purpose Trust Funds* are used to report trust arrangements under which principal and income benefit individuals.

● ***Basis of Accounting***

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

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

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

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

The financial statements of the governmental fund types are prepared on the modified accrual basis of accounting. On this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally

Note 1: Summary of Significant Accounting Policies
(Continued)

recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid. The proprietary funds are accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

• ***Estimates***

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

• ***Inventory***

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

• ***Capital Assets***

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

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

Note 1: Summary of Significant Accounting Policies
(Continued)

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

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

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

• **Unearned Revenue**

Unearned 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 unearned revenue.

• **Compensated Absences**

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

Note 1: Summary of Significant Accounting Policies
(Continued)

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

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

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

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

● ***Net Position***

The District classifies its net position into the following three categories:

Invested in capital assets - This represents the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

Restricted - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Note 1: Summary of Significant Accounting Policies
(Continued)

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

• ***Property Taxes***

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

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

Revenues resulting from exchange transactions are where each party receives equal value. On the modified accrual basis of accounting, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Assets from property taxes are normally recognized when an enforceable legal claim arises. However, for the District, an enforceable legal claim arises after the period for which taxes are levied. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September.

On the modified accrual basis of accounting, assets and revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Revenues from non-exchange transactions must also be available before they can be recognized.

Note 1: Summary of Significant Accounting Policies
(Continued)

• ***Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as non-operating revenues/expenses in proprietary funds.

• ***Interfund Balances***

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

• ***Contributions of Capital***

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

• ***Operating Revenues and Expenses***

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

• ***Subsequent Events***

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through November 1, 2013, which was the date the financial statements were made available.

• ***New Accounting Pronouncements***

Recently Issued and Adopted Accounting Pronouncements

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34* provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring

Note 1: Summary of Significant Accounting Policies
(Continued)

that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements* incorporates into GASB's authoritative literature certain accounting and financial reporting guidance included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure, which do not conflict with or contradict GASB pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial reporting impact resulting from the implementation of GASB 63 in the District's financial statements was the renaming of "Net Assets" to "Net Position," including changing the name of the financial statement from "Statement of Net Assets" to "Statement of Net Position."

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The District has early implemented the new requirements of this statement for the fiscal year ended June 30, 2013. The implementation of GASB 65 resulted in the write-off of bond issuance costs and the effect of the adoption of GASB 65 is the reduction of beginning net position by \$78,993.

Recently Issued Accounting Pronouncements

GASB Statement No. 66, *Technical Corrections—2012: an Amendment of GASB Statements No. 10 and No. 62*, effective for periods beginning after December 15, 2012, resolves conflicting accounting and reporting guidance that could diminish consistent

Note 1: Summary of Significant Accounting Policies
(Continued)

financial reporting and enhance the usefulness of financial reports. The District plans to implement the new requirements for the fiscal year 2013–2014 financial statements.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27* improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

Note 2: Cash

• *Deposits*

At June 30, 2013, the carrying amounts of the District's deposits were \$11,136,946 and the bank balances were \$12,120,891 , which were covered by federal depository insurance or by collateral held by the bank's agent in the District's name.

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

June 30,	2013
Governmental funds	\$ 10,025,268
Proprietary funds	120,263
Fiduciary funds	991,415
	\$ 11,136,946

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

Note 2: Cash (Continued)

▶ *Custodial Credit Risk-Deposits*

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. However, state statutes require the District's bank deposits to be collateralized. The District's bank balance of \$12,120,891 was not exposed to custodial credit risk as of June 30, 2013.

Note 3: Capital Assets

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

June 30, 2013	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 1,136,780	\$ 72,169	\$ -	\$ 1,208,949
Construction in progress	853,474	205,663	793,959	265,178
Total non-depreciable historical cost	1,990,254	277,832	793,959	1,474,127
Capital assets that are depreciated:				
Land improvements	1,330,999	195,570	-	1,526,569
Buildings and improvements	37,954,030	598,389	-	38,552,419
Technology Equipment	3,739,107	183,234	202,550	3,719,791
Vehicles	5,219,292	529,109	128,938	5,619,463
General	1,998,769	51,401	-	2,050,170
Total depreciable historical cost	50,242,197	1,557,703	331,488	51,468,412
Less accumulated depreciation for:				
Land improvements	770,564	50,222	-	820,786
Buildings and improvements	12,979,644	819,115	-	13,798,759
Technology Equipment	2,901,266	322,020	201,909	3,021,377
Vehicles	3,168,612	354,326	128,938	3,394,000
General	1,055,454	138,734	-	1,194,188
Total accumulated depreciation	20,875,540	1,684,417	330,847	22,229,110

