

Ludlow Independent School District

**Financial Statements with Supplementary Information
June 30, 2014
Independent Auditors' Report**

LUDLOW INDEPENDENT SCHOOL DISTRICT
June 30, 2014

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LUDLOW INDEPENDENT SCHOOL DISTRICT
June 30, 2014

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Independent Auditors' Report

To the Members of the Board of Education
Ludlow Independent School District
525 Elm Street
Ludlow, Kentucky 41016

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 Ludlow Independent School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Ludlow Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ludlow Independent School District, as of June 30, 2014, 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.

**Independent Auditors' Report
(Continued)**

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 3-8 and 15-17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Reporting Other Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2014 on our consideration of the Ludlow Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ludlow Independent School District's internal control over financial reporting and compliance.



LUDLOW INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2014

As management of Ludlow Independent Board of Education (Board), the governing body for the Ludlow Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements and notes. All amounts used in this MD&A are approximate amounts, except where more specific.

FINANCIAL HIGHLIGHTS

- The beginning cash balance, including investments, for the District was \$106,766.
- Average Daily Attendance (ADA) for fiscal year 2014 was 761.91. Over the past five years we have had a decrease in ADA of 48. This is always an area of concern. Our attendance trend seems to be shifting due to the fact that our elementary class sizes are larger than our high school class sizes. This should allow us to see our ADA to rise next year due to these class size increases.
- The General Fund had \$6,611,807 in revenue (net of interfund transfers of \$21,064), which primarily consisted of the state program (SEEK), property taxes, local occupational license taxes, utilities taxes, and motor vehicle taxes. There was \$6,433,908 in General Fund expenditures (net of interfund transfers of \$33,213). Budgeted contingency funds were \$419,893 in the General Fund 2014.
- The ending unassigned fund balance in the General Fund for fiscal year 2014 is \$1,175,554. This is an increase of \$171,737 from 2013. From year to year the state legislature is requiring the District to absorb more and more mandated expenses, while at the same time they continue to cut grant funding.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) (Continued) Year Ended June 30, 2014

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 11 through 22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 37 of this report.

LUDLOW INDEPENDENT SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
(Continued)
Year Ended June 30, 2014

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$3,026,059 as of June 30, 2014.

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

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

Net Position for the periods ending June 30, 2014 and 2013

The following is a summary of net position for the fiscal years ended June 30, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Current assets	\$ 3,911,006	\$ 1,407,867
Noncurrent assets	5,946,630	4,766,300
Total assets	<u>\$ 9,857,636</u>	<u>\$ 6,174,167</u>
Current liabilities	\$ 1,169,532	\$ 481,027
Noncurrent liabilities	5,662,045	3,002,933
Total liabilities	<u>\$ 6,831,577</u>	<u>\$ 3,483,960</u>
Net position		
Investment in capital assets (net of debt)	\$ (63,665)	\$ 1,551,785
Restricted	2,885,965	312,079
Committed	-	-
Assigned	-	6,577
Unassigned	203,759	819,766
Total net position	<u>\$ 3,026,059</u>	<u>\$ 2,690,207</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
(Continued)
Year Ended June 30, 2014

DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

Comments on General Fund Budget Comparisons

- The District's total General Fund revenues for the fiscal year ended June 30, 2014, including interfund transfers of \$21,064, were \$6,632,871.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$1,640,624 more than budget or approximately 32.8% of the General Fund budget. The majority of this variance is the result of the District recording "on behalf" payments made by the state.
- The total cost of all General Fund programs and services was \$6,466,121 including debt service.
- General Fund actual expenditures exceeded budgeted expenditures by \$573,174. The majority of this variance is the result of the District recording "on behalf" payments made by the state.

LUDLOW INDEPENDENT SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
(Continued)
Year Ended June 30, 2014

DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues:		
Charges for services	\$ 134,997	\$ 157,380
Operating grants and contributions	1,222,391	1,136,786
Capital grants and contributions	<u>361,913</u>	<u>357,334</u>
 Total grant revenues	 <u>1,719,301</u>	 <u>1,651,500</u>
 General revenues:		
Property taxes	2,135,710	1,958,483
Grants and entitlements	4,551,544	4,682,773
Earnings on investments	14,547	4,999
Miscellaneous	<u>18,686</u>	<u>(77,962)</u>
 Total general revenues	 <u>6,720,487</u>	 <u>6,568,293</u>
 Total revenues	 <u>8,439,788</u>	 <u>8,219,793</u>
 Expenses:		
Instruction	4,513,785	4,779,261
Student support services	212,592	286,930
Instructional support	526,778	714,568
District administration	579,383	545,881
School administration	575,523	516,952
Business support	184,075	199,077
Plant operations	756,077	785,048
Student transportation	48,077	57,223
Other	-	3,408
Community support	73,226	79,103
Food service	467,424	497,864
Facilities acquisition and construction	-	-
Interest	<u>131,282</u>	<u>126,067</u>
 Total expenses	 <u>8,068,222</u>	 <u>8,591,382</u>
 Excess (deficit) of revenues over expenses	 <u><u>\$ 371,566</u></u>	 <u><u>\$ (371,589)</u></u>

LUDLOW INDEPENDENT SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
(Continued)
Year Ended June 30, 2014

BUDGETARY IMPLICATIONS

Ludlow Independent School District administered federal and state grant funds totaling \$693,667. Below is a three year comparison of our federal and state grant funds:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
State Grants	\$ 261,017	\$ 239,393	\$ 243,762
Federal Grants	\$ 432,650	\$ 416,811	\$ 471,687

The working budget contingency balance in the General Fund for fiscal year 2014 was \$419,893 (7.1%). The Kentucky Department of Education mandates a minimum 2.0% contingency for budgeting purposes. The beginning carry forward balance for 2015 is slightly higher than 2014. With the cuts in state and federal funding, the ability to sustain/grow the carry forward is always an ongoing concern that we keep a cautious eye on. Due to the stress of implementing mandated curriculum changes we will continually have to look at different ways to accomplish the high standards we set for ourselves.

Fiscal year 2015 is already upon us and we are doing our best to balance the financial outlook with what is best for the students of Ludlow Independent School District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Questions regarding this report should be directed to Mr. Michael Borchers, Superintendent, at (859) 261-8210 or by mail at Ludlow Independent School District, 525 Elm St., Ludlow, KY 41016.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Net Position – District Wide
Year Ended June 30, 2014**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Current			
Cash and cash equivalents	\$ 2,527,550	\$ 77,608	\$ 2,605,158
Investments	1,005,526	-	1,005,526
Accounts receivable	264,571	13,578	278,149
Inventories for consumption	-	22,173	22,173
Total current	<u>3,797,647</u>	<u>113,359</u>	<u>3,911,006</u>
Noncurrent			
Construction in progress	1,544,756	-	1,544,756
Nondepreciated capital assets:			
Land	391,300	-	391,300
Depreciated capital assets:			
Land improvements	112,189	-	112,189
Buildings and improvements	8,278,314	-	8,278,314
Furniture and equipment	1,627,830	125,364	1,753,194
Less: accumulated depreciation	<u>(6,042,257)</u>	<u>(90,866)</u>	<u>(6,133,123)</u>
Total noncurrent	<u>5,912,132</u>	<u>34,498</u>	<u>5,946,630</u>
Total assets	<u>9,709,779</u>	<u>147,857</u>	<u>9,857,636</u>
Liabilities			
Current			
Current portion of bonds payable	349,653	-	349,653
Accounts payable	664,508	-	664,508
Accrued interest	22,000	-	22,000
Accrued sick leave	35,638	-	35,638
Accrued payroll and related expenses	31,373	-	31,373
Assessed KISBIT liability	30,851	-	30,851
Unearned revenues	<u>35,509</u>	<u>-</u>	<u>35,509</u>
Total current	<u>1,169,532</u>	<u>-</u>	<u>1,169,532</u>
Noncurrent			
Accrued sick leave	1,403	-	1,403
Bond obligations	<u>5,660,642</u>	<u>-</u>	<u>5,660,642</u>
Total noncurrent	<u>5,662,045</u>	<u>-</u>	<u>5,662,045</u>
Total liabilities	<u>6,831,577</u>	<u>-</u>	<u>6,831,577</u>
Net Position			
Invested in capital assets, net of related debt	(98,163)	34,498	(63,665)
Restricted	2,815,718	70,247	2,885,965
Unassigned	<u>160,647</u>	<u>43,112</u>	<u>203,759</u>
Total net position	<u>\$ 2,878,202</u>	<u>\$ 147,857</u>	<u>\$ 3,026,059</u>

See notes to the financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

Statement of Activities- District Wide
Year Ended June 30, 2014

Functions/Programs	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:							
Instructional	\$ 4,513,785	\$ 17,313	\$ 551,387	\$ -	\$ (3,945,085)	\$ -	\$ (3,945,085)
Student support services	212,592	-	64,677	-	(147,915)	-	(147,915)
Staff support services	526,778	-	111,732	-	(415,046)	-	(415,046)
District administration	579,383	-	15,705	-	(563,678)	-	(563,678)
School administration	575,523	-	-	-	(575,523)	-	(575,523)
Business support services	184,075	-	-	-	(184,075)	-	(184,075)
Plant operation and maintenance	756,077	-	-	-	(756,077)	-	(756,077)
Student transportation	48,077	-	-	-	(48,077)	-	(48,077)
Community service operations	73,226	-	72,891	-	(335)	-	(335)
Facility acquisition and construction	-	-	-	361,913	361,913	-	361,913
Interest on long-term debt	131,282	-	-	-	(131,282)	-	(131,282)
Total governmental activities	<u>7,600,798</u>	<u>17,313</u>	<u>816,392</u>	<u>361,913</u>	<u>(6,405,180)</u>	<u>-</u>	<u>(6,405,180)</u>
Business-type Activities							
Food service	<u>467,424</u>	<u>117,684</u>	<u>405,999</u>	<u>-</u>	<u>-</u>	<u>56,259</u>	<u>56,259</u>
Total business-type activities	<u>467,424</u>	<u>117,684</u>	<u>405,999</u>	<u>-</u>	<u>-</u>	<u>56,259</u>	<u>56,259</u>
Total school district	<u>\$ 8,068,222</u>	<u>\$ 134,997</u>	<u>\$ 1,222,391</u>	<u>\$ 361,913</u>	<u>\$ (6,405,180)</u>	<u>\$ 56,259</u>	<u>\$ (6,348,921)</u>
General revenues:							
Taxes					\$ 2,135,710	\$ -	\$ 2,135,710
State and federal sources					4,551,544	-	4,551,544
Investment earnings					14,469	78	14,547
Miscellaneous					19,981	-	19,981
Special items:							
Loss on disposal of assets					(1,295)	-	(1,295)
Transfers					21,064	(21,064)	-
Total general and special revenues					<u>6,741,473</u>	<u>(20,986)</u>	<u>6,720,487</u>
Change in net position					336,293	35,273	371,566
Net position - beginning					2,577,623	112,584	2,690,207
Net position adjustment					<u>(35,714)</u>	<u>-</u>	<u>(35,714)</u>
Net position - ending					<u>\$ 2,878,202</u>	<u>\$ 147,857</u>	<u>\$ 3,026,059</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Current					
Cash and cash equivalents	\$ 86,336	\$ (102,405)	\$ 2,516,708	\$ 26,911	\$ 2,527,550
Investments	1,005,526	-	-	-	1,005,526
Accounts receivable	122,583	141,988	-	-	264,571
	<u>1,214,445</u>	<u>141,988</u>	<u>2,516,708</u>	<u>26,911</u>	<u>3,797,647</u>
Total assets	<u>\$ 1,214,445</u>	<u>\$ 39,583</u>	<u>\$ 2,516,708</u>	<u>\$ 26,911</u>	<u>\$ 3,797,647</u>
Liabilities and Fund Balance					
Current					
Accounts payable	\$ 5,928	\$ 4,074	\$ 654,506	\$ -	\$ 664,508
Accrued payroll and related expenses	31,373	-	-	-	31,373
Unearned revenues	-	35,509	-	-	35,509
	<u>37,301</u>	<u>39,583</u>	<u>654,506</u>	<u>-</u>	<u>731,390</u>
Total current	<u>37,301</u>	<u>39,583</u>	<u>654,506</u>	<u>-</u>	<u>731,390</u>
Fund Balance					
Restricted					
KSFCC Escrow	-	-	-	24,601	24,601
Capital Projects	-	-	1,862,202	2,310	1,864,512
Assigned					
Purchase obligations	1,590	-	-	-	1,590
Unassigned	1,175,554	-	-	-	1,175,554
	<u>1,177,144</u>	<u>-</u>	<u>1,862,202</u>	<u>26,911</u>	<u>3,066,257</u>
Total fund balance	<u>1,177,144</u>	<u>-</u>	<u>1,862,202</u>	<u>26,911</u>	<u>3,066,257</u>
Total liabilities and fund balance	<u>\$ 1,214,445</u>	<u>\$ 39,583</u>	<u>\$ 2,516,708</u>	<u>\$ 26,911</u>	<u>\$ 3,797,647</u>

See notes to the financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
As of June 30, 2014

Total governmental fund balance		\$ 3,066,257
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Construction in progress	1,544,756	
Cost of capital assets	10,409,633	
Accumulated depreciation	<u>(6,042,257)</u>	5,912,132
Long-term liabilities (including bonds 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		(6,010,295)
Accrued interest on bonds		(22,000)
Assessed KISBIT liability		(30,851)
Accrued sick leave		<u>(37,041)</u>
Total net position - governmental		<u>\$ 2,878,202</u>

See notes to the financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2014**

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 2,016,783	\$ -	\$ -	\$ 118,927	\$ 2,135,710
Earnings on investments	14,469	-	-	-	14,469
State sources	4,541,366	286,769	-	361,913	5,190,048
Federal sources	10,178	529,373	-	-	539,551
Other sources	29,011	250	8,283	-	37,544
	<u>6,611,807</u>	<u>816,392</u>	<u>8,283</u>	<u>480,840</u>	<u>7,917,322</u>
Expenditures:					
Instructional	3,788,233	563,577	-	-	4,351,810
Student support services	147,915	64,677	-	-	212,592
Staff support services	414,887	111,732	-	-	526,619
District administration	548,530	15,705	-	-	564,235
School administration	575,149	-	-	-	575,149
Business support services	183,490	-	-	-	183,490
Plant operation and maintenance	736,072	-	-	-	736,072
Student transportation	38,632	-	-	-	38,632
Central office	-	-	-	-	-
Community service operations	-	72,891	-	-	72,891
Facility acquisition and construction	-	-	1,544,756	-	1,544,756
Debt service:					
Principal	-	-	-	299,220	299,220
Interest	-	-	-	116,380	116,380
	<u>6,432,908</u>	<u>828,582</u>	<u>1,544,756</u>	<u>415,600</u>	<u>9,221,846</u>
Excess(deficit) of revenues over expenditures	<u>178,899</u>	<u>(12,190)</u>	<u>(1,536,473)</u>	<u>65,240</u>	<u>(1,304,524)</u>
Other financing sources(uses):					
Proceeds from sale of bonds	-	-	3,095,000	-	3,095,000
Proceeds from insurance	-	-	-	-	-
Operating transfers in	21,064	12,190	83,953	292,337	409,544
Operating transfers out	(33,213)	-	-	(355,267)	(388,480)
	<u>(12,149)</u>	<u>12,190</u>	<u>3,178,953</u>	<u>(62,930)</u>	<u>3,116,064</u>
Net change in fund balance	166,750	-	1,642,480	2,310	1,811,540
Fund balance, July 1, 2013	<u>1,010,394</u>	<u>-</u>	<u>219,722</u>	<u>24,601</u>	<u>1,254,717</u>
Fund balance, June 30, 2014	<u>\$ 1,177,144</u>	<u>\$ -</u>	<u>\$ 1,862,202</u>	<u>\$ 26,911</u>	<u>\$ 3,066,257</u>

See notes to the financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2014**

Net changes - governmental funds \$ 1,811,540

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

Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.

Depreciation expense	(319,281)	
Retirement of capital assets	(1,295)	
Construction in process	1,544,756	
Capital outlays	<u>2,194</u>	1,226,374

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Bond proceeds	(3,095,000)	
Principal paid	<u>299,220</u>	(2,795,780)

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

94,159

Changes in net position of governmental activities \$ 336,293

See notes to the financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget to Actual – General Fund
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes	\$ 1,722,347	\$ 1,722,347	\$ 2,016,783	\$ 294,436
Other local sources	30,000	30,000	43,480	13,480
State sources	3,209,900	3,209,900	4,541,366	1,331,466
Federal sources	5,000	5,000	10,178	5,178
Other sources	25,000	25,000	21,064	(3,936)
	<u>4,992,247</u>	<u>4,992,247</u>	<u>6,632,871</u>	<u>1,640,624</u>
Total revenues				
Expenditures:				
Instruction	3,010,381	3,010,828	3,788,233	(777,405)
Student support services	140,735	140,735	147,915	(7,180)
Staff support services	370,170	370,170	414,887	(44,717)
District administration	526,034	526,034	548,530	(22,496)
School administration	474,299	474,299	575,149	(100,850)
Business support services	187,427	187,427	183,490	3,937
Plant operation and maintenance	696,436	696,689	736,072	(39,383)
Student transportation	25,593	25,593	38,632	(13,039)
Other	461,172	461,172	33,213	427,959
	<u>5,892,247</u>	<u>5,892,947</u>	<u>6,466,121</u>	<u>(573,174)</u>
Total expenditures				
Net change in fund balance	(900,000)	(900,700)	166,750	1,067,450
Fund balance, July 1, 2013	<u>900,000</u>	<u>900,000</u>	<u>1,010,394</u>	<u>110,394</u>
Fund balance, June 30, 2014	<u>\$ -</u>	<u>\$ (700)</u>	<u>\$ 1,177,144</u>	<u>\$ 1,177,844</u>

See notes to the financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget to Actual – Special Revenue
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Other local sources	\$ -	\$ -	\$ 250	\$ 250
State sources	251,476	266,722	286,769	20,047
Federal sources	472,863	622,817	529,373	(93,444)
Other sources	<u>20,255</u>	<u>20,255</u>	<u>12,190</u>	<u>(8,065)</u>
Total revenues	<u>744,594</u>	<u>909,794</u>	<u>828,582</u>	<u>(81,212)</u>
Expenditures:				
Instruction	528,536	540,110	563,577	(23,467)
Student support services	41,310	191,310	64,677	126,633
Staff support services	98,211	99,653	111,732	(12,079)
District administration	-	1,900	15,705	(13,805)
Community service operations	<u>76,537</u>	<u>76,821</u>	<u>72,891</u>	<u>3,930</u>
Total expenditures	<u>744,594</u>	<u>909,794</u>	<u>828,582</u>	<u>81,212</u>
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2013	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to the financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget to Actual – Construction Fund
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Other local sources	\$ -	\$ 8,283	\$ 8,283	\$ -
Other sources	-	3,397,953	3,178,953	(219,000)
 Total revenues	 -	 3,406,236	 3,187,236	 (219,000)
 Expenditures:				
Facility acquisition and construction	-	3,406,236	1,544,756	1,861,480
 Total expenditures	 -	 3,406,236	 1,544,756	 1,861,480
 Net change in fund balance	 -	 -	 1,642,480	 1,642,480
 Fund balance, July 1, 2013	 -	 -	 219,722	 219,722
 Fund balance, June 30, 2014	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 1,862,202</u>	 <u>\$ 1,862,202</u>

See notes to the financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT
Statement of Net Position – Proprietary Funds
As of June 30, 2014

	Food Service	Total
Assets		
Current		
Cash and cash equivalents	\$ 77,608	\$ 77,608
Accounts receivable	13,578	13,578
Inventories for consumption	22,173	22,173
Total current	113,359	113,359
Noncurrent		
Furniture and fixtures	125,364	125,364
Less accumulated depreciation	(90,866)	(90,866)
Total noncurrent	34,498	34,498
Total assets	147,857	147,857
Liabilities and Net Position		
Net Position		
Invested in assets, net of debt	34,498	34,498
Restricted - inventories	22,173	22,173
Restricted - net position	48,074	48,074
Unrestricted net assets	43,112	43,112
Total net position	147,857	147,857
Total liabilities and net position	\$ 147,857	\$ 147,857

See notes to the financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
Year Ended June 30, 2014**

	Food Service	Total
Operating revenues:		
Lunchroom sales	\$ 112,964	\$ 112,964
Other operating revenues	4,720	4,720
	117,684	117,684
Total operating revenues	117,684	117,684
Operating expenses:		
Salaries and benefits	211,709	211,709
Contract services	7,264	7,264
Materials and supplies	237,094	237,094
Depreciation	10,330	10,330
Other operating expenses	1,027	1,027
	467,424	467,424
Total operating expenses	467,424	467,424
Operating loss	(349,740)	(349,740)
Nonoperating revenues (expenses):		
Federal grants	356,725	356,725
State grants	22,771	22,771
Donated commodities and other donations	26,503	26,503
Transfers	(21,064)	(21,064)
Interest income	78	78
	385,013	385,013
Total non-operating revenue	385,013	385,013
Net income	35,273	35,273
Total net position, July 1, 2013	112,584	112,584
Total net position, June 30, 2014	\$ 147,857	\$ 147,857

See notes to the financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2014**

	<u>Food Service Fund</u>	<u>Total</u>
Cash flows from operating activities		
Cash received from lunchroom sales	\$ 112,964	\$ 112,964
Cash received from other activities	36,480	36,480
Cash payments to employees for services	(211,709)	(211,709)
Cash payments to suppliers for goods and services	(248,276)	(248,276)
Cash transfer	(21,064)	(21,064)
Net cash used in operating activities	<u>(331,605)</u>	<u>(331,605)</u>
Cash flows from noncapital financing activities		
Non-operating revenues received	<u>405,999</u>	<u>405,999</u>
Net cash provided by noncapital financing activities	<u>405,999</u>	<u>405,999</u>
Cash flows from investing activities		
Interest on investments	<u>78</u>	<u>78</u>
Net cash flows provided by investing activities	<u>78</u>	<u>78</u>
Net decrease in cash and cash equivalents	74,472	74,472
Cash and cash equivalents - beginning	<u>3,136</u>	<u>3,136</u>
Cash and cash equivalents - ending	<u>\$ 77,608</u>	<u>\$ 77,608</u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (349,740)	\$ (349,740)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	10,330	10,330
Interfund transfers	(21,064)	(21,064)
Changes in assets and liabilities:		
Decrease (increase) in inventory	(2,491)	(2,491)
Decrease (increase) in accounts receivable	31,760	31,760
(Decrease) increase in accounts payable	(400)	(400)
Net cash used in operating activities	<u>\$ (331,605)</u>	<u>\$ (331,605)</u>
Schedule of non-cash transactions		
Donated commodities received from federal government	<u>\$ 26,503</u>	<u>\$ 26,503</u>

See notes to the financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

Statement of Net Position – Fiduciary Funds
As of June 30, 2014

	<u>Trust/Agency Fund</u>	<u>Total</u>
Assets		
Current		
Cash and cash equivalents	\$ 68,360	\$ 68,360
Total current assets	68,360	68,360
Total assets	68,360	68,360
Liabilities and Net Position		
Net Position		
Restricted	62,934	62,934
Unrestricted	5,426	5,426
Total net position	68,360	68,360
Total liabilities and net position	\$ 68,360	\$ 68,360

See notes to the financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenses and Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2014**

	Trust/Agency Fund	Total
Additions		
Investment income	\$ 19	\$ 19
Private donations	12,014	12,014
Total additions	12,033	12,033
Deductions		
Instruction	22,400	22,400
Total deductions	22,400	22,400
Change in net position	(10,367)	(10,367)
Net position - July 1, 2013	78,727	78,727
Net position - June 30, 2014	\$ 68,360	\$ 68,360

See notes to the financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

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

Basis of Presentation

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

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

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

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

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

The District has the following funds:

I. Governmental Fund Types

- (A) 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 unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on pages 42. This is a major fund of the District.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

I. Governmental Fund Types (Continued)

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

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

II. Debt Service Fund

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

III. Proprietary Fund (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The Food Service fund is a major fund of the District.

IV. Fiduciary Fund Type (Agency and Trust Funds)

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

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

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

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

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

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

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

Taxes

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

LUDLOW INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process

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

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

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

Cash and Cash Equivalents

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

Inventories

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost 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 district-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the district-wide statement of net position and in the respective funds.

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

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (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:

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

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

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.

Accrued Liabilities and Long-Term Obligations

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

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

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Reserves

Beginning with fiscal year 2012 the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for purpose; positive amounts are reported only in the General fund.

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

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

Net Position

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

Operating Revenues and Expenses

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

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE 2 - 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, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 – CASH AND CASH EQUIVALENTS

The District maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The amounts exceeding the federally insured limits are covered by a collateral agreement and the collateral is held by the pledging banks' trust departments in the District's name. The District has not experienced any losses in such accounts and the District believes it is not exposed to any significant credit risk on cash and cash equivalents.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

<u>Governmental Activities</u>	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Land	\$ 391,300	\$ -	\$ -	\$ 391,300
Land improvements	112,189	-	-	112,189
Buildings and improvements	8,278,314	-	-	8,278,314
Technology equipment	1,243,771	2,194	19,966	1,225,999
Vehicles	192,115	-	-	192,115
General equipment	209,716	-	-	209,716
Construction in progress	-	1,544,756	-	1,544,756
Totals at historical cost	<u>10,427,405</u>	<u>2,194</u>	<u>19,966</u>	<u>11,954,389</u>
Less: accumulated depreciation				
Land improvements	89,882	2,609	-	92,491
Buildings and improvements	4,350,814	215,922	-	4,566,736
Technology equipment	1,057,255	75,987	18,671	1,114,571
Vehicles	88,410	17,466	-	105,876
General equipment	155,286	7,297	-	162,583
Total accumulated depreciation	<u>5,741,647</u>	<u>319,281</u>	<u>18,671</u>	<u>6,042,257</u>
Governmental activities capital assets - net	<u>\$ 4,685,758</u>	<u>\$ (317,087)</u>	<u>\$ 1,295</u>	<u>\$ 5,912,132</u>
 <u>Business - Type Activities</u>				
General equipment	\$ 65,909	\$ -	\$ -	\$ 65,909
Buildings and improvements	51,659	-	-	51,659
Technology equipment	7,796	-	-	7,796
Totals at historical cost	<u>125,364</u>	<u>-</u>	<u>-</u>	<u>125,364</u>
Less: accumulated depreciation				
General equipment	55,953	2,283	-	58,236
Buildings and improvements	18,450	7,380	-	25,830
Technology equipment	6,133	667	-	6,800
Total accumulated depreciation	<u>80,536</u>	<u>10,330</u>	<u>-</u>	<u>90,866</u>
Business - type activities capital assets - net	<u>\$ 44,828</u>	<u>\$ (10,330)</u>	<u>\$ -</u>	<u>\$ 34,498</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 5 - ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2014 this amount totaled approximately \$93,060 for those employees with twenty-seven or more years of experience or fifty-nine and a half years old.

NOTE 6 - LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued.

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
July 30, 2003	\$ 405,000	3.000%
May 1, 2006	990,000	3.650% - 4.300%
July 1, 2007	425,000	3.000% - 4.200%
December 1, 2007	915,000	3.000% - 4.000%
March 1, 2009	1,200,000	2.100% - 3.400%
December 1, 2009	135,959	1.000% - 3.000%
February 1, 2014	3,095,000	1.000% - 4.125%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Ludlow Independent School District Finance Corporation to construct school facilities.

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 16 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 has been recorded in the financial statements.

All issues 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, 2014 for debt service (principal and interest) are reported in Note 16.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 7 - RETIREMENT PLANS

Kentucky Teachers Retirement System

The Kentucky Local School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education. Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

Funding policy – Contribution rates are established by Kentucky Revised Statutes. Members are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions. The contribution requirement for KTRS for the year ended June 30, 2014, was \$417,736, which consisted of \$74,613 from the District and \$343,123 from the employees. Total contributions for the year ended June 30, 2013 and 2012 were \$540,905 and \$510,828, respectively. The contributions have been contributed in full for fiscal years 2014, 2013 and 2012.

County Employees Retirement System

Classified employees who work an average of 80 hours per month over the actual days worked during the school year participate in the County Employees Retirement System (CERS). This is a cost sharing, multiple-employer, public employers retirement plan created and maintained by Kentucky legislature and provides retirement, death and disability benefits to Plan members.

Participating employees contribute 5% of creditable compensation. Participants hired after August 31, 2008 are required to contribute 6%. Matching contributions are made by the state at a rate as required by the Board of Trustees to be necessary for the actuarial soundness per Kentucky Revised Statute 61.565. The contribution requirement for CERS for the year ended June 30, 2014, was \$168,329, which consisted of \$35,955 from the District and \$132,374 from the employees. Total contributions for the year ended June 30, 2013 and 2012 were \$204,522 and \$202,483 respectively. The contributions have been contributed in full for fiscal years 2014, 2013 and 2012.

The District's total payroll for the year was \$4,820,671. The payroll for employees covered under KTRS was \$3,021,774 and for CERS was \$700,766.

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

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

KTRS and CERS do not make separate measurements of assets and pension benefit obligations for individual employers. KTRS and CERS both issue a publicly available financial report that includes all financial statements and required supplementary information. The reports can be obtained in writing from the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 and the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, KY 40601.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 - CONTINGENCIES

Grant Fund Approval

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 the programs.

NOTE 9 - INSURANCE AND RELATED ACTIVITIES

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

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. 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 pays an annual premium to each fund for coverage. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District is self-insured for unemployment insurance benefits. The District reimburses the state for any claims paid. The District purchases workers' compensation insurance through the Kentucky School Boards Insurance Trust. 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 11 - DEFICIT OPERATING/FUND BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures, resulting in a corresponding reduction of fund balance:

Trust Agency Fund	\$	10,367
Ludlow High School		3,480

NOTE 12 - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 13 - CONTINGENT LIABILITY

The District is a participant in the Kentucky School Board Insurance Trust in which the District purchases general liability and workers' compensation insurance. As of June 30, 2014, the District has been notified of a deficit in the trust and has been given a preliminary assessment of its portion of the deficit of \$30,851. This contingent liability has been recorded in the District Wide Financial Statements but not included in the Governmental Financial Statements.

NOTE 14 - TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
51	1	Indirect Costs	\$ 21,064
1	2	Matching	\$ 12,190
320	360	Construction	\$ 83,953
1	400	Debt Service	\$ 21,023
320	400	Debt Service	\$ 271,314

NOTE 15 - ON-BEHALF PAYMENTS

For the year ended June 30, 2014 total payments of \$1,283,246 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 1,136,407
Debt Service	124,068
Food Service Fund	<u>22,771</u>
Total On-Behalf Payments	<u>\$ 1,283,246</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 16 - SCHEDULE OF LONG-TERM DEBT

2003, 2006, 2007, 2007B, 2009, 2009 Kista Issues, and 2014

Fiscal Year	Ludlow Independent School District			KY School Facilities Construction Commission			Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2014-2015	\$ 234,499	\$ 130,402	\$ 364,901	\$ 115,154	\$ 80,873	\$ 196,027	\$ 560,928
2015-2016	244,078	122,885	366,963	116,024	77,736	193,760	560,723
2016-2017	258,451	114,155	372,606	122,089	74,314	196,403	569,009
2017-2018	266,734	104,877	371,611	123,266	70,430	193,696	565,307
2018-2019	240,130	95,996	336,126	124,870	66,442	191,312	527,438
2019-2020	168,675	90,813	259,488	131,325	62,310	193,635	453,123
2020-2021	167,013	86,326	253,339	137,987	57,799	195,786	449,125
2021-2022	175,175	81,546	256,721	139,827	52,919	192,746	449,467
2022-2023	178,078	75,952	254,030	146,922	47,687	194,609	448,639
2023-2024	185,801	69,979	255,780	149,197	42,228	191,425	447,205
2024-2025	193,309	63,345	256,654	156,691	36,385	193,076	449,730
2025-2026	200,723	56,425	257,148	162,277	30,244	192,521	449,669
2026-2027	144,313	48,713	193,026	145,687	23,621	169,308	362,334
2027-2028	147,475	43,481	190,956	132,525	18,224	150,749	341,705
2028-2029	150,506	37,951	188,457	54,494	14,624	69,118	257,575
2029-2030	148,327	31,931	180,258	58,673	12,444	71,117	251,375
2030-2031	151,060	25,998	177,058	58,940	10,137	69,077	246,135
2031-2032	158,701	19,955	178,656	61,299	7,820	69,119	247,775
2032-2033	161,250	13,607	174,857	63,750	5,368	69,118	243,975
2033-2034	168,620	6,956	175,576	66,380	2,778	69,158	244,734
	<u>\$ 3,742,918</u>	<u>\$ 1,321,293</u>	<u>\$ 5,064,211</u>	<u>\$ 2,267,377</u>	<u>\$ 794,383</u>	<u>\$ 3,061,760</u>	<u>\$ 8,125,971</u>

A summary of the changes in the outstanding principal for the District during the fiscal year ended June 30, 2014 is as follows:

Governmental Activities	Balance July 1, 2013	Additions	Payments	Balance June 30, 2014
Bond Obligations	<u>\$ 3,214,515</u>	<u>\$ 3,095,000</u>	<u>\$ 299,220</u>	<u>\$ 6,010,295</u>

NOTE 17 – PRIOR PERIOD ADJUSTMENT

For the year ended June 30, 2014, the District adopted GASB 65 *Items Previously Reported as Assets and Liabilities*. As a result of this adoption, the beginning net assets of the government fund activities have been decreased \$35,714. The governmental funds had a balance at June 30, 2013 of \$2,566,623. The balance should have been \$2,541,909. The change is the result of the write off of the amortized costs associated with the deferred loss on a bond's refunding. The net effect of these restatements was \$35,714.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 - SUBSEQUENT EVENTS

Subsequent events were considered through November 11, 2014, which represents the release date of our report.

SUPPLEMENTARY
INFORMATION

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Combining Balance Sheet – Nonmajor Governmental Funds
Year Ended June 30, 2014**

	Capital Outlay Fund	Building Fund	Debt Service Fund	Total Nonmajor Government Funds
Assets				
Current				
Cash and cash equivalents	\$ 99,808	\$ (73,702)	\$ 805	\$ 26,911
Investments	-	-	-	-
Accounts receivable	-	-	-	-
Total assets	<u>\$ 99,808</u>	<u>\$ (73,702)</u>	<u>\$ 805</u>	<u>\$ 26,911</u>
Liabilities and Fund Balance				
Fund Balance				
Restricted				
KSFCC Escrow	\$ 22,668	\$ 1,933	\$ -	\$ 24,601
Other	77,140	(75,635)	805	2,310
Committed				
Accrued sick leave	-	-	-	-
Assigned				
Site based carryforward	-	-	-	-
Purchase obligations	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	<u>99,808</u>	<u>(73,702)</u>	<u>805</u>	<u>26,911</u>
Total liabilities and fund balance	<u>\$ 99,808</u>	<u>\$ (73,702)</u>	<u>\$ 805</u>	<u>\$ 26,911</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Combining Statement of Revenues Expenditures and
Changes in Fund Balances – Nonmajor Governmental Funds
Year Ended June 30, 2014**

	Capital Outlay Fund	Building Fund	Debt Service Fund	Total Nonmajor Government Funds
Revenues:				
Taxes	\$ -	\$ 118,927	\$ -	\$ 118,927
Earnings on investments	-	-	-	-
State sources	77,140	160,705	124,068	361,913
Federal sources	-	-	-	-
Other sources	-	-	-	-
Total revenues	77,140	279,632	124,068	480,840
Expenditures:				
Debt service:				
Principal	-	-	299,220	299,220
Interest	-	-	116,380	116,380
Total expenditures	-	-	415,600	415,600
Excess(deficit) of revenues over expenditures	77,140	279,632	(291,532)	65,240
Other financing sources(uses):				
Operating transfers in	-	-	292,337	292,337
Operating transfers out	-	(355,267)	-	(355,267)
Total other financing sources(uses)	-	(355,267)	292,337	(62,930)
Net change in fund balance	77,140	(75,635)	805	2,310
Fund balance, July 1, 2013	22,668	1,933	-	24,601
Fund balance, June 30, 2014	\$ 99,808	\$ (73,702)	\$ 805	\$ 26,911

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
Bond and Interest Redemption Funds
Year Ended June 30, 2014**

	<u>Issue of 2003 Kista</u>	<u>Issue of 2006</u>	<u>Issue of 2007</u>	<u>Issue of 2007B</u>
Cash at July 1, 2013	\$ -	\$ -	\$ -	\$ -
Receipts:				
Transfers and miscellaneous deposits	36,588	81,455	29,289	68,325
Disbursements:				
Bonds paid	30,000	45,000	15,000	40,000
Interest coupons	6,588	36,455	14,289	28,325
Transfers and miscellaneous	-	-	-	-
Call fee	-	-	-	-
Total disbursements	<u>36,588</u>	<u>81,455</u>	<u>29,289</u>	<u>68,325</u>
Excess of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash at June 30, 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accounts Receivable and Payable:				
Matured interest and bonds outstanding	-	-	-	-
Due from other funds	-	-	-	-
Due to other funds	-	-	-	-
Total accounts receivable and payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Issue of 2009 Kista</u>	<u>Issue of 2009</u>	<u>Issue of 2014</u>	<u>Total</u>
Cash at July 1, 2013	\$ -	\$ -	\$ -	\$ -
Receipts:				
Transfers and miscellaneous deposits	21,023	179,725	-	416,405
Disbursements:				
Bonds paid	19,220	150,000	-	299,220
Interest coupons	1,803	29,725	-	117,185
Transfers and miscellaneous	-	-	-	-
Call fee	-	-	-	-
Total disbursements	<u>21,023</u>	<u>179,725</u>	<u>-</u>	<u>416,405</u>
Excess of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash at June 30, 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accounts Receivable and Payable:				
Matured interest and bonds outstanding	-	-	-	-
Due from other funds	-	-	-	-
Due to other funds	-	-	-	-
Total accounts receivable and payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
Ludlow High School Activity Funds
Year Ended June 30, 2014**

	Fund Balance July 1, 2013	Receipts	Disbursements	Fund Balance June 30, 2014
Academic team	\$ 32	\$ 625	\$ 467	\$ 190
ACT	23	901	826	98
Art supplies	-	180	-	180
Athletic A.D.	5,089	30,327	33,148	2,268
Band	4,792	14,185	15,858	3,119
Band soft drinks	3,934	1,341	-	5,275
Baseball	1,675	7,720	7,547	1,848
Book rental	6,100	5,371	6,120	5,351
Box tops for education	-	470	69	401
Boy's basketball	-	13,234	11,085	2,149
Central office	106	2,353	2,038	421
Class of 2015	202	10,073	8,568	1,707
Class of 2016	237	-	150	87
Class of 2017	-	500	140	360
Class of 2019	1,511	-	1,511	-
Class of 2020	710	2,586	2,786	510
Cross country	-	944	944	-
Drama club	1,471	918	989	1,400
FBLA	356	-	-	356
FCA	182	350	237	295
Football	327	20,752	19,234	1,845
Girl's basketball	10,807	10,554	14,009	7,352
Holding	-	2,456	2,456	-
HS Cheerleading	1,989	11,811	9,147	4,653
Library	1,221	894	1,022	1,093
Library store	1,505	-	-	1,505
Life Skills	516	145	358	303
Ludlow Christian scholarship	18,756	143	3,000	15,899
March madness	331	220	224	327
Middle school cheerleading	-	1,403	1,403	-
Middle school drama	1,165	1,229	1,572	822
Middle school basketball	880	2,279	2,534	625
Middle school football	156	69	225	-
National Honor Society	2,071	5,738	5,925	1,884
Postage	253	-	18	235
Principal's office	1,036	3,549	2,102	2,483
SADD	385	375	620	140
Service learning	-	570	205	365
Soccer	264	3,781	4,044	1
Softball	609	4,594	4,934	269
Spirit Shop	1,575	-	-	1,575
Staff generated	222	-	83	139
STLP	-	250	250	-
Student Council	567	914	1,194	287
Student fees	1,120	9,008	9,286	842
Teacher Miscellaneous	373	290	580	83
Technology	3,534	2,879	2,487	3,926
Track	5	6,726	6,582	149
Travel club	801	-	-	801
Volleyball	816	5,820	4,901	1,735
Yearbook	1,887	2,314	3,443	758
Total	\$ 79,591	\$ 190,841	\$ 194,321	\$ 76,111

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
School Activity Funds
Year Ended June 30, 2014**

	<u>LUDLOW ELEMENTARY SCHOOL</u>	<u>TOTAL</u>
Fund balance at July 1, 2013	\$ 19,211	\$ 19,211
Add: receipts	66,474	66,474
Less: disbursements	<u>(62,416)</u>	<u>(62,416)</u>
Fund balance at June 30, 2014	<u>\$ 23,269</u>	<u>\$ 23,269</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Agreement Number</u>	<u>Federal Expenditures for FYE 6/30/2014</u>
<u>U.S. Department of Education</u>			
<i>Passed through Kentucky Department of Education</i>			
Special Education Cluster			
Special Education Grants to States	84.027	3810002 12	\$ 46,121
Special Education Grants to States	84.027	3810002 13	140,372
Special Education Preschool Grants	84.173	3800002 13	9,003
Total Special Education Cluster			<u>195,496</u>
Title I Grants to Local Educational Agencies	84.010	3100002 13	31,807
Title I Grants to Local Educational Agencies	84.010	3100002 14	216,352
Total CFDA #84.010			<u>248,159</u>
Title II Improving Teacher Quality State Grants	84.367	3230002 13	46,631
Race to the Top	84.413	3960002 11	2,384
Twenty-First Century Community Learning Centers	84.287C	3400002 14	23,469
Total U.S. Department of Education			<u>516,139</u>
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster			
<i>Passed through Kentucky Department of Education</i>			
Summer Food Service Program for Children	10.559	7740023 13	20,667
National School Lunch Program	10.555	7750002 14	269,376
School Breakfast Program	10.553	7760005 14	71,940
<i>Passed through Kentucky Department of Agriculture</i>			
National School Lunch Program - Food Donation	10.555	059-0203	26,503
Total Child Nutrition Cluster			<u>388,486</u>
Total U.S. Department of Agriculture			<u>388,486</u>
Total Expenditures of Federal Awards			<u>\$ 904,625</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Ludlow Independent School District under programs of the federal government for the year ended June 30, 2014, and is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Ludlow Independent School 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 – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2014, the District reported food commodities expended in the amount of \$26,503.

**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**

To the Members of the Board of Education
Ludlow Independent School District
525 Elm Street
Ludlow, Kentucky 41016

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Ludlow Independent School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Ludlow Independent School District's basic financial statements, and have issued our report thereon dated November 11, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ludlow Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted other matters that we reported to management of the Ludlow Independent Board of Education in a separate letter dated November 11, 2014.

**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**

(Continued)

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.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 11, 2014

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

Members of the Board of Education
Ludlow Independent School District
525 Elm Street
Ludlow, Kentucky 41016

Report on Compliance for Each Major Federal Program

We have audited Ludlow Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Ludlow Independent School District's major federal programs for the year ended June 30, 2014. Ludlow Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Ludlow Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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

Report on Internal Control Over Compliance

Management of Ludlow Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ludlow Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ludlow Independent School District's internal control over compliance. *A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 11, 2014

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None noted

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None noted

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

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

Identification of major programs

Table with 2 columns: CFDA No., Name of Federal Program or Clusters. Rows include 84.010 Title I Grants to Local Educational Agencies and 10.553/10.555/10.559 National School Lunch Program Cluster.

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

Auditee qualified as low-risk auditee? Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014**

Reference Number	Summary of Finding	Status
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No matters are reportable

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments
Year Ended June 30, 2014**

In planning and performing our audit of the financial statements of Ludlow Independent School District for the year ended June 30, 2014, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated November 11, 2014 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 11, 2014, on the financial statements of the Ludlow Independent School District.

CURRENT YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable.

ACTIVITY FUNDS

LUDLOW HIGH SCHOOL

2014-01: Range of receipt slips are not being documented

Criteria – Per best practices recommended by the Kentucky Department of Education, schools should prepare deposit slips containing the issuer's name and the amount of each check or retain a copy of all checks to be deposited. Further, the deposit slip should note the receipt numbers in the deposit.

Condition – During the testing of the Activity Funds, it was noted that certain fee receipts are kept in their own separate receipt slip booklet and recorded in the activity fund receipt slip booklet as a total for the day without documenting the individual receipts.

Effect – Proper documentation of the receipt process was not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that the school documents the range of receipt slips being deposited on the activity fund receipt slips. This will create a deposit trail and will allow for the school to trace the deposits to both the activity fund booklet and the bank statement.

Board Response – The School will develop a proper procedure for the proper staff to follow in order to insure that the school documents the range of receipt slips that are being deposited on the activity fund receipt slips.

LUDLOW ELEMENTARY SCHOOL

2014-02: Students are not signing the Multiple Receipt Form

Criteria – Per best practices recommended by the Kentucky Department of Education, the Multiple Receipt Form should be used when collecting money. Further, students third grade and above must sign the Multiple Receipt Form.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments
Year Ended June 30, 2014**

CURRENT YEAR RECOMMENDATIONS (CONTINUED)

Condition – During the testing of the Activity Funds, it was noted that several teachers are filling out the form with the student's name and the student is not signing it.

Effect – Proper documentation of the approval process was not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that all students third grade and above sign Multiple Receipt Forms. In addition, we recommend using a two part Multiple Receipt Form to provide copies to the appropriate staff.

Board Response – The School will develop a proper procedure for the proper staff to follow in order to insure all students from third grade and above are signing the multiple receipt form.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments (Continued)
Year Ended June 30, 2014**

STATUS OF PRIOR YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable.

ACTIVITY FUNDS

LUDLOW HIGH SCHOOL

No matters are reportable.

LUDLOW ELEMENTARY SCHOOL

No matters are reportable.