

**Bowling Green Independent
School District**

Financial Statements

June 30, 2013



Bowling Green Independent School District
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June 30, 2013

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Independent Auditor's Report

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

• Management's Responsibility for the Financial Statements

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

• Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

● **Opinions**

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

● **Emphasis of Matter**

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

● **Other Matters**

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 through 23 and 67 through 70 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, 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 5, 2013 on our consideration of Bowling Green Independent 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 5, 2013

Required Supplementary Information

Management's Discussion and Analysis



**BOWLING GREEN INDEPENDENT PUBLIC SCHOOL
DISTRICT
BOWLING GREEN, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)
YEAR ENDED JUNE 30, 2013**

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

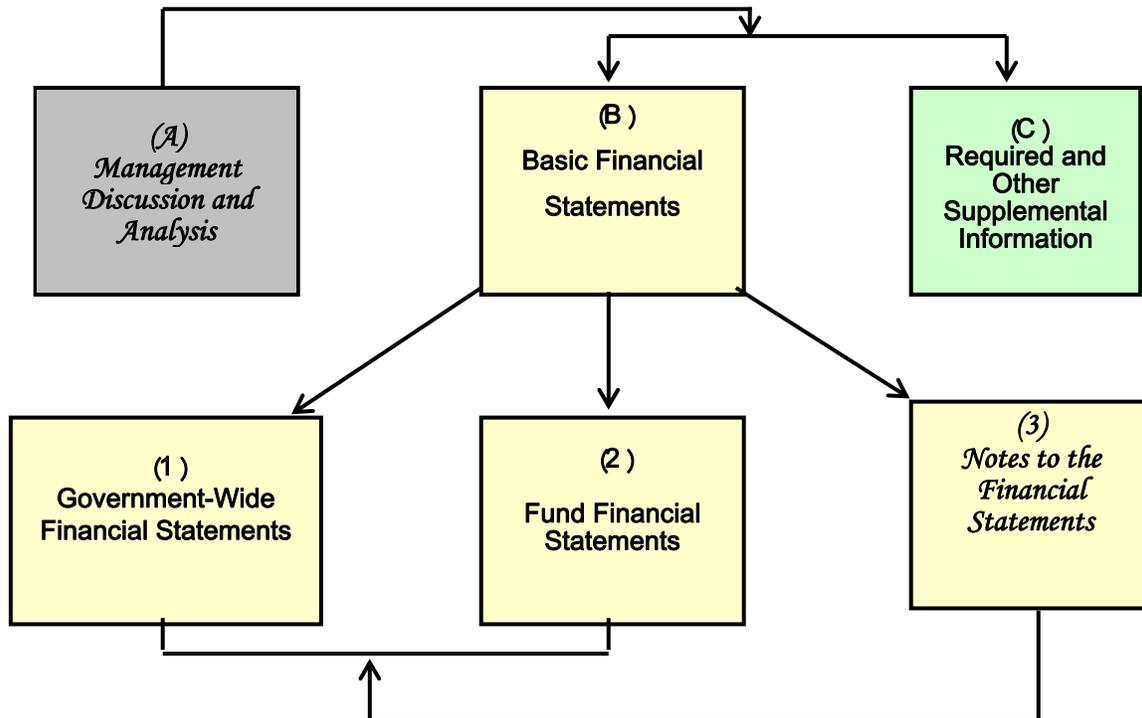
FINANCIAL HIGHLIGHTS

- The beginning of year fund balance for the District's General Fund was \$2,760,094. The end of year General Fund balance was \$2,798,687. This represents a current year excess of revenues over expenditures (surplus) of \$38,593.
- Property assessments certified by the Commissioner of Education showed total real estate and personal property valuation at \$1,219,463,929. The Board passed on raising the 2012-13 real estate or personal property tax rate. The rate remained at 73.1 cents per \$100 of assessed property. At this rate, the calculated collection should yield \$8,914,281. The actual collections were \$8,950,894.28 for a collection rate of 100.4%. A collection rate over 100% includes delinquent/omitted tax collections due in previous periods
- The Capital Outlay and Building Funds decreased by \$1,765,966 from \$2,196,721 to \$430,755. Of this decrease, \$1,348,236 was restricted for future construction projects due to prior SFCC offers of assistance that was transfer to the construction fund.
- The District's net position increased by \$120,442 or 0.40% (from \$30,467,498 to \$30,587,940). Governmental activities increased by \$219,720; however, Food Service activities decreased \$99,278.
- District expenditures decreased by 1.2%. This was a result of management's planned reductions due to state funding cuts.
- On June 6, 2013, the District's Finance Corporation issued \$11,840,000 in General Obligation Bonds for the purpose of constructing the new Dishman-McGinnis Elementary School. These bonds