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

Note 3: Capital Assets (Continued)

June 30, 2013	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Total depreciable historical cost, net	29,366,657	(126,714)	641	29,239,302
Governmental Activities, Capital Assets, Net	\$ 31,356,911	\$ 151,118	\$ 794,600	\$ 30,713,429
Business-type activities:				
Capital assets that are depreciated:				
Buildings and improvements	\$ 792,679	\$ -	\$ -	\$ 792,679
Technology Equipment	34,498	8,259	12,259	30,498
General	829,324	97,513	17,388	909,449
Total depreciable historical cost	1,656,501	105,772	29,647	1,732,626
Less accumulated depreciation for:				
Buildings and improvements	342,571	15,853	-	358,424
Technology Equipment	18,739	6,582	12,259	13,062
General	595,822	37,666	16,333	617,155
Total accumulated depreciation	957,132	60,101	28,592	988,641
Total depreciable historical cost, net	699,369	45,671	1,055	743,985
Business-Type Activities, Capital Assets, Net	\$ 699,369	\$ 45,671	\$ 1,055	\$ 743,985

Depreciation expense was charged to governmental functions as follows:

Year ended June 30,	2013
Instruction	\$ 1,260,398
Support services:	
Student	1,445
Instructional staff	2,462
District administration	20,592
School administration	369
Business	2,949
Facilities operations	45,919
Student transportation	348,220
Other	2,063
Total Depreciation Expense	\$ 1,684,417

Note 4: Long-Term Obligations

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

Issue Date	Proceeds	Rates
2003	\$ 1,920,000	1.50%–3.65%
2004	505,000	3.60%–5.00%
2006	70,000	3.70%–4.20%
2008	2,415,000	2.20%–3.20%
2009	2,780,000	2.00%–3.25%
2009	835,000	2.00%–2.80%
2012	1,970,000	1.25%–2.125%
2013	2,860,000	1.00%–2.625%

On February 1, 2013, the District issued \$2,860,000 in General Obligation Bonds with an average interest rate of 2.19% to advance refund \$2,585,000 of outstanding 2006 Series bonds with an average interest rate of 4.17%. The net proceeds of \$2,879,790 (after payment of \$38,150 in underwriting fees, insurance and other issuance costs) were transferred to an escrow agent to provide future debt service payments on the 2006 Series bonds. As a result, the advance refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$294,790. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2026 using the straight-line method. The District completed the advance refunding to reduce its total debt service payments over the next 13 years by \$179,761 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$162,465.

In 2012, the District defeased \$1,735,000 of the 2004 bonds by placing new bond proceeds in an irrevocable trust to provide for future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2013, \$1,735,000 of the defeased bonds are still outstanding.

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

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

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

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

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

Year	Logan County School District		School Facilities Construction Committee		Total Debt Service
	Interest	Principal	Interest	Principal	
2013—2014	\$ 198,788	\$ 655,474	\$ 29,640	\$ 134,526	\$ 1,018,428
2014—2015	187,681	672,368	26,315	137,632	1,023,996
2015—2016	166,451	592,948	22,202	142,052	923,653
2016—2017	151,340	614,176	18,481	145,824	929,821
2017—2018	135,423	623,853	14,993	136,147	910,416
2018—2019	118,651	661,357	12,005	108,643	900,656
2019—2020	100,356	678,567	9,222	111,433	899,578
2020—2021	81,085	695,954	6,540	99,046	882,625
2021—2022	68,954	547,996	4,721	57,004	678,675
2022—2023	57,516	561,833	3,559	58,167	681,075
2023—2024	45,087	575,575	2,300	59,425	682,387
2024—2025	31,331	601,325	969	18,675	652,300
2025—2026	16,298	620,857	503	19,143	656,801
	\$ 1,358,961	\$ 8,102,283	\$ 151,450	\$ 1,227,717	\$ 10,840,411

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

Note 4: Long-Term Obligations (Continued)

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

June 30,	Governmental	Business-Type/ Proprietary
2014	\$ 49,222	\$ 5,933
2015	19,540	6,875
2016	1,728	3,846
2017	315	102
Total	\$ 70,805	\$ 16,756

June 30, 2013	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Amounts Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
General obligation debt	\$ 9,965,000	\$ 2,860,000	\$ (3,495,000)	\$ 9,330,000	\$ 790,000
Less discounts and premiums	(41,064)	61,654	5,113	25,703	-
Total bonds and notes payable	9,923,936	2,921,654	(3,489,887)	9,355,703	790,000
Other liabilities:					
Other	113,342	-	(42,537)	70,805	49,222
Compensated absences	945,522	71,935	(82,017)	935,440	492,732
Total other liabilities	1,058,864	71,935	(124,554)	1,006,245	541,954
Total Long-Term Liabilities	\$ 10,982,800	\$ 2,993,589	\$ (3,614,441)	\$ 10,361,948	\$ 1,331,954
Business-type/proprietary activities:					
Other liabilities:					
Other	\$ 13,519	\$ 8,565	\$ (5,328)	\$ 16,756	\$ 5,933
Compensated absences	32,445	4,830	(3,847)	33,428	30,139
Total Other Liabilities	\$ 45,964	\$ 13,395	\$ (9,175)	\$ 50,184	\$ 36,072

Note 5: Fund Balances

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

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

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2013, the District had \$62,940 restricted in the general fund for future construction, \$103,735 restricted in the special revenue fund for grant programs, \$812,083 restricted in the construction fund for capital projects and \$28,380 restricted in the debt service fund for debt service.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments in the general fund at June 30, 2013: \$2,000,000 for construction, \$492,732 for compensated absences and \$5,200,000 for a minimum fund balance policy.

Assigned fund balances are amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2013 was \$0. Assigned fund balances also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

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

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

Note 5: Fund Balances *(Continued)*

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically rebudgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2013 in the governmental funds balance sheet.

Statutorily, the Kentucky Department of Education may assume financial control over any school district whose fund balance drops below 2% of the total expenditures of certain funds. To maintain balances above this level, they recommend reserving at least 5%. On June 16, 2013, the Board committed \$5,200,000 to ensure fund balance remains above these levels. While these funds have been properly committed and not budgeted for future years' expenditures, there is no mandate on how these funds would be used if the Board fell below this floor.

Note 6: Pension Plans

• ***Plan Descriptions***

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

• ***Funding Policy***

KTRS plan members are required to contribute 10.855% of their covered salary. CERS plan members are required to contribute 5.0% (6.0% for new hires effective July 1, 2008) of their covered salary. The District is required to contribute to the CERS and

Note 6: Pension Plans (Continued)

KTRS and the Commonwealth of Kentucky is required to contribute to the KTRS. The contribution rate is actuarially determined. The current rate for KTRS is 14.105%, for the Commonwealth and 1.000% for the District of annual covered payroll. The rate for CERS is 19.55%, 18.96%, and 16.93% for the years ended June 30, 2013, 2012 and 2011, respectively, of annual covered payroll. The contribution requirements of the plan members, the District and Commonwealth of Kentucky are established and may be amended by the Plans' Board of Trustees. The District's contributions to CERS for the years ended June 30, 2013, 2012 and 2011 were \$827,790, \$ 799,380 and \$ 724,750 , respectively, equal to the required contributions for each year.

For the year ended June 30, 2013 the Commonwealth contributed \$1,787,768 to the KTRS for the benefit of the District's participating employees. The District's contributions to the KTRS for the year ended June 30, 2013 were \$220,877.

• **Medical Insurance Plan**

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

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

Funding Policy — In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Those who became members before July 1, 2008 contribute 1.25% of salary to the plan. Member contributions are 1.75% of salary for those who became members after July 1, 2008. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 0.5% of members' salary for the 2012–2013 fiscal year.

Note 6: Pension Plans *(Continued)*

• ***Deferred Compensation Plans***

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

Note 7: Contingencies

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

Note 8: Risk Management

The District is exposed to various forms of loss of assets associated with the risks related to torts; theft of, damage to and destruction of assets; fire, personal liability, vehicular accidents; errors and omissions; injuries to employees; fiduciary responsibility; and natural disaster. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include workers' compensation insurance.

In prior years, to obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participated in the Kentucky School Boards

Note 8: Risk Management *(Continued)*

Insurance Trust Liability Fund (KSBIT). These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District paid an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund were based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

KSBIT is now working under a corrective action plan with the Kentucky Department of Insurance (DOI) due to a large deficit fund balance. KSBIT has submitted a proposal to the DOI for a novation rather than a runoff. A novation will transfer all existing KSBIT claims to a highly rated reinsurer which will continue to make claim payments. The novation will shift the future risk to the reinsurer instead of leaving it on the members as would occur in a runoff. This plan is not yet approved by the DOI and will not go into effect nor will it result in any assessment to members until approved. The proposal will affect both current members and prior members.

The novation proposal sent to the DOI would result in a general liability assessment of \$19,187 and a workers' compensation liability of \$123,759 to the district. This amount may be paid as a onetime lump sum or spread over several periods. Even though the district does not currently participate in these KSBIT funds, the District will be liable for the assessment based on claims and losses previously filed on the District's behalf. The District believes it is probable an assessment will occur and that the estimate provided is reasonable. The District has recorded these assessments on the government-wide financial statements in accordance with the economic measurement focus. The amount of the assessment recorded as of June 30, 2013 was \$142,946. This amount is included in accounts payable on the governmental fund financial statement in the general fund.

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

Note 9: Litigation

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its

Note 9: Litigation *(Continued)*

legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

Note 10: Excess Expenditures over Appropriations

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

Year ended June 30, 2013	
Fund	Amount
Special revenue	\$ 75,983
SEEK	366,275
FSPK	27,661
Construction	15,082
Debt service	22,140
Food service	73,642
Private purpose trust funds	8,621

Note 11: Fund Transfers

Fund transfers for the year ended June 30, 2013 consist of the following:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	Matching	\$ 51,142
Operating	Food Service	General	Indirect Costs	86,885
Operating	SEEK	Construction	Construction	366,852
Operating	FSPK	Construction	Construction	27,666
Operating	General	Debt Service	Debt Service	107,329
Operating	SEEK	General	Operating	322,860
Operating	FSPK	General	Operating	321,236
Operating	FSPK	Debt Service	Debt Service	851,166
Operating	Construction	General	Operating	203,937
Operating	Construction	Construction	Reassign project funds	617,530

Note 12: On-behalf Payments

The District receives on-behalf payments from the State of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amount received for the fiscal year ended June 30, 2013, was \$5,568,111 . These payments were recorded as follows:

Year ended June 30, 2013	
Fund	Amount
General Fund	\$ 5,214,119
Food Service Fund	126,076
Debt Service Fund	227,916
Total	\$ 5,568,111

Required Supplementary Information

Logan County School District
Budgetary Comparison Schedule for the General Fund

Year Ended June 30, 2013	Budgeted Amounts		Actual (Budgetary Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Local and intermediate sources	\$ 5,646,967	\$ 5,710,567	\$ 5,788,630	\$ 78,063
State programs	13,949,894	13,988,568	13,972,147	(16,421)
Federal programs	15,000	15,000	23,996	8,996
Total revenues	19,611,861	19,714,135	19,784,773	70,638
Expenditures				
Current:				
Instruction	11,761,055	12,128,052	12,023,374	104,678
Support services:				
Student	849,841	844,001	847,166	(3,165)
Instructional staff	892,665	882,813	821,976	60,837
District administration	589,230	543,450	508,540	34,910
School administration	1,354,056	1,342,967	1,338,296	4,671
Business	290,443	288,500	279,214	9,286
Plant operations and maintenance	2,778,004	2,794,120	2,426,935	367,185
Student transportation	2,301,258	2,272,154	2,197,171	74,983
Site acquisition	-	71,000	72,169	(1,169)
Contingency	850,000	850,000	-	850,000
Total expenditures	21,666,552	22,017,057	20,514,841	1,502,216

Excess (Deficiency) of Revenues over Expenditures	(2,054,691)	(2,302,922)	(730,068)	1,572,854
Other Financing Sources (Uses)				
Operating transfers - net	525,832	774,063	776,447	2,384
Total other financing sources (uses)	525,832	774,063	776,447	2,384
Net Change in Fund Balance	(1,528,859)	(1,528,859)	46,379	1,575,238
Fund Balance - Beginning of Year	1,528,859	1,528,859	9,043,685	7,514,826
Fund Balance - End of Year	\$ -	\$ -	\$ 9,090,064	\$ 9,090,064

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

Inflows/revenues:

 Actual amounts (budgetary basis) \$ 19,784,773

Differences - budget to GAAP:

 On-behalf payments recorded under GAAP basis not included in budget amounts 5,214,119

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

\$ 24,998,892

Outflows/expenditures:

 Actual amounts (budgetary basis) \$ 20,514,841

Differences - budget to GAAP:

 On-behalf payments recorded under GAAP basis not included in budget amounts 5,214,119

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

\$ 25,728,960

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

Year Ended June 30, 2013	Budgeted Amounts		Actual (GAAP Basis)	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Local and intermediate sources	\$ 10,000	13,707	\$ 13,874	\$ 167
State programs	1,553,252	1,572,311	1,587,741	15,430
Federal programs	2,156,486	2,350,277	2,266,500	(83,777)
Total revenues	3,719,738	3,936,295	3,868,115	(68,180)
Expenditures				
Current:				
Instruction	2,764,731	2,937,742	2,923,189	14,553
Support services:				
Student	136,427	181,339	146,355	34,984
Instructional staff	545,369	545,591	605,672	(60,081)
Plant operations and maintenance	18,045	16,287	16,287	-
Student transportation	86,644	86,644	83,903	2,741
Other	219,636	219,834	219,834	-
Total expenditures	3,770,852	3,987,437	3,995,240	(7,803)
Excess (Deficiency) of Revenues over Expenditures	(51,114)	(51,142)	(127,125)	(75,983)
Other Financing Sources (Uses)				
Operating transfers - net	51,114	51,142	51,142	-
Total other financing sources (uses)	51,114	51,142	51,142	-
Net Change in Fund Balance	-	-	(75,983)	(75,983)
Fund Balance - Beginning of Year	-	-	179,718	179,718
Fund Balance - End of Year	\$ -	\$ -	\$ 103,735	\$ 103,735

Supplementary Information

Logan County School District
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2013	Seek Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Other Governmental Funds
Assets					
Cash	\$ -	\$ -	\$ 817,005	\$ 28,380	\$ 845,385
Total Assets	\$ -	\$ -	\$ 817,005	\$ 28,380	\$ 845,385
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 4,922	\$ -	\$ 4,922
Total liabilities	-	-	4,922	-	4,922
Fund Balances					
Restricted	-	-	812,083	28,380	840,463
Total fund balance	-	-	812,083	28,380	840,463
Total Liabilities and Fund Balances	\$ -	\$ -	\$ 817,005	\$ 28,380	\$ 845,385

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

Year Ended June 30, 2013	Seek Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Other Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	\$ -	\$ 550,165	\$ -	\$ -	\$ 550,165
Earnings on investments	577	6	-	-	583
Intergovernmental - state	323,635	623,012	-	227,916	1,174,563
Total revenues	324,212	1,173,183	-	227,916	1,725,311
Expenditures					
Land/site acquisition	775	776	-	-	1,551
Building acquisition & construction	-	-	205,663	-	205,663
Debt service:					
Principal	-	-	-	910,000	910,000
Interest	-	-	-	302,265	302,265
Bond issuance cost	-	-	-	38,150	38,150
Total expenditures	775	776	205,663	1,250,415	1,457,629
Excess (Deficiency) of Revenues over Expenditures	323,437	1,172,407	(205,663)	(1,022,499)	267,682

Other Financing Sources (Uses)

Proceeds of advance refunding bonds - net of discount	-	-	-	2,921,654	2,921,654
Payment to advance refunded bond escrow agent	-	-	-	(2,879,790)	(2,879,790)
Operating transfers in	-	-	1,012,048	958,495	1,970,543
Operating transfers out	(689,712)	(1,200,068)	(821,467)	-	(2,711,247)
Total other financing sources (uses)	(689,712)	(1,200,068)	190,581	1,000,359	(698,840)
Net Change in Fund Balances	(366,275)	(27,661)	(15,082)	(22,140)	(431,158)
Fund Balances - Beginning of Year	366,275	27,661	827,165	50,520	1,271,621
Fund Balances - End of Year	\$ -	\$ -	\$ 812,083	\$ 28,380	\$ 840,463

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

Year Ended June 30, 2013	Cash			Cash June 30, 2013	Accounts Receivable	Accounts Payable	Due to Student
	July 1, 2012	Receipts	Disbursements				Groups June 30, 2013
Logan County High School	\$ 8,228	\$ 539,421	\$ 536,379	\$ 11,270	\$ 128,767	\$ 10,553	\$ 129,484
Adairville Elementary	25,344	70,683	62,773	33,254	-	-	33,254
Auburn Elementary	79,472	87,257	82,191	84,538	70	2	84,606
Chandlers Elementary	42,189	87,310	85,054	44,445	-	-	44,445
Lewisburg Elementary	13,145	83,452	73,556	23,041	-	-	23,041
Olmstead Elementary	50,706	75,762	76,245	50,223	-	-	50,223
Total	\$ 219,084	\$ 943,885	\$ 916,198	\$ 246,771	\$ 128,837	\$ 10,555	\$ 365,053

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

Year Ended June 30, 2013	Cash		Receipts	Disbursements	Cash		Accounts Receivable	Accounts Payable	Due to Student Groups	
	July 1, 2012				June 30, 2013				June 30, 2013	June 30, 2013
Ace Academy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	177	\$ -	\$ -	177
Anthology	-	165	165	165	-	-	819	-	-	819
Archery	-	2,825	2,825	2,825	-	-	681	-	-	681
Art	-	605	605	605	-	-	8	-	-	8
Arts/Student	-	350	350	350	-	-	245	-	-	245
Athletics	-	157,304	157,304	157,304	-	-	5,902	376	-	5,526
Baseball	-	12,104	12,104	12,104	-	-	2,970	-	-	2,970
Beta Club	-	6,232	6,232	6,232	-	-	5,947	-	-	5,947
Business & Office	-	495	495	495	-	-	2,257	-	-	2,257
Book	-	10,837	10,837	10,837	-	-	898	-	-	898
Book Club	-	40	40	40	-	-	307	-	-	307
Bookstore	-	-	-	-	-	-	548	-	-	548
Boys Basketball	-	10,573	10,573	10,573	-	-	2,587	621	-	1,966
Girls Basketball	-	12,145	12,145	12,145	-	-	3,628	144	-	3,484
Cheerleading	-	8,855	8,855	8,855	-	-	2,977	-	-	2,977
Class Academy	-	-	-	-	-	-	1,172	-	-	1,172
Cougar Academy	-	2,879	2,879	2,879	-	-	738	-	-	738
Cross Country	-	10,241	10,241	10,241	-	-	729	-	-	729
DECA	-	-	-	-	-	-	379	-	-	379
Drafting/Williams	-	-	-	-	-	-	4	-	-	4
Drama / Speech	-	-	-	-	-	-	103	-	-	103
FBLA Club	-	2,895	2,895	2,895	-	-	2,425	91	-	2,334
FCA Club	-	330	330	330	-	-	269	-	-	269
FFA Club	-	86,791	86,791	86,791	-	-	12,195	2,565	-	9,630
FCCLA Club	-	14,222	14,222	14,222	-	-	1,943	-	-	1,943
FMD	-	441	441	441	-	-	5	-	-	5

Football	-	26,091	26,091	-	1,862	304	1,558
Football/Middle School	-	1,890	1,890	-	1,390	-	1,390
Friends of Library	-	-	-	-	135	-	135
Game Tech Club	-	-	-	-	142	-	142
General	-	23,816	23,816	-	5,853	-	5,853
General #1 / Coke & Lance	-	1,607	1,607	-	569	181	388
General #2 / Coke & Lance	-	9,157	9,157	-	4,213	186	4,027
Golf	-	2,298	2,298	-	3,136	-	3,136
Greenhouse	8,228	23,576	20,534	11,270	2,711	-	13,981
Home Ec B	-	408	408	-	429	-	429
Home Ec C	-	2,557	2,557	-	1,179	-	1,179
Home Ec D	-	2,088	2,088	-	961	-	961
Ind. Arts	-	955	955	-	33	-	33
JROTC Club	-	6,942	6,942	-	5,381	-	5,381
Law Club	-	478	478	-	20	-	20
KTSA Club	-	-	-	-	34	-	34
LCYSC	-	1,663	1,663	-	8,821	-	8,821
Library	-	-	-	-	475	-	475
Lost Book	-	-	-	-	520	-	520
Marketing	-	-	-	-	57	-	57
Pep Club	-	1,259	1,259	-	814	-	814
Project Graduation	-	18,047	18,047	-	904	-	904
Science Club	-	-	-	-	100	-	100
Science/Lee	-	481	481	-	295	-	295
Science/Logsdon	-	380	380	-	57	-	57
Science/Kelly, C.	-	260	260	-	42	-	42
Science / Myers	-	-	-	-	1	-	1
Science/ Wood	-	355	355	-	348	-	348
Soccer/Boys	-	6,928	6,928	-	1,265	-	1,265
Soccer/Girls	-	1,010	1,010	-	620	-	620
Softball	-	7,484	7,484	-	4,962	67	4,895
Spain/International Club	-	180	180	-	1,457	-	1,457

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

Year Ended June 30, 2013	Cash July 1, 2012	Receipts	Disbursements	Cash June 30, 2013	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2013
Spanish Club	-	-	-	-	19	-	19
Steam Academy	-	-	-	-	312	-	312
Student Council	-	1,024	1,024	-	1,180	-	1,180
Swim Team	-	270	270	-	870	-	870
Tennis	-	1,968	1,968	-	38	-	38
Track	-	9,685	9,685	-	2,488	-	2,488
United Way	-	-	-	-	576	-	576
Vo. Ag.	-	9,321	9,321	-	2,508	20	2,488
Volleyball	-	8,141	8,141	-	8,747	464	8,283
Year Book	-	28,773	28,773	-	13,330	5,534	7,796
Totals	\$ 8,228	\$ 539,421	\$ 536,379	\$ 11,270	\$ 128,767	\$ 10,553	\$ 129,484

Logan 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 Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Child Nutrition Cluster			
Food Distribution Program - non-cash	10.555	--	\$ 113,875
Passed-Through State Department of Education:			
School Breakfast Program	10.553	7760005 12	325,395
National School Lunch Program	10.555	7750002 12	<u>819,558</u>
Subtotal			1,258,828
State Administrative Expenses for Child Nutrition	10.560	7850012 12	858
Total U.S. Department of Agriculture			<u>1,259,686</u>
U.S. Department of Defense			
ROTC - 2013	12.000	--	67,685
Total U.S. Department of Defense			<u>67,685</u>
U.S. Department of Education			
Passed-Through State Department of Education:			
Title I, Part A Cluster			
Title I to Local Educational Agencies - 2012	84.010	3100002 11	51,465
Title I to Local Educational Agencies - 2013	84.010	3100002 12	<u>731,462</u>
Subtotal			782,927
Migrant Education Basic State Grant - 2012	84.011	3110002 11	20,252
Migrant Education Basic State Grant - Summer	84.011	3110002 11	30,042
Migrant Education Basic State Grant - 2013	84.011	3110002 12	<u>89,047</u>
Subtotal			139,341
Title VI - Rural & Low Income	84.358B	3503	41,535
Education Jobs Fund	84.410	EJOB00 10	5,757
Special Education Cluster			
IDEA - Part B Special Education - 2011	84.027	3810002 10	1,261
IDEA - Part B Special Education - 2012	84.027	3810002 11	39,193
IDEA - Part B Special Education - 2013	84.027	3810002 12	682,417
IDEA - Part B Preschool - 2012	84.173	3800002 11	565
IDEA - Part B Preschool - 2013	84.173	3800002 12	<u>95,347</u>
Subtotal			818,783

Year Ended June 30, 2013

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
English Language Acquisition Grants - 2013	84.365	3300002 12	1,206
Title II Teacher Quality - 2013	84.367	3230002 12	162,945
Vocational Education - 2013	84.048	4621332 12	26,391
Race to the Top	84.413A	3960002 11	25,171
Race to the Top - GRREC MOA	84.413A	4523G	<u>79,974</u>
Subtotal			105,145
Passed-Through State Workforce Cabinet:			
Adult Education - Basic - 2013	84.002	3733	88,622
Adult Education - Professional Staff Development - 2013	84.002	3733S	1,597
Adult Education - Recruitment, Retention and Results	84.002	3651	9,565
Adult Education - EL/Civics	84.002	3703	<u>15,000</u>
Subtotal			114,784
Total U.S. Department of Education			2,198,814
Total Expenditures of Federal Awards			\$ 3,526,185

See accompanying notes to the schedule of expenditures of federal awards.

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal grant activity of Logan County School District (the “District”) under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2: Summary of Significant Accounting Policies

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

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

Note 3: Subrecipients

There were no subrecipients during the fiscal year.

Logan County School District
Summary Schedule of Prior Year Audit Findings

None reported.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits as defined in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Logan County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Logan County School District's basic financial statements and have issued our report thereon dated November 1, 2013.

● **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Independent Auditor's Contract – State Compliance 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.

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

Carr, Riggs & Ingram, LLC
Russellville, Kentucky
November 1, 2013

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

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

• Report on Compliance for Each Major Federal Program

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

• 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 the 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*.

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

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

- **Opinion on Each Major Federal Program**

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

- **Report on Internal Control over Compliance**

Management of the 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, we considered the 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 the District's internal control over compliance.

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

not be prevented, or detected and corrected, on a timely basis. 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.

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

Section I — Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

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

Non-compliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

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

Type of auditor’s report issued on compliance for major programs: unqualified

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I, Part A Cluster
84.367	Title II, Teacher Quality
84.002	Adult Education

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

Auditee qualified as low-risk auditee? Yes No

Section II — Financial Statement Findings

None reported.

Section III — Federal Award Findings And Questioned Costs

None reported.



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Management Letter

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

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

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated November 1, 2013 contains our report on the District's internal control. This letter does not affect our report dated November 1, 2013 on the financial statements of the District.

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

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

Carr, Riggs & Ingram, LLC
Russellville, Kentucky
November 1, 2013

Current Year

• Central Office

- During our review of internal controls and discussions with the finance officer, we noted that the finance officer does not document his review of the Food Service bank reconciliation. We recommend that the finance officer sign off on the bank reconciliation to document his review.

• Food Service

- During our procedures for inventory, we noted the pricing of some of the inventory items tested did not agree to support vendor invoices. We recommend the individual inventory prices on the inventory sheets be reviewed and updated monthly to ensure accurate inventory prices are used in valuing inventory.

• Lewisburg Elementary

- During our procedures over disbursements, we noted one disbursement of a sample of six that did not have an invoice. We recommend that a standard invoice is used when an invoice or receipt from the vendor is not available.
- During our procedures over disbursements, we noted several invoices that were not mark "paid." We recommend that all invoices are marked paid with the date and check number to avoid duplicate payment of invoices.

• Olmstead Elementary

- During our review of the annual financial report, we noted several accounts with titles that did not indicate the source and use of funds, such as "Special Project" and "Activity." We recommend all funds be named so that the source and use of funds is evident by the title of the fund.
- During our procedures over ticket sales, we noted that the ticket sales reports are not being completed and signed by the person in charge of sales. We recommend the person responsible for receiving start up cash and selling tickets and remitting money to the treasurer properly complete and sign the ticket sales report.

LOGAN COUNTY BOARD OF EDUCATION

P. O. BOX 417

2222 BOWLING GREEN ROAD

RUSSELLVILLE, KENTUCKY 42276

Marshall H. Kemp, Superintendent

Phone (270) 726-2436 ■ FAX (270) 726-8892

November 1, 2013

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

RE: Logan County School District
Letter of Comments and Recommendations
Audit of FYE June 30, 2013

Ladies / Gentlemen:

As noted in the audit report, there were no material weaknesses, reportable conditions, instances of noncompliance, or questioned costs discovered in the audit of the financial statements of the Logan County School District for the fiscal year ended June 30, 2013. The auditor's *Letter of Comments and Recommendations* describes opportunities for strengthening internal controls and operating efficiency.

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

Central Office

The finance officer is currently documenting the review of the Food Service bank account.

Food Service

Food Service has instituted a practice of monthly updating individual inventory prices used in valuing inventory.

Lewisburg Elementary School

The school has been directed to always have an invoice for any disbursement and to use a standard invoice if a vendor invoice is not available. Furthermore, the school has been advised to mark all invoices "paid" indicating the date and check number.

Olmstead Elementary School

The school has been informed to title activity accounts in a manner that indicates the source and use of funds. Also, the school has been instructed to have ticket sales reports completed and signed by the person actually in charge of sales.

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

Sincerely,



Danny L. Harris, CPA
Finance Officer

CC: Carr Riggs & Ingram, LLC