

Logan County School District

Financial Statements

June 30, 2015



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Logan County School District
Table of Contents
June 30, 2015

TAB: REPORT	
Independent Auditors' Report	1
TAB: FINANCIAL STATEMENTS	
Required Supplementary Information:	
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet — Governmental Funds	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	24
Statement of Revenues, Expenditures and Changes in Fund Balances — Governmental Funds	25
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	27
Statement of Net Position — Proprietary Fund	28
Statement of Revenues, Expenses and Changes in Fund Net Position — Proprietary Fund	29
Statement of Cash Flows — Proprietary Fund	30
Statement of Fiduciary Net Position — Fiduciary Funds	32
Statement of Changes in Fiduciary Net Position — Fiduciary Funds	33
Notes to the Financial Statements	34

Logan County School District
Table of Contents
June 30, 2015

Required Supplementary Information:

Budgetary Comparison Schedule for the General Fund	64
Budgetary Comparison Schedule for the Special Revenue Fund	66
Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of the District's Contributions – Kentucky Teachers' Retirement System	68
Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of the District's Contributions – County Employees Retirement System	69

Supplementary Information:

Combining Balance Sheet — Nonmajor Governmental Funds	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances — Nonmajor Governmental Funds	71
Combining Statement of Fiduciary Net Position — School Activity Funds — Agency Funds	73
Statement of Fiduciary Net Position — School Activity Funds — Logan County High School	74
Schedule of Expenditures of Federal Awards	77
Notes to the Schedule of Expenditures of Federal Awards	79
Summary Schedule of Prior Year Audit Findings	80
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	81
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	83
Schedule of Findings and Questioned Costs	86
Management Letter	88



Logan County School District
Table of Contents
June 30, 2015

TAB: THOUGHT LEADERSHIP
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REPORT





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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Logan County School District (the "District") as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used

and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2015 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27 and GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, and select pension information on pages 4 through 17 and 64 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015 on our consideration of Logan County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Carr, Riggs & Ingram, LLC
Bowling Green, Kentucky
November 10, 2015



FINANCIAL STATEMENTS

Logan County School District

Russellville, Kentucky

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

This discussion and analysis of the Logan County School District (the District) is offered by management as a narrative overview of the financial activities of the District for the fiscal year ended June 30, 2015. Readers are encouraged to consider this information in conjunction with the District's financial statements, notes to financial statements, and additional information contained within the body of the audit.

FINANCIAL HIGHLIGHTS

- ◆ Beginning of year government-wide net financial position was reduced by \$6,005,001 due to the implementation of GASB 68 for the recognition of net pension liabilities. \$5,162,500 applied to governmental activities while \$842,501 applied to business-type activities (food service).
- ◆ Approximately \$147,961 were expended on facility acquisition and improvements during the year, with \$20,328,236 of uncompleted work approved by the Kentucky Department of Education not yet under contract. Construction and renovations are performed consistent with the District's long-range facilities plan approved by the Kentucky Department of Education.
- ◆ In accordance with Board policy to maintain approximately three months of General Fund operating expenses as a minimum fund balance, \$5,330,000 of fund balance was committed to insure uninterrupted operations of the district. The Board also committed \$337,338 for accumulated sick leave. \$2,430,000 is restricted for construction per plans filed with the Kentucky Department of Education.
- ◆ Total fund balances of governmental funds increased \$338,353. The General Fund balance increased \$378,630. The governmental funds total revenues increased \$1,389,859 for 2015 while total expenditures for governmental funds increased \$511,910.
- ◆ On January 13, 2015 the Logan County Board of Education adopted an additional \$0.05 FSPK Building Fund tax (recallable nickel). The funds are expected to be equalized by the state and will be used to fund a new area technology center. Collections on the tax will begin in the fiscal year 2016.
- ◆ The governmental financial statements reflect a total of \$5,731,932 of revenues and aid from the state for technology, debt service, and payments made by the state on-behalf of district employees for retirement contributions and health insurance. A like amount of expenses are also recorded in the financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

The *Notes to Financial Statements* can be found on pages 34 through 63 of this report.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

Governmental Activities — Most of the District's services are included here such as instruction, student and administrative support, operation and maintenance of facilities, and pupil transportation. Capital assets and long-term obligations are also included. Locally assessed taxes and intergovernmental revenues principally support these governmental activities.

Business-Type Activities — These activities are partially funded by charges for the goods and services provided. The District's food service is reported as a business-type activity. Food service is also partially funded by federal and state grants.

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

Government-wide financial statements can be found on pages 18 through 21 of this report.

FUND FINANCIAL STATEMENTS

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

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

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

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

The basic governmental fund financial statements can be found on pages 22 through 33 of this report.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The major changes in the government-wide net position is due to the implementation of GASB 68 regarding the recognition of pension liabilities. Beginning net position of governmental activities was reduced \$5,162,500 and business-type activities by \$842,501. Also due to the implementation of GASB 68 the government-wide *Statement of Net Position* reflects a pension liability of \$5,821,000, deferred outflows of \$743,025, and deferred inflows of \$650,000 that has not previously been reflected.

Following is a summary of the District’s government-wide net position for the fiscal years ended June 30, 2014 and 2015:

Net Position for the Fiscal Years Ended June 30, 2014 and 2015

	Governmental Activities		Business-Type Activities		District Total	
	2014	2015	2014	2015	2014	2015
Current and other assets	\$ 10,823,468	\$ 10,742,126	\$ 225,533	\$ 247,857	\$ 11,049,001	\$ 10,989,983
Capital assets	30,247,770	29,658,561	706,811	649,897	30,954,581	30,308,458
Total assets	41,071,238	40,400,687	932,344	897,754	42,003,582	41,298,441
Deferred outflows	540,048	1,113,769	-	104,253	540,048	1,218,022
Long-term obligations	9,492,533	13,751,069	41,803	848,935	9,534,336	14,600,004
Other liabilities	1,288,767	864,293	4,476	3,773	1,293,243	868,066
Total liabilities	10,781,300	14,615,362	46,279	852,708	10,827,579	15,468,070
Deferred inflows	-	558,805	-	91,195	-	650,000
Net position						
Invested in capital assets, net of related debt	22,141,065	22,288,997	695,988	645,949	22,837,053	22,934,946
Restricted	501,046	2,890,769	0	0	501,046	2,890,769
Unrestricted	8,187,875	1,160,523	190,077	(587,845)	8,377,952	572,678
Total net position	\$ 30,829,986	\$ 26,340,289	\$ 886,065	\$ 58,104	\$ 31,716,051	\$ 26,398,393

Changes in net position. The District's governmental activities net position increased by \$672,803 and business-type assets increased \$14,540 for 2015. Included in the increases are \$238,153 for governmental activities and \$38,873 for business-type activities from the implementation of GASB 68.

The increase in governmental activities net position for 2015 is largely due to reduced energy costs, with other factors affecting it to a lesser degree. The Kentucky School Facilities Construction Commission (SFCC) makes direct payments of principal and interest on District bonds issued for construction of facilities. The bonds payable are included in the long-term obligations of the District and the payments are recorded as revenue from the state. The resultant increase in net position from the direct payment of principal by the SFCC was approximately \$137,632 for 2015 and \$134,526 for 2014.

Following is a summary schedule of changes in the District's net position for the years ended June 30, 2014 and 2015:

Changes in Net Position for the Fiscal Years Ended June 30, 2014 and 2015

	Governmental Activities		Business-Type Activities		District Total	
	2014	2015	2014	2015	2014	2015
Revenues						
Program revenues						
Charges for services	\$ 15,081	\$ 2,208	\$ 571,203	\$ 525,267	\$ 586,284	\$ 527,475
Operating grants & contributions	3,848,190	4,136,720	1,415,976	1,415,700	5,264,166	5,552,420
Capital grants and contributions	1,108,805	1,161,408			1,108,805	1,161,408
General revenues						
Locally assessed taxes	6,530,486	6,920,368			6,530,486	6,920,368
Investment earnings	29,573	18,588	487	303	30,060	18,891
State aid	19,011,371	22,574,273			19,011,371	22,574,273
Other revenue	256,185	91,353	(96,444)	1,148	159,741	92,501
Total revenues	30,799,691	34,904,918	1,891,222	1,942,418	32,690,913	36,847,336
Expenses						
Instruction	19,476,883	22,440,843			19,476,883	22,440,843
Student and instructional staff support	2,849,726	3,414,655			2,849,726	3,414,655
School administration	1,734,216	1,944,476			1,734,216	1,944,476
District administration, business, and personnel support	947,981	996,043			947,981	996,043
Plant operation and maintenance	2,619,281	2,590,708			2,619,281	2,590,708
Pupil transportation	2,469,663	2,267,163			2,469,663	2,267,163
Interest on long-term debt	302,282	275,068			302,282	275,068
Food service			1,971,995	1,927,878	1,971,995	1,927,878
Other	511,421	303,159			511,421	303,159
Total expenses	30,911,453	34,232,115	1,971,995	1,927,878	32,883,448	36,159,993
Increase (Decrease) in net position	\$ (111,762)	\$ 672,803	\$ (80,773)	\$ 14,540	\$ (192,535)	\$ 687,343

Locally assessed taxes increased 6% compared to 4% in the prior year. Locally generated revenues accounted for 20% of total governmental revenues for 2015 and 22% for 2014, while general revenue state aid was 65% for 2015, up 3% from the prior year. State SEEK funds and the supplementing federal State Fiscal Stabilization Funds increased \$415,722 in 2015 to assist in paying for a mandated wage increase, but decreased \$217,236 in 2014, \$151,468 in 2013, \$271,207 in 2012, and \$374,347 in 2011.

For 2015 and 2014, direct instruction expenses were 66% and 63% of total governmental expenses, with student support, staff support, and school administration making up another 16% in 2015 and 15% in 2014. District administration and business and personnel support accounted for 3% of total governmental expenses for both 2015 and 2014. Also for 2015 and 2014, operation and maintenance of facilities was 8% each for both years while pupil transportation was 7% for 2015 and 8% for 2014.

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

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

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

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

The SEEK Capital Outlay Fund's revenues are derived from state SEEK allocations based upon student enrollment. The FSPK Building Fund's revenues are produced by a five-cent special property tax assessment and matching state funds. The use of both funds resources is generally restricted to facilities acquisition or improvement and payment of the related debt on facilities. For the state's current two year budget cycle, however, funds available after debt service may be transferred into the General Fund for operating expenses. The Construction Fund is used to account for facility construction and improvement projects funded by other funds or borrowing.

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

Following is a summary of total fund balances for the fiscal years ended June 30, 2014 and 2015:

Total Governmental Funds Balances as of June 30, 2014 and 2015

	FYE 2014	FYE 2015	Increase (Decrease)
Governmental Funds			
General Fund	\$ 9,090,064	\$ 9,468,694	\$ 378,630
Special Revenue Fund	78,788	50,747	(28,041)
Other governmental funds			
Construction Fund	21,873	378,597	356,724
SEEK Capital Outlay Fund	0	0	0
FSPK Building Fund	368,707	0	(368,707)
Debt Service Fund	31,678	31,425	(253)
Total governmental funds	\$ 9,591,110	\$ 9,929,463	\$ 338,353
Proprietary Fund (Food Service Fund)	\$ 886,065	\$ 58,104	\$ (827,961)
Fiduciary Funds			
Scholarship Fund	\$ 733,055	\$ 735,714	\$ 2,659
School Activity Funds	0	0	0
Total Fiduciary Funds	\$ 733,055	\$ 735,714	\$ 2,659

The decrease in the Food Service Fund balance is due to the recording of pension liabilities from the implementation of GASB 68. The Student Activity Funds show no fund balance because all monies in the funds are held for, and are due to, student groups. The Scholarship Fund's balance increased because of contributions into fund being greater than scholarships paid.

The Debt Service Fund is a required conduit for payment of long-term obligations and consequently the balance changes with funds transferred for payment of bond principal and interest. The Construction Fund's balance is from transfers into the fund to provide for on-going construction projects, the decrease of which is due to construction expenditures. The balances of the SEEK Capital Outlay Fund and FSPK Building Fund are generally restricted for use on facilities construction projects as required for participation of the SFCC in funding future debt service for those projects, but excess funds may be transferred into the General Fund under the state's current budget guidelines. The FSPK Building Fund balance decreased due to the transfer of available funds from the prior year being transferred out, with the Construction Fund increase being due to transfers into the fund of a similar amount.

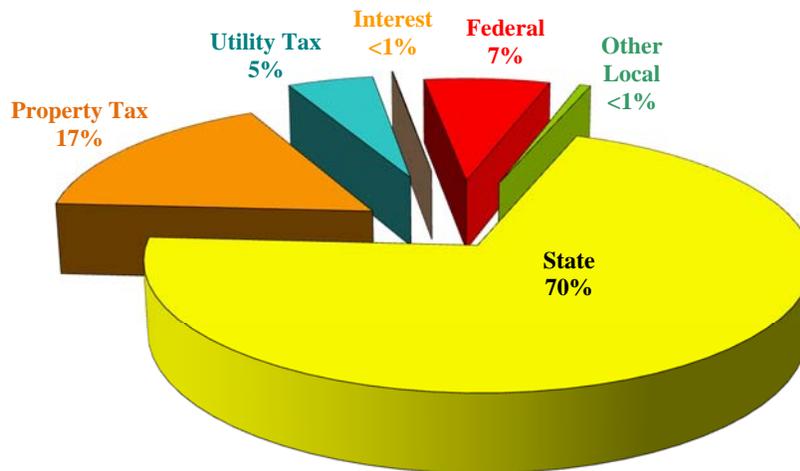
The Special Revenue Fund's balance will inherently fluctuate annually. Grants are obtained for specified purposes and the balance of the fund will change dependent upon when the grant funds are received and disbursed.

Total governmental funds' balances increased \$338,353 for 2015. The General Fund's balance increased in direct proportion to the FSPK Building Fund's prior year's balance transferred into the General Fund. Total net transfers from other funds into the General Fund totaled \$1,132,894 for 2015, compared to \$464,963 for 2014.

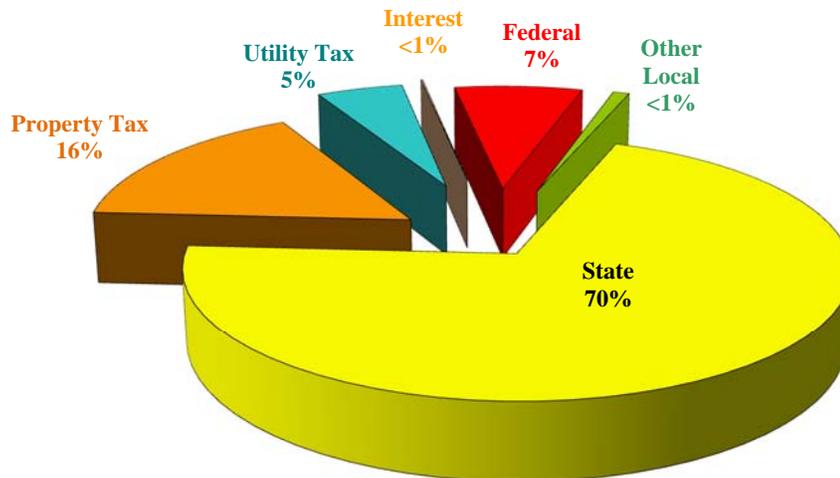
The relationship of Total Governmental Funds revenue and expenditure types remained relatively static in relation to total revenue and expenditures.

The following graphs indicate the relationship of types of revenues to total revenues of Total Governmental Funds for the fiscal years ended June 30, 2015 and 2014:

Total Governmental Funds Revenues for the Fiscal Year Ended June 30, 2015



Total Governmental Funds Revenues for the Fiscal Year Ended June 30, 2014

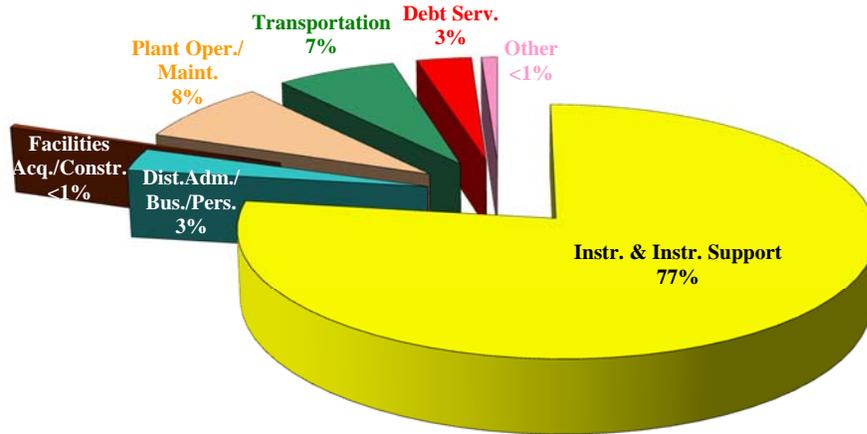


The District continues to find economies in operations wherever possible. Though the District is proceeding with planned instructional programs as much as feasible with reduced state funding, it has required the use of monies previously accumulated and some reductions in expenditures. Further cuts in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

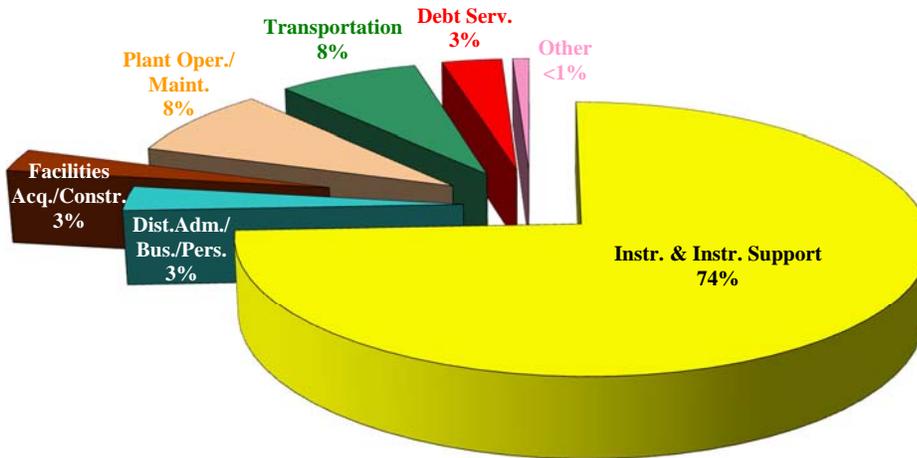
Transportation, both regular and special education transportation, continues to be under-funded by the state, even as costs rise. Plant operation and maintenance expenditures remain mostly steady as the District maintains facilities at a level to defer any deterioration, but eventually more costly renovations will be required. Debt Service is relatively constant based upon required bond and interest scheduled payments

Following are graphs indicating the relationship of types of expenditures to total expenditures of Total Governmental Funds for the fiscal years ended June 30, 2015 and 2014:

Total Governmental Funds Expenditures for the Fiscal Year Ended June 30, 2015



Total Governmental Funds Expenditures for the Fiscal Year Ended June 30, 2014



GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with directives from the Kentucky Department of Education (DOE) and Kentucky law, the District's funds 2015 budgets were prepared to account for most transactions on a cash receipt / cash disbursement / encumbrance basis. The DOE requires a budget in which any remaining unassigned fund balance is shown as a contingency expense. Over the course of the year, the District revises the annual operating budget as circumstances dictate or as required by the DOE. The major changes from the original General Fund budget to the final budget resulted from changes in SEEK funding estimates and budgeted transfers.

The *Budgetary Comparison Schedule for the General Fund* contained in the *Required Supplemental Information*, includes \$5,567,985 of state payments on-behalf of District employees for retirement and health benefits and state provided technology in General Fund budget. These payments are reflected as state program revenues and in each type of expenditure in relation to wages paid, with the major portion contained in instructional expenditures.

Local revenues are budgeted conservatively resulting in a favorable variance of local revenues for the year. The favorable variance in plant operations and maintenance and student transportation reflects current year market reductions for energy costs and various cost savings programs instituted during the year. Other variances are mainly due to changes in on-behalf amounts differing from estimates. Contingency funds will always reflect a surplus as it is not an expenditure category.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. At June 30, 2015, the District had \$30,308,458 invested in capital assets net of depreciation: historical cost totaled \$54,868,201 with accumulated depreciation totaling \$24,559,743. These assets include school, athletic, and support facilities, as well as technology, food service, and other equipment. \$147,961 was expended on facility acquisition and improvements during the year, with \$20,328,236 of uncompleted work approved by the Kentucky Department of Education not yet under contract. Depreciation charged to expense during the year totaled \$1,829,855, the majority of which was charged to governmental functions. More detailed information relating to capital assets may be found in Note 4 of the *Notes to Financial Statements*.

Following is a summary of capital assets, net of depreciation, for the fiscal years ended June 30, 2014 and 2015:

Net Capital Assets for the Fiscal Years Ended June 30, 2014 and 2015

	Governmental Activities		Business-Type Activities		District Total	
	2014	2015	2014	2015	2014	2015
Land	\$ 1,208,949	\$ 1,208,949			\$ 1,208,949	\$ 1,208,949
Land Improvements	651,217	598,362			651,217	598,362
Building and Improvements	23,922,577	23,976,361	\$ 418,401	\$ 402,548	24,340,978	24,378,909
Construction in Progress	901,967	126,088			901,967	126,088
Technology Equipment	628,544	792,590	11,868	5,735	640,412	798,325
Transportation Equipment	2,189,548	2,070,142			2,189,548	2,070,142
Other equipment and furniture	744,968	886,069	276,542	241,614	1,021,510	1,127,683
	\$ 30,247,770	\$ 29,658,561	\$ 706,811	\$ 649,897	\$ 30,954,581	\$ 30,308,458

Long-Term Debt. The District's long-term general obligation bonds outstanding at June 30, 2015 were \$7,730,000. Of that amount, the Kentucky SFCC has agreed to make a portion of the principal and interest repayment under agreements previously described. Though the District is liable for the full amount of the bonds and the full amount is recorded on the financial statements, the SFCC has agreed to repay \$955,559 of the bonds leaving the District to pay \$6,774,441. The liability for compensated absences remains relatively steady at \$930,495. Other long-term obligations, mostly leases on equipment, will increase with the commitment of new leases and decrease as the leases are paid down.

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

More detailed information about the District's long-term liabilities may be found in Note 5 of the *Notes to Financial Statements*.

OUTLOOK FOR THE FUTURE

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

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

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

In Kentucky, public schools' fiscal year is July 1 through June 30. Some programs, such as most federal grants, operate on a different fiscal year but are reflected in the District's overall budget. By law, the District's budget must have a minimum 2% budgeted contingency. The District has adopted a 2015-2016 fiscal year budget with a 5% budgeted contingency, but with funds committed for a minimum fund balance of approximately three months of operating expense. Significant actions that impact the District's 2015-2016 finances include possible decreased state funding or new unfunded mandates, additional spending for facility maintenance outside of bonded building and renovation projects, and continued funding of initiatives such as additional instructional programs and all-day kindergarten.

The 2015-2016 fiscal year is the second year of this biennium state budget cycle. In some past years, funding from the state was cut during the year due to the state's inability to fund the full amount of the biennium budget, and therefore the projected SEEK funding. The state's ability to fully fund the current biennium budget cycle has not been determined. The 2015-2016 allocated SEEK funding is \$70.00 per student more than the preceding year to assist in funding state mandated salary increases.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Logan County School District
Statement of Net Position

<i>June 30, 2015</i>	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 10,163,716	\$ 225,423	\$ 10,389,139
Accounts receivable:			
Taxes	316,205	-	316,205
Accounts	4,779	-	4,779
Intergovernmental	257,426	-	257,426
Inventory	-	22,434	22,434
Non-depreciable capital assets	1,335,037	-	1,335,037
Depreciable capital assets	51,793,219	1,739,945	53,533,164
Less: accumulated depreciation	(23,469,695)	(1,090,048)	(24,559,743)
Total assets	40,400,687	897,754	41,298,441
Deferred Outflows of Resources			
Deferred amount on debt refundings	474,997	-	474,997
Pension related	638,772	104,253	743,025
Total deferred outflows of resources	1,113,769	104,253	1,218,022
Liabilities			
Accounts payable	750,162	3,773	753,935
Accrued liabilities	23,850	-	23,850
Unearned revenue	38,651	-	38,651
Accrued interest	51,630	-	51,630
Long-term obligations:			
Due within one year:			
Outstanding bonds	735,000	-	735,000
Other	30,040	3,846	33,886
Compensated absences	337,340	24,605	361,945
Due beyond one year:			
Outstanding bonds	7,022,991	-	7,022,991
Other	56,530	102	56,632
Compensated absences	564,854	3,696	568,550
Net pension liability	5,004,314	816,686	5,821,000
Total liabilities	14,615,362	852,708	15,468,070

See accompanying notes to the financial statements.

Logan County School District
Statement of Net Position

<i>June 30, 2015</i>	Governmental Activities	Business-type Activities	Total
Deferred Inflows of Resources			
Pension related	558,805	91,195	650,000
Total deferred inflows of resources	558,805	91,195	650,000
Net Position			
Net investment in capital assets	22,288,997	645,949	22,934,946
Restricted	2,890,769	-	2,890,769
Unrestricted	1,160,523	(587,845)	572,678
Total net position	\$ 26,340,289	\$ 58,104	\$ 26,398,393

See accompanying notes to the financial statements.

Logan County School District
Statement of Activities

<i>Year Ended June 30, 2015</i>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Governmental Activities							
Instruction	\$ 22,440,843	\$ 1,870	\$ 2,869,014	\$ 50,031	\$ (19,519,928)	\$ -	\$ (19,519,928)
Support Services:							
Student	1,423,025	-	191,682	-	(1,231,343)	-	(1,231,343)
Instructional staff	1,991,630	-	704,209	-	(1,287,421)	-	(1,287,421)
District administration	576,508	-	-	-	(576,508)	-	(576,508)
School administration	1,944,476	-	-	-	(1,944,476)	-	(1,944,476)
Business	419,535	-	2,161	-	(417,374)	-	(417,374)
Plant operations and maintenance	2,590,708	338	9,701	-	(2,580,669)	-	(2,580,669)
Student transportation	2,267,163	-	105,479	-	(2,161,684)	-	(2,161,684)
Other	303,159	-	254,474	-	(48,685)	-	(48,685)
Building improvement	-	-	-	947,430	947,430	-	947,430
Interest on long-term debt	275,068	-	-	163,947	(111,121)	-	(111,121)
Total governmental activities	34,232,115	2,208	4,136,720	1,161,408	(28,931,779)	-	(28,931,779)
Business-type Activities							
Food services	1,927,878	525,267	1,415,700	-	-	13,089	13,089
Total business-type activities	1,927,878	525,267	1,415,700	-	-	13,089	13,089
Total school district	\$ 36,159,993	\$ 527,475	\$ 5,552,420	\$ 1,161,408	(28,931,779)	13,089	(28,918,690)

See accompanying notes to the financial statements.

Logan County School District
Statement of Activities

<i>Year Ended June 30, 2015</i>	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business- type Activities	Total
General Revenues			
Taxes:			
Property	4,070,670	-	4,070,670
Motor vehicle	667,313	-	667,313
Utilities	1,593,277	-	1,593,277
Other	589,108	-	589,108
State aid	22,574,273	-	22,574,273
Investment earnings	18,588	303	18,891
Other	77,476	-	77,476
Gain on disposal of assets	13,877	1,148	15,025
Total general revenues	29,604,582	1,451	29,606,033
Change in net position	672,803	14,540	687,343
Net position - beginning of year	30,829,986	886,065	31,716,051
Effect of Adoption of GASB 68	(5,162,500)	(842,501)	(6,005,001)
Net position - beginning of year, as restated	25,667,486	43,564	25,711,050
Net position - end of year	\$ 26,340,289	\$ 58,104	\$ 26,398,393

See accompanying notes to the financial statements.

Logan County School District
Balance Sheet
Governmental Funds

<i>June 30, 2015</i>	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 9,753,694	\$ -	\$ 410,022	\$ 10,163,716
Accounts receivable:				
Taxes	316,205	-	-	316,205
Accounts	4,779	-	-	4,779
Intergovernmental	-	257,426	-	257,426
Due from other funds	66,069	-	-	66,069
Total assets	\$ 10,140,747	\$ 257,426	\$ 410,022	\$ 10,808,195

See accompanying notes to the financial statements.

Logan County School District
Balance Sheet
Governmental Funds

<i>June 30, 2015</i>	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 648,203	\$ 101,959	\$ -	\$ 750,162
Accrued liabilities	23,850	-	-	23,850
Due to other funds	-	66,069	-	66,069
Unearned revenue	-	38,651	-	38,651
Total liabilities	672,053	206,679	-	878,732
Fund Balances				
Restricted	2,430,000	50,747	410,022	2,890,769
Committed	5,667,338	-	-	5,667,338
Unassigned	1,371,356	-	-	1,371,356
Total fund balances	9,468,694	50,747	410,022	9,929,463
Total liabilities and fund balances	\$ 10,140,747	\$ 257,426	\$ 410,022	\$ 10,808,195

See accompanying notes to the financial statements.

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

<i>June 30,</i>	2015
Total fund balances - governmental funds	\$ 9,929,463
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$53,128,256, and the accumulated depreciation is (\$23,469,695).</p>	29,658,561
<p>Governmental funds record losses on debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are included on the government-wide financial statements as a deferred outflow.</p>	474,997
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods, therefore, are not reported in the fund statements.</p>	79,967
<p>Long-term liabilities, including interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>	
Bonds payable	(7,757,991)
Accrued interest on the bonds	(51,630)
Other debt	(86,570)
Net pension liability	(5,004,314)
Compensated absences	(902,194)
Total net position - governmental activities	\$ 26,340,289

See accompanying notes to the financial statements.

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

<i>Year Ended June 30, 2015</i>	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
From local sources				
Taxes:				
Property	\$ 3,502,386	\$ -	\$ 568,284	\$ 4,070,670
Motor vehicle	667,313	-	-	667,313
Utilities	1,593,277	-	-	1,593,277
Other	589,108	-	-	589,108
Tuition and fees	1,870	-	-	1,870
Earnings on investments	18,588	31	-	18,619
Other local revenue	57,226	147,527	-	204,753
Intergovernmental - state	19,757,483	1,739,024	1,111,377	22,607,884
Intergovernmental - federal	39,443	2,300,169	-	2,339,612
Total revenues	26,226,694	4,186,751	1,679,661	32,093,106
Expenditures				
Current:				
Instruction	16,537,052	3,023,749	-	19,560,801
Support services:				
Student	1,113,926	191,682	-	1,305,608
Instructional staff	1,142,067	704,209	-	1,846,276
District administration	537,943	-	-	537,943
School administration	1,812,883	-	-	1,812,883
Business	405,882	2,161	-	408,043
Plant operations and maintenance	2,572,336	9,701	-	2,582,037
Student transportation	2,124,591	105,479	-	2,230,070

See accompanying notes to the financial statements.

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

<i>Year Ended June 30, 2015</i>	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Other	43,111	254,474	-	297,585
Land/site acquisition	-	-	1,550	1,550
Building acquisition & construction	-	-	147,961	147,961
Debt service:				
Principal	-	-	810,000	810,000
Interest	-	-	213,996	213,996
Total expenditures	26,289,791	4,291,455	1,173,507	31,754,753
Excess (deficiency) of revenues over expenditures	(63,097)	(104,704)	506,154	338,353
Other Financing Sources (Uses)				
Operating transfers in	1,132,894	76,663	1,364,481	2,574,038
Operating transfers out	(691,167)	-	(1,882,871)	(2,574,038)
Total other financing sources (uses)	441,727	76,663	(518,390)	-
Net change in fund balances	378,630	(28,041)	(12,236)	338,353
Fund balances - beginning of year	9,090,064	78,788	422,258	9,591,110
Fund balances - end of year	\$ 9,468,694	\$ 50,747	\$ 410,022	\$ 9,929,463

See accompanying notes to the financial statements.

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

<i>Year Ended June 30,</i>	2015
Total net change in fund balances - governmental funds	\$ 338,353
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense, \$1,768,149, exceeds capital outlays, \$1,130,238, in the period.	(637,911)
Gains and losses are not presented in governmental funds because they do not provide or use current financial resources. However, they are presented on the statement of activities. The difference between proceeds from the sale of assets and the actual gain/loss from the sale net to this amount for the year.	(4,978)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	856,672
Governmental funds report district pension contributions as expenditures. However, in the statements of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
District pension contributions	638,772
Cost of benefits earned net of employee contributions	(400,619)
Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the statement of activities are recognized when they are incurred.	(117,486)
Change in net position - governmental activities	\$ 672,803

See accompanying notes to the financial statements.

Logan County School District
Statement of Net Position
Proprietary Fund

<i>June 30, 2015</i>	Enterprise Fund Food Service
Assets	
Current Assets	
Cash	\$ 225,423
Inventory	22,434
Total current assets	247,857
Non-Current Assets	
Fixed assets - net	649,897
Total assets	897,754
Deferred Outflows of Resources	
Pension related	104,253
Total deferred outflows of resources	104,253
Liabilities	
Current Liabilities	
Accounts payable	3,773
Compensated absences	24,605
Other	3,846
Total current liabilities	32,224
Long-Term Liabilities	
Compensated absences	3,696
Other	102
Net pension liability	816,686
Total long-term liabilities	820,484
Deferred Inflows of Resources	
Pension related	91,195
Total deferred inflows of resources	91,195
Net Position	
Net investment in capital assets	645,949
Unrestricted	(587,845)
Total net position	\$ 58,104

See accompanying notes to the financial statements.

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

<i>Year Ended June 30, 2015</i>	Enterprise Fund Food Service
Operating Revenues	
Lunchroom sales	\$ 525,267
<hr/>	
Total operating revenues	525,267
<hr/>	
Operating Expenses	
Salaries and wages	840,925
Contract services	42,855
Materials and supplies	982,392
Depreciation expense	61,706
<hr/>	
Total operating expenses	1,927,878
<hr/>	
Operating loss	(1,402,611)
<hr/>	
Non-Operating Revenues (Expenses)	
State operating grants	146,786
Federal operating grants	1,174,241
Donated commodities	94,673
Interest revenue	303
Gain on disposal of assets	1,148
<hr/>	
Total non-operating revenues (expenses)	1,417,151
<hr/>	
Change in net position	14,540
<hr/>	
Net position - beginning of year	886,065
Effect of adoption of GASB 68	(842,501)
<hr/>	
Net position - beginning of year, as restated	43,564
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Net position - end of year	\$ 58,104
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See accompanying notes to the financial statements.

Logan County School District
Statement of Cash Flows
Proprietary Fund

<i>Year Ended June 30, 2015</i>	Enterprise Fund Food Service
<hr/>	
Cash Flows From Operating Activities	
Cash received from user charges	\$ 525,412
Cash payments to employees for services	(754,722)
Cash payments for contract services	(42,855)
Cash payments to suppliers for goods and services	(868,626)
<hr/>	
Net cash used in operating activities	(1,140,791)
<hr/>	
Cash Flows From Non-Capital Financing Activities	
Nonoperating grants received	1,193,272
Other	1,297
<hr/>	
Net cash provided by non-capital financing activities	1,194,569
<hr/>	
Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	(4,941)
Payment on other debt	(6,875)
<hr/>	
Net cash used in capital and related financing activities	(11,816)
<hr/>	
Cash Flows From Investing Activities	
Interest on investments	303
<hr/>	
Net cash provided by investing activities	303
<hr/>	
Increase in cash	42,265
<hr/>	
Cash - beginning of year	183,158
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Cash - end of year	\$ 225,423
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See accompanying notes to the financial statements.

Logan County School District
Statement of Cash Flows
Proprietary Fund

<i>Year Ended June 30, 2015</i>	Enterprise Fund Food Service
Reconciliation of Operating Loss to Net Cash Used In Operating Activities	
Operating loss	\$ (1,402,611)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	61,706
Commodities used	94,673
On-behalf payments received	127,755
Pension contributions in excess of pension expense	(38,873)
Changes in assets and liabilities	
Receivables	145
Inventories	19,796
Accounts payable	(703)
Accrued benefits	(2,679)
Net cash used in operating activities	\$ (1,140,791)

Noncash Activities

- The food service fund received \$94,673 of donated commodities from the federal government.
- The District received on-behalf payments of \$127,755 relating to insurance benefits.
- The District reclassified \$104,253 related to pension expense to deferred outflows of resources.

See accompanying notes to the financial statements.

Logan County School District
Statement of Fiduciary Net Position
Fiduciary Funds

<i>June 30, 2015</i>	Agency Funds	Private Purpose Trust Funds
Assets		
Cash	\$ 319,361	\$ 735,714
Accounts receivable	175,980	-
Total assets	495,341	735,714
Liabilities		
Accounts payable	4,821	-
Due to student groups	490,520	-
Total liabilities	495,341	-
Net Position		
Held in trust for scholarships	-	735,714
Net position	\$ -	\$ 735,714

See accompanying notes to the financial statements.

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

<i>Year Ended June 30, 2015</i>	Private Purpose Trust Funds
Additions	
Earnings on investments	\$ 1,167
Other local revenue	14,492
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Total additions	15,659
<hr/>	
Deductions	
Scholarships	13,000
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Total deductions	13,000
<hr/>	
Change in net position	2,659
Net position - beginning of year	733,055
<hr/>	
Net position - end of year	\$ 735,714
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See accompanying notes to the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

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

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

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

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

The District has the following funds:

Governmental Fund Types

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

Logan County School District
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The *Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund* receives those funds designated by the state as capital outlay funds and is restricted for use in financing projects identified in the District's facility plan and certain operating costs.

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

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

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

Proprietary Fund Types

Enterprise Funds

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Agency Funds

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

Private Purpose Trust Funds

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

Measurement Focus and Basis of Accounting

Government-wide, Proprietary and Fiduciary Fund Financial Statements – The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary and fiduciary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This approach differs from the manner in which the government-wide financial statements are prepared. The governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance. On this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Inventory

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

Capital Assets

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

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

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:

Logan County School District
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

<u>Description</u>	<u>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
Rolling stock	15 years
Other	10 years

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

Deferred Outflows of Resources

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The only deferred outflows of resources reported in this year's financial statements are a deferred amount arising from the refunding of bonds and a deferred outflow of resources for contributions made to the District's defined benefit pension plan between the measurement date of the net pension liabilities from the plan and the end of the District's fiscal year. The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense. No deferred outflows of resources affect the governmental funds financial statements in the current year.

Deferred Inflows of Resources

The District's statements of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources are reported in the District's various statements of net position for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of 5 years, including the current year. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. No deferred inflows of resources affect the governmental funds financial statements in the current year.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Compensated Absences

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

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

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

Accrued Liabilities and Long-Term Obligations

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

Net Position

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

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

Logan County School District
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Property Taxes

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

Revenues — Exchange and Non-Exchange Transactions

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Interfund Activity

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

Interfund Balances

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

Contributions of Capital

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

Operating Revenues and Expenses

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

Subsequent Events

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through November 10, 2015, which was the date the financial statements were made available.

Logan County School District
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued and Adopted Accounting Pronouncements

GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*, improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The District has implemented the new requirements of this statement for the fiscal year ended June 30, 2015. The implementation of GASB 68 resulted in the reduction of beginning net position by \$6,005,001.

GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68* improves financial accounting and financial reporting by addressing an issue in GASB Statement No. 68 concerning transition provisions related to pension contributions made by employers and nonemployer contributing entities to defined benefit pension plans after the measurement date of the government's beginning net pension liability and prior to implementation of Statement No. 68. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68. The District has implemented the new requirements of this statement for the fiscal year ended June 30, 2015. The implementation of GASB 71 resulted in the recording of deferred outflows of resources of \$743,025 from the current year pension contributions.

NOTE 2: CASH

Deposits

At June 30, 2015, the carrying amounts of the District's deposits were \$11,444,214 and the bank balances were \$12,734,201, which \$12,622,233 were covered by federal depository insurance or by collateral held by the bank's agent in the District's name, and \$111,968 was uninsured and uncollateralized.

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

<u>June 30,</u>	<u>2015</u>
Governmental funds	\$ 10,163,716
Proprietary funds	225,423
Fiduciary funds	1,055,075
	<u>\$ 11,444,214</u>

Logan County School District
Notes to the Financial Statements

NOTE 2: CASH (CONTINUED)

Custodial Credit Risk Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. However, state statutes require the District's bank deposits to be collateralized. The District's bank balance of \$111,968 was exposed to custodial credit risk as of June 30, 2015.

NOTE 3: INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2015 consist of the following:

<i>June 30, 2015</i>		
Receivable Fund	Payable Fund	Amount
General	Special Revenue	\$ 66,069
Total Interfund receivables and payables		\$ 66,069

These amounts represent interfund loans from the general fund to the special revenue fund that is necessary to fulfill the current cash requirements of the special revenue fund.

Logan County School District
Notes to the Financial Statements

NOTE 4: CAPITAL ASSETS

<i>June 30, 2015</i>	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities				
Capital assets that are not depreciated				
Land	\$ 1,208,949	\$ -	\$ -	\$ 1,208,949
Construction in progress	901,967	147,961	923,840	126,088
<hr/>				
Total non-depreciable historical cost	2,110,916	147,961	923,840	1,335,037
<hr/>				
Capital assets that are depreciated				
Land improvements	1,526,569	-	-	1,526,569
Buildings and improvements	38,552,419	893,804	-	39,446,223
Technology equipment	3,870,602	503,510	1,718,754	2,655,358
Vehicles	5,924,005	284,548	380,217	5,828,336
General	2,063,957	277,935	5,159	2,336,733
<hr/>				
Total depreciable historical cost	51,937,552	1,959,797	2,104,130	51,793,219
<hr/>				
Less accumulated depreciation for				
Land improvements	875,352	52,855	-	928,207
Buildings and improvements	14,629,842	840,020	-	15,469,862
Technology equipment	3,242,058	337,387	1,716,677	1,862,768
Vehicles	3,734,457	402,579	378,842	3,758,194
General	1,318,989	135,308	3,633	1,450,664
<hr/>				
Total accumulated depreciation	23,800,698	1,768,149	2,099,152	23,469,695
<hr/>				
Total depreciable historical cost, net	28,136,854	191,648	4,978	28,323,524
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Governmental activities, capital assets, net	\$ 30,247,770	\$ 339,609	\$ 928,818	\$ 29,658,561

Logan County School District
Notes to the Financial Statements

NOTE 4: CAPITAL ASSETS (CONTINUED)

<i>June 30, 2015</i>	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Business-type Activities				
Capital assets that are depreciated				
Buildings and improvements	\$ 792,679	\$ -	\$ -	\$ 792,679
Technology equipment	31,431	794	(449)	31,776
General	929,932	4,147	(18,589)	915,490
Total depreciable historical cost	1,754,042	4,941	(19,038)	1,739,945
Less accumulated depreciation for				
Buildings and improvements	374,278	15,853	-	390,131
Technology equipment	19,563	6,927	(449)	26,041
General	653,390	38,926	(18,440)	673,876
Total accumulated depreciation	1,047,231	61,706	(18,889)	1,090,048
Total depreciable historical cost, net	706,811	(56,765)	(149)	649,897
Business-type activities, capital assets, net	\$ 706,811	\$ (56,765)	\$ (149)	\$ 649,897

Depreciation expense was charged to governmental functions as follows:

<i>Year ended June 30,</i>	2015
Instruction	\$ 1,295,102
Support services	
Student	1,602
Instructional staff	1,345
District administration	20,560
School administration	520
Business	1,273
Facilities operations	56,562
Student transportation	389,205
Other	1,980
Total depreciation expense	\$ 1,768,149

Logan County School District
Notes to the Financial Statements

NOTE 5: LONG-TERM OBLIGATIONS

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

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

In 2013, the District defeased \$2,585,000 of the 2006 bonds by placing new bond proceeds in an irrevocable trust to provide for future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2015, \$30,000 of the defeased bonds are still outstanding.

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

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

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2015 debt service (principal and interest) are as follows:

Logan County School District
Notes to the Financial Statements

NOTE 5: LONG-TERM OBLIGATIONS (CONTINUED)

Year	Logan County School District		School Facilities Construction Committee		Total Debt Service
	Interest	Principal	Interest	Principal	
2015—2016	\$ 166,451	\$ 592,948	\$ 22,202	\$ 142,052	\$ 923,653
2016—2017	151,340	614,176	18,481	145,824	929,821
2017—2018	135,423	623,853	14,993	136,147	910,416
2018—2019	118,651	661,357	12,005	108,643	900,656
2019—2020	100,356	678,567	9,222	111,433	899,578
2020—2021	81,085	695,954	6,540	99,046	882,625
2021—2022	68,954	547,996	4,721	57,004	678,675
2022—2023	57,516	561,833	3,559	58,167	681,075
2023—2024	45,087	575,575	2,300	59,425	682,387
2024—2025	31,331	601,325	969	18,675	652,300
2025—2026	16,298	620,857	503	19,143	656,801
	<u>\$ 972,492</u>	<u>\$ 6,774,441</u>	<u>\$ 95,495</u>	<u>\$ 955,559</u>	<u>\$ 8,797,987</u>

Maturities of other debt are as follows for the fiscal years ending:

<i>June 30,</i>	Governmental		Business-Type/ Proprietary	
2016	\$	30,040	\$	3,846
2017		27,805		102
2018		16,069		-
2019		12,164		-
2020		492		-
Total	\$	86,570	\$	3,948

Logan County School District
Notes to the Financial Statements

NOTE 5: LONG-TERM OBLIGATIONS (CONTINUED)

<i>June 30, 2015</i>	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Amounts Due Within One Year
Governmental activities					
Bonds and notes payable					
General obligation debt	\$ 8,540,000	\$ -	\$ (810,000)	\$ 7,730,000	\$ 735,000
Plus premiums	27,191	800	-	27,991	-
Total bonds and notes payable	8,567,191	800	(810,000)	7,757,991	735,000
Other liabilities					
Other	79,562	53,680	(46,672)	86,570	30,040
Compensated absences	845,780	162,752	(106,338)	902,194	337,340
Total other liabilities	925,342	216,432	(153,010)	988,764	367,380
Total long-term liabilities	\$ 9,492,533	\$ 217,232	\$ (963,010)	\$ 8,746,755	\$ 1,102,380
Business-type/proprietary activities					
Other liabilities					
Other	\$ 10,823	\$ -	\$ (6,875)	\$ 3,948	\$ 3,846
Compensated absences	30,980	949	(3,628)	28,301	24,605
Total other liabilities	\$ 41,803	\$ 949	\$ (10,503)	\$ 32,249	\$ 28,451

Logan County School District Notes to the Financial Statements

NOTE 6: FUND BALANCES

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

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

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2015, the District had \$2,430,000 restricted in the general fund for an outstanding approved construction project, \$50,747 restricted in the special revenue fund for grant programs, \$378,597 restricted in the construction fund for capital projects and \$31,425 restricted in the debt service fund for debt service.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments in the general fund at June 30, 2015: \$337,338 for compensated absences and \$5,330,000 for a minimum fund balance policy.

Assigned fund balances are amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2015 was \$0. Assigned fund balances also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

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

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations using restricted funds first, followed by committed funds, assigned funds and then unassigned funds. Encumbrances are not liabilities and, therefore, not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically rebudgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2015 on the governmental funds balance sheet.

NOTE 6: FUND BALANCES (CONTINUED)

Statutorily, the Kentucky Department of Education may assume financial control over any school district whose fund balance drops below 2% of the total expenditures of certain funds. To maintain balances above this level, they recommend reserving at least 5%. On June 25, 2015, the Board committed \$5,330,000 to ensure fund balance remains above these levels. While these funds have been properly committed and not budgeted for future years' expenditures, there is no mandate on how these funds would be used if the Board fell below this floor.

NOTE 7: PENSION PLANS

Pensions

Logan County School District participates in the Teachers' Retirement System of the State of Kentucky (KTRS), a component unit of the Commonwealth of Kentucky and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the KTRS and the CERS and additions to/deductions from KTRS's and CERS's fiduciary net position have been determined on the same basis as they are reported by KTRS and CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information About the KTRS Pension Plan

Plan Description

The KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS is a cost-sharing multiple-employer defined benefit plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state.

KRS 161.250 provides that the general administration and management of KTRS, and the responsibility for its proper operation, is vested in a board of trustees. The board of trustees consists of the chief state school officer, the State Treasurer, and seven elected trustees. Four of the elected trustees are active teachers, two are not members of the teaching profession, and one is an annuitant of the retirement system.

NOTE 7: PENSION PLANS (CONTINUED)

Any regular or special teacher or professional employed by a local school district or a regional educational cooperative and occupying a position requiring certification or graduation from a four year college or university is eligible to participate in the plan. KTRS issues a publicly available financial report that can be found on the KTRS website.

Benefits Provided

KTRS provides retirement, medical, disability, annual cost of living adjustments, and death benefits to plan members. Plan members are divided into the following two categories:

For Members Hired Before July 1, 2008:

Members become vested when they complete 5 years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age 55 and complete 5 years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Members receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. Members hired on or after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than 10 years. New members hired after July 1, 2002 who retire with 10 or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first 10 years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3% to be used in their benefit calculation.

The final average salary is the member's 5 highest annual salaries except members at least age 55 with 27 or more years of service may use their 3 highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

For Members Hired On or After July 1, 2008:

Members become vested when they complete 5 years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age 60 and complete 5 years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service, or
- 3.) Attain age 55 and complete 10 years of Kentucky service.

NOTE 7: PENSION PLANS (CONTINUED)

The annual retirement allowance for members is equal to: (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 2.0% of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) 2.3% of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) 3.0% of final average salary for years of credited service greater than 30 years.

The final average salary is the member's 5 highest annual salaries except members at least age 55 with 27 or more years of service may use their 3 highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

KTRS also provides disability benefits for vested members at the rate of 60% of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members.

Cost of living increases are 1.5% annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions

Contribution rates are established by KRS. KTRS members are required to contribute 11.355% of their salaries to the KTRS. For members employed by local school districts, the State, as a non-employer contributing entity, contributes 13.105% of salary for those who joined before July 1, 2008 and 14.105% for those joined thereafter.

Other participating employers are required to contribute the percentage contributed by members plus an additional 1.50 percent of members' gross salaries.

Pension Liabilities and Pension Expense

At June 30, 2015, the amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth of Kentucky (State) support, and the total portion of the net pension liability that was associated with the District were as follows:

Logan County School District
Notes to the Financial Statements

NOTE 7: PENSION PLANS (CONTINUED)

District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the District		95,446,484
Total	\$	95,446,484

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures.

For the year ended June 30, 2015, the District recognized pension expense of \$4,677,072 and revenue of \$4,677,072 for support provided by the State in the government wide financial statements.

Actuarial Assumptions

The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Investment rate of return	7.50% net of pension plan investment expense, including inflation
Projected salary increases	4.00 - 8.20%, including inflation
Inflation rate	3.50%
Municipal bond index rate	4.35%
Discount rate	5.23%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2011 and the next experience study is scheduled to be conducted in 2016.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return

NOTE 7: PENSION PLANS (CONTINUED)

for each major asset class, as provided by KTRS’s investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 5.23%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2036 plan year. Therefore, the long- term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 4.35% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued KTRS financial report.

NOTE 7: PENSION PLANS (CONTINUED)

Medical Insurance Plan

Plan Description

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

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

Contributions

In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Member contributions are 2.25% of salary. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 2.25% of members' salary for the 2014-2015 fiscal year.

General Information About the CERS Pension Plan

Plan Description

All regular full-time members of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the plan are covered by the CERS – a cost-sharing multiple-employer defined benefit pension plan administered by the Board of Trustees of the Kentucky Retirement System, under the provisions of KRS Section 61.645. CERS issues a publicly available financial report that can be found on the CERS website.

Benefits Provided

CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, Cost of Living Adjustments (COLAs) were provided annually equal to the percentage increase in the

NOTE 7: PENSION PLANS (CONTINUED)

annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands. On July 1, 2013, the COLA was not granted.

Contributions

Plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. The participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the fiscal year ended June 30, 2015, participating employers contributed 17.67% of each employee's creditable compensation. The actuarially determined rate set by the Board for the fiscal year ended June 30, 2015, was 17.67%. Administrative costs of KRS are financed through employer contributions and investment earnings.

In accordance with House Bill 1, signed by the Governor on June 27, 2008, plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6% of their annual creditable compensation. 5% of the contribution was deposited to the member's account while the 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E). Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(b) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 5% of their annual creditable compensation.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

NOTE 7: PENSION PLANS (CONTINUED)

Members in the plan contribute a set percentage of their salary each month to their own account. Non-hazardous members contribute 5% of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability of \$5,821,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of 2014 contributions to the pension plan relative to the 2014 contributions of all participating employers, actuarially determined. At June 30, 2014, the District's proportion was .179424%.

For the year ended June 30, 2015, the District recognized pension expense of \$466,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected & actual earnings on pension plan investments	\$ -	\$ 650,000
District contributions subsequent to the measurement date	743,025	-
Total	\$ 743,025	\$ 650,000

\$743,025 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Logan County School District
Notes to the Financial Statements

NOTE 7: PENSION PLANS (CONTINUED)

Year ended June 30:	
2016	\$ 162,500
2017	162,500
2018	162,500
2019	162,500
Thereafter	-

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Investment rate of return	7.75% net of pension plan investment expense, including inflation
Projected salary increases	4.50%, average, including inflation
Inflation rate	3.50%
Discount rate	7.75%

Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006, and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after the disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2008.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log - normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of

Logan County School District
Notes to the Financial Statements

NOTE 7: PENSION PLANS (CONTINUED)

return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate</u>
U.S. Equity	30.0%	8.45%
Non U.S. Equity	22.0%	8.85%
Emerging Market Equity	5.0%	10.50%
Private Equity	7.0%	11.25%
Real Estate	5.0%	7.00%
Core U.S. Fixed Income	10.0%	5.25%
High Yield U.S. Fixed Income	5.0%	7.25%
Non U.S. Fixed Income	5.0%	5.50%
Commodities	5.0%	7.75%
TIPS	5.0%	5.00%
Cash	1.0%	3.25%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 29 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. Projected future benefit payments for all current plan members were projected through 2116.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

Logan County School District
Notes to the Financial Statements

NOTE 7: PENSION PLANS (CONTINUED)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 7,660,000	\$ 5,821,000	\$ 4,196,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report.

Deferred Compensation Plans

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

NOTE 8: COMMITMENTS AND CONTINGENCIES

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

The District has an approved BG-1 for a construction project for an Area Technology Center (ATC) that will include the issuance of bonds in the amount of \$17,570,000 and general fund cash for the project of \$2,430,000. The District has only incurred engineering and architectural costs to date.

Logan County School District
Notes to the Financial Statements

NOTE 9: RISK MANAGEMENT

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

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

NOTE 10: LITIGATION

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

NOTE 11: EXCESS EXPENDITURES OVER APPROPRIATIONS

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

<i>Year ended June 30, 2015</i>	
Fund	Amount
Special revenue	\$ 28,041
FSPK	368,707
Debt service	253

Logan County School District
Notes to the Financial Statements

NOTE 12: FUND TRANSFERS

Fund transfers for the year ended June 30, 2015 consist of the following:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	Matching	\$ 76,663
General	Debt Service	Debt Service	109,819
General	Construction	Construction	504,685
SEEK	General	Operating	318,659
FSPK	General	Operating	814,235
FSPK	Debt Service	Debt Service	749,977

NOTE 13: ON-BEHALF PAYMENTS

The District receives on-behalf payments from the State of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amount received for the fiscal year ended June 30, 2015 was \$5,859,688. These payments were recorded as follows:

Year ended June 30, 2015

Fund	Amount
General Fund	\$ 5,567,985
Food Service Fund	127,756
Debt Service Fund	163,947
Total	\$ 5,859,688

Year ended June 30, 2015

Technology	\$ 110,266
Health insurance less Federal reimbursements	3,476,083
Life insurance	6,777
Administrative fees	46,244
HRA/Dental/Vision insurance	196,088
SFCC debt service	163,947
KTRS	1,860,283
Total	\$ 5,859,688

NOTE 14: SUBSEQUENT EVENTS

The District signed an offer to purchase on July 23, 2015 for \$210,000 approximately seven acres of land adjoining certain property currently owned by the District for the future ATC project.

Logan County School District
Budgetary Comparison Schedule for the General Fund

<i>Year Ended June 30, 2015</i>	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
				Final to Actual
Revenues				
Local and intermediate sources	\$ 5,997,800	\$ 6,258,793	\$ 6,429,768	\$ 170,975
State programs	19,478,907	19,756,338	19,757,483	1,145
Federal programs	17,500	27,500	39,443	11,943
Total revenues	25,494,207	26,042,631	26,226,694	184,063
Expenditures				
Current				
Instruction	16,204,265	16,548,616	16,537,052	11,564
Support services:				
Student	1,055,503	1,110,035	1,113,926	(3,891)
Instructional staff	1,140,476	1,143,002	1,142,067	935
District administration	590,811	553,308	537,943	15,365
School administration	1,778,618	1,805,284	1,812,883	(7,599)
Business	388,957	400,075	405,882	(5,807)
Plant operations and maintenance	2,616,400	2,687,729	2,572,336	115,393
Student transportation	2,295,934	2,193,198	2,124,591	68,607
Other	45,865	43,111	43,111	-
Contingency	1,681,289	1,357,495	-	1,357,495
Total expenditures	27,798,118	27,841,853	26,289,791	1,552,062

Logan County School District
Budgetary Comparison Schedule for the General Fund

<i>Year Ended June 30, 2015</i>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable) Final to Actual</u>
Excess (deficiency) of revenues over expenditures	(2,303,911)	(1,799,222)	(63,097)	1,736,125
Other Financing Sources (Uses)				
Operating transfers - net	946,416	441,727	441,727	-
Total other financing sources (uses)	946,416	441,727	441,727	-
Net change in fund balance	(1,357,495)	(1,357,495)	378,630	1,736,125
Fund balance - beginning of year	1,357,495	1,357,495	9,090,064	7,732,569
Fund balance - end of year	\$ -	\$ -	\$ 9,468,694	\$ 9,468,694

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

<i>Year Ended June 30, 2015</i>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
				<u>Final to Actual</u>
Revenues				
Local and intermediate sources	\$ 127,500	\$ 147,543	\$ 147,558	\$ 15
State programs	1,718,333	1,746,890	1,739,024	(7,866)
Federal programs	2,612,007	2,714,749	2,300,169	(414,580)
Total revenues	4,457,840	4,609,182	4,186,751	(422,431)
Expenditures				
Current				
Instruction	3,337,481	3,440,655	3,023,749	416,906
Support services				
Student	197,386	206,866	191,682	15,184
Instructional staff	615,369	672,651	704,209	(31,558)
Business	2,169	2,169	2,161	8
Plant operations and maintenance	18,805	9,718	9,701	17
Student transportation	115,885	105,885	105,479	406
Other	247,411	247,901	254,474	(6,573)
Total expenditures	4,534,506	4,685,845	4,291,455	394,390

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

<i>Year Ended June 30, 2015</i>	<u>Budgeted Amounts</u>		Actual	Variances Favorable <u>(Unfavorable)</u>
	Original	Final		Final to Actual
Excess (deficiency) of revenues over expenditures	(76,666)	(76,663)	(104,704)	(28,041)
Other Financing Sources (Uses)				
Operating transfers - net	76,666	76,663	76,663	-
Total other financing sources (uses)	76,666	76,663	76,663	-
Net change in fund balance	-	-	(28,041)	(28,041)
Fund balance - beginning of year	-	-	78,788	78,788
Fund balance - end of year	\$ -	\$ -	\$ 50,747	\$ 50,747

Logan County School District

Schedule of the District's Proportionate Share of the Net Pension Liability and
Schedule of District's Contributions – Kentucky Teachers' Retirement System

Schedule of the District's Proportionate Share of the Net Pension Liability - KTRS	
<i>As of June 30,</i>	2015
District's proportion of the net pension liability	0.0%
District's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	\$ 95,446,484
District's covered - employee payroll	\$ 14,557,780
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.0%
Plan fiduciary net position as a percentage of the total pension liability	45.6%

Schedule of District's Contributions - KTRS	
<i>For the Year Ended June 30,</i>	2015
Contractually required contribution	\$ 1,860,283
Contributions in relation to the contractually required contribution	1,860,283
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 14,803,488
Contributions as a percentage of covered-employee payroll	12.57%

Changes of Benefit Terms

None noted.

Changes of Assumptions

In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

Logan County School District
 Schedule of the District's Proportionate Share of the
 Net Pension Liability and Schedule of District's Contributions
 County Employees Retirement System

Schedule of the District's Proportionate Share of the Net Pension Liability	
<i>As of June 30,</i>	2015
District's proportion of the net pension liability	0.179424%
District's proportionate share of the net pension liability	\$ 5,821,000
District's covered - employee payroll	\$ 4,080,244
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	70.1%
Plan fiduciary net position as a percentage of the total pension liability	66.8%

Schedule of District's Contributions	
<i>For the year Ended June 30,</i>	2015
Contractually required contribution	\$ 743,025
Contributions in relation to the contractually required contribution	743,025
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 4,205,008
Contributions as a percentage of covered-employee payroll	17.67%

Changes of Benefit Terms

None noted.

Changes of Assumptions

None noted.

Logan County School District
Combining Balance Sheet
Nonmajor Governmental Funds

<i>June 30, 2015</i>	SEEK Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Other Governmental Funds
Assets					
Cash	\$ -	\$ -	\$ 378,597	\$ 31,425	\$ 410,022
Total assets	\$ -	\$ -	\$ 378,597	\$ 31,425	\$ 410,022
Fund Balances					
Restricted	\$ -	\$ -	\$ 378,597	\$ 31,425	\$ 410,022
Total fund balance	-	-	378,597	31,425	410,022
Total fund balances	\$ -	\$ -	\$ 378,597	\$ 31,425	\$ 410,022

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

<i>Year Ended June 30, 2015</i>	SEEK Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Other Governmental Funds
Revenues					
From local sources					
Taxes					
Property	\$ -	\$ 568,284	\$ -	\$ -	\$ 568,284
Intergovernmental - state	319,434	627,996	-	163,947	1,111,377
Total revenues	319,434	1,196,280	-	163,947	1,679,661
Expenditures					
Land/site acquisition	775	775	-	-	1,550
Building acquisition & construction	-	-	147,961	-	147,961
Principal	-	-	-	810,000	810,000
Interest	-	-	-	213,996	213,996
Total expenditures	775	775	147,961	1,023,996	1,173,507
Excess (deficiency) of revenues over expenditures	318,659	1,195,505	(147,961)	(860,049)	506,154

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

<i>Year Ended June 30, 2015</i>	SEEK Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Other Governmental Funds
Other Financing Sources (Uses)					
Operating transfers in	-	-	504,685	859,796	1,364,481
Operating transfers out	(318,659)	(1,564,212)	-	-	(1,882,871)
Total other financing sources (uses)	(318,659)	(1,564,212)	504,685	859,796	(518,390)
Net change in fund balances	-	(368,707)	356,724	(253)	(12,236)
Fund balances - beginning of year	-	368,707	21,873	31,678	422,258
Fund balances - end of year	\$ -	\$ -	\$ 378,597	\$ 31,425	\$ 410,022

Logan County School District
Combining Statement of Fiduciary Net Position
School Activity Funds
Agency Funds

<i>Year Ended June 30, 2015</i>	Cash			Cash	Accounts	Accounts	Due to Student
	July 1, 2014	Receipts	Disbursements	June 30, 2015	Receivable	Payable	Groups
							June 30, 2015
Logan County High School	\$ 1,027	\$ 690,605	\$ 664,111	\$ 27,521	\$ 173,561	\$ 4,113	\$ 196,969
Adairville Elementary	42,516	90,541	87,320	45,737	-	-	45,737
Auburn Elementary	96,247	100,837	106,194	90,890	-	55	90,835
Chandlers Elementary	47,070	97,232	89,937	54,365	-	114	54,251
Lewisburg Elementary	37,335	97,199	85,895	48,639	1,619	-	50,258
Olmstead Elementary	60,008	114,351	122,150	52,209	800	539	52,470
Total	\$ 284,203	\$ 1,190,765	\$ 1,155,607	\$ 319,361	\$ 175,980	\$ 4,821	\$ 490,520

Logan County School District
Statement of Fiduciary Net Position
School Activity Funds
Logan County High School

<i>Year Ended June 30, 2015</i>	Cash			Cash	Accounts	Accounts	Due to Student
	July 1, 2014	Receipts	Disbursements				
							June 30, 2015
Archery	\$ -	\$ 2,571	\$ 2,571	\$ -	\$ 45	\$ -	\$ 45
Art	-	1,359	1,359	-	200	-	200
Arts/Student	-	2,144	2,144	-	623	-	623
Athletics	-	198,208	198,208	-	6,918	3,136	3,782
Baseball	-	8,371	8,371	-	8,898	-	8,898
Bass Fishing Club	-	5,034	5,034	-	2,370	-	2,370
Beta Club	-	9,512	9,512	-	6,795	-	6,795
Business & Office	-	511	511	-	2,760	-	2,760
Book	-	20,624	20,624	-	4,204	-	4,204
Book Club	-	869	869	-	889	-	889
Boys Basketball	-	15,242	15,242	-	3,205	-	3,205
Girls Basketball	-	11,687	11,687	-	1,150	-	1,150
Cheerleading	-	8,239	8,239	-	1,644	-	1,644
Cougar Academy	-	1,874	1,874	-	126	-	126
Cross Country	-	8,091	8,091	-	4,282	-	4,282
DECA	-	5,996	5,996	-	356	-	356
Drivers Ed	-	430	430	-	310	-	310
FBLA Club	-	10,431	10,431	-	1,178	-	1,178
FCA Club	-	601	601	-	265	-	265
FFA Club	-	100,370	100,370	-	13,575	455	13,120
FFA - Barren River Reg	-	3,113	3,113	-	3,113	-	3,113
FCCLA Club	-	10,605	10,605	-	1,273	-	1,273
FMD	-	108	108	-	193	-	193
FMD - Cougar Cave	-	1,151	1,151	-	901	-	901
Football	-	34,147	34,147	-	6,297	-	6,297

Logan County School District
Statement of Fiduciary Net Position
School Activity Funds
Logan County High School

<i>Year Ended June 30, 2015</i>	Cash			Cash	Accounts	Accounts	Due to Student
	July 1, 2014	Receipts	Disbursements				
							June 30, 2015
Football/Middle School	\$ -	\$ 12,511	\$ 12,511	\$ -	\$ 5,497	\$ -	\$ 5,497
General	-	41,544	41,544	-	33,499	-	33,499
General #1 / Coke & Lance	-	1,423	1,423	-	875	-	875
General #2 / Coke & Lance	-	31,542	24,617	6,925	3,229	522	9,632
Golf	-	1,589	1,589	-	2,542	-	2,542
Greenhouse	1,027	20,920	1,351	20,596	-	-	20,596
Home Ec B	-	2,173	2,173	-	257	-	257
Home Ec C	-	4,063	4,063	-	70	-	70
Home Ec D	-	672	672	-	380	-	380
Ind. Arts	-	716	716	-	106	-	106
JROTC Club	-	13,819	13,819	-	3,062	-	3,062
Law Club	-	-	-	-	20	-	20
LCYSC	-	1,400	1,400	-	8,217	-	8,217
Library	-	-	-	-	284	-	284
Lost Book	-	-	-	-	583	-	583
Marketing	-	-	-	-	57	-	57
Pep Club	-	556	556	-	1,031	-	1,031
Project Graduation	-	21,573	21,573	-	-	-	-
Relay For Life	-	9	9	-	9	-	9
Renaissance	-	4,159	4,159	-	1,268	-	1,268
Republican Club	-	35	35	-	332	-	332
Science Club	-	-	-	-	101	-	101
Science/Lee	-	260	260	-	326	-	326
Science/Logsdon	-	465	465	-	12	-	12
Science/Kelly, C.	-	360	360	-	97	-	97
Science/ Wood	-	353	353	-	10	-	10

Logan County School District
Statement of Fiduciary Net Position (Continued)
School Activity Funds
Logan County High School

<i>Year Ended June 30, 2015</i>	Cash			Cash			Due to Student		
	July 1, 2014	Receipts	Disbursements	June 30, 2015	Accounts	Accounts	Groups		
					Receivable	Payable	June 30, 2015		
Soccer/Boys	\$ -	\$ 5,121	\$ 5,121	\$ -	\$ 2,558	\$ -	\$ 2,558		
Soccer/Girls	-	5,819	5,819	-	402	-	402		
Softball	-	4,953	4,953	-	3,194	-	3,194		
Spain/International Club	-	-	-	-	152	-	152		
Student Council	-	1,715	1,715	-	2,381	-	2,381		
Swim Team	-	569	569	-	914	-	914		
Tennis	-	1,506	1,506	-	606	-	606		
Track	-	10,616	10,616	-	3,182	-	3,182		
United Way	-	1,221	1,221	-	1,154	-	1,154		
Vo. Ag.	-	1,985	1,985	-	2,488	-	2,488		
Volleyball	-	6,640	6,640	-	7,412	-	7,412		
Year Book	-	29,030	29,030	-	15,684	-	15,684		
Totals	\$ 1,027	\$ 690,605	\$ 664,111	\$ 27,521	\$ 173,561	\$ 4,113	\$ 196,969		

Logan County School District
Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Child Nutrition Cluster			
Direct Program:			
Food Distribution Program - non-cash	10.555	--	\$ 94,673
Passed-Through State Department of Education:			
School Breakfast Program	10.553	7760005 15	328,953
National School Lunch Program	10.555	7750002 15	<u>845,288</u>
Subtotal			1,268,914
Total U.S. Department of Agriculture			1,268,914
U.S. Department of Defense			
Direct Program:			
ROTC - 2014	12.000	--	51,701
Total U.S. Department of Defense			51,701
U.S. Department of Education			
Passed-Through State Department of Education			
Title I, Part A Cluster			
Title I to Local Educational Agencies - 2014	84.010	3100002 13	67,610
Title I to Local Educational Agencies - 2015	84.010	3100002 14	<u>664,340</u>
Subtotal			731,950
Migrant Education Basic State Grant - 2014	84.011	3110002 13	77,874
Migrant Education Basic State Grant - 2015	84.011	3110002 14	<u>107,130</u>
Subtotal			185,004

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Logan County School District
Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
Title VI - Rural & Low Income	84.358B	3140002 13	38,313
Title VI - Rural & Low Income	84.358B	3140002 14	<u>50,760</u>
Subtotal			89,073
Special Education Cluster			
IDEA - Part B Special Education - 2013	84.027	3810002 12	8,566
IDEA - Part B Special Education - 2015	84.027	3810002 14	737,848
IDEA - Part B Preschool - 2013	84.173	3800002 12	2,709
IDEA - Part B Preschool - 2015	84.173	3800002 14	<u>97,596</u>
Subtotal			846,719
English Language Acquisition Grants - 2015	84.365	3300002 14	2,433
Title II Teacher Quality - 2015	84.367	3230002 14	153,416
Vocational Education - 2014	84.048	3710002 13	1,098
Vocational Education - 2015	85.048	3710002 14	<u>23,896</u>
Subtotal			24,994
Race to the Top	84.413	3960002 11	1,126
Passed-Through Green River Regional Educational Cooperative			
RTTD Kid Friendly - 2014	84.416A	4364	32,032
RTTD Kid Friendly - 2015	84.416A	436A	47,620
RTTD Kid Friendly Software	84.416A	436AS	27,157
RTTD Kid Friendly Wi-Fi	84.416A	436AW	<u>19,519</u>
Subtotal			126,328
Passed-Through State Workforce Cabinet			
Adult Education - Basic - 2015	84.002	373A	53,236
Adult Education - Professional Staff Development - 2015	84.002	373AS	1,186
Adult Education - Federal Supplemental	84.002	365A	20,371
Adult Education - EL/Civics	84.002	370A	<u>12,632</u>
Subtotal			87,425
Total U.S. Department of Education			2,248,468
Total expenditures of federal awards			\$3,569,083

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Logan County School District
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal grant activity of Logan County School District (the “District”) under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 3: SUBRECIPIENTS

There were no subrecipients during the fiscal year.



Logan County School District
Summary Schedule of Prior Year Audit Findings

None reported.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits as defined in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Logan County School District (the "District") as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise Logan County School District's basic financial statements, and have issued our report thereon dated November 10, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Independent Auditor's Contract – State Compliance Requirements*.

Purpose of this Report

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

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



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

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

Report on Compliance for Each Major Federal Program

We have audited Logan County School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the 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, 2015.

Report on Internal Control over Compliance

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

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

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

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

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

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

Carr, Riggs & Ingram, LLC
Bowling Green, Kentucky
November 10, 2015

Logan County School District
Schedule of Findings and Questioned Costs

Section I — Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Non-compliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Type of auditors' report issued on compliance for major programs: unmodified

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

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

Identification of major Federal programs:

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

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

Auditee qualified as low-risk auditee? Yes No

Section II — Financial Statement Findings

None reported.

Section III — Federal Award Findings And Questioned Costs

None reported.



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Management Letter

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

In planning and performing our audit of the financial statements of Logan County School District (the "District") for the year ended June 30, 2015, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated November 10, 2015 contains our report on the District's internal control. This letter does not affect our report dated November 10, 2015 on the financial statements of the District.

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

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

Carr, Riggs & Ingram, LLC
Bowling Green, Kentucky
November 10, 2015



Logan County School District Comments and Recommendations

Prior Year Comments Not Corrected

- **Olmstead Elementary**

- During our review of the annual financial report, we noted several accounts with titles that did not indicate the source and use of funds, such as “Special Project” and “Activity.” We recommend all funds be named so that the source and use of funds is evident by the title of the fund.

Current Year Comments

- **Central Office**

- During our procedures over cash, we noted the District had \$111,968 of cash deposits that were uninsured and uncollateralized. We suggest bank deposit balances be reviewed at least quarterly, to ensure no custodial credit risk exist at each bank.

- **Lewisburg School**

- During our procedures over receipts we noted that receipt numbers were not listed on the deposit slips. We recommend the receipt numbers be listed on the deposit slip.

- **Food Service**

- During our testing of the procedures related to receipts, at the high school food service, it was noted that the selected day cashier’s report did not have one of the two required sign-offs. We recommend that all cashier’s receipts have dual signatures as prescribed by the District’s policy.

- **Auburn Elementary School**

- During our testing of ticket sales, we noted one event in which the number of tickets sold and corresponding sales did not agree to the form when comparing the beginning and ending ticket numbers and cost of event. We recommend the number of tickets sold and corresponding sales be reconciled on the ticket form.

- **Olmstead Elementary School**

- During our testing of ticket sales, we noted one event in which the beginning and ending ticket stubs were not attached to the ticket form. We recommend the beginning and ending ticket stubs be attached to the ticket form to accurately calculate the number of tickets sold and corresponding sales.

LOGAN COUNTY SCHOOLS

2222 Bowling Green Road - P. O. Box 417 - Russellville, KY 42276
Phone 270-726-2436 Fax 270-726-8892

Dr. Kevin F. Hub, Superintendent

November 10, 2015

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

RE: Logan County School District
Letter of Comments and Recommendations
Audit of FYE June 30, 2015

Ladies / Gentlemen:

As noted in the audit report, there were no material weaknesses, reportable conditions, instances of noncompliance, or questioned costs discovered in the audit of the financial statements of the Logan County School District for the fiscal year ended June 30, 2015. The auditor's *Letter of Comments and Recommendations* describes opportunities for strengthening internal controls and operating efficiency.

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

Central Office

The deposits in excess of collateralization was a one-time occurrence due to a transfer between accounts and the sudden death of an accounting employee on June 29, 2015. Procedures are back in place to assure that funds are not transferred in excess of the collateralized amount.

Auburn Elementary School and Olmstead Elementary School

The schools have been told all ticket receipt forms should be reviewed and be correct before acceptance of the forms from the responsible person.

Lewisburg Elementary School

The school has been instructed to put the systems receipt numbers on the deposit slips. The bookkeeper was listing the multiple receipt form numbers on the deposit slip instead of the system receipt numbers.

Kentucky Department of Education
Division of Finance
November 5, 2015
Page 2 of 2

Olmstead Elementary School

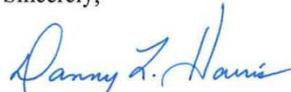
The school has once again been informed to always title activity accounts in a manner that indicates the source and use of funds.

Food Service

Food Service has been instructed to have dual signatures on the daily cashier's reports. Previously they were dually signing only the deposit slips.

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

Sincerely,



Danny L. Harris, CPA
Finance Officer

CC: Carr Riggs & Ingram, LLC



THOUGHT LEADERSHIP



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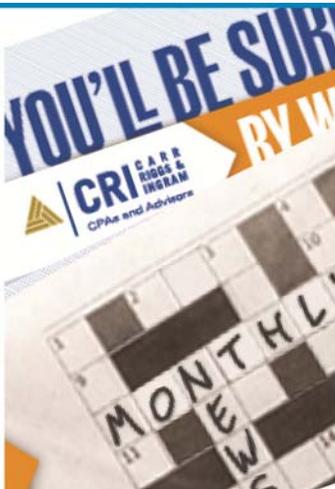
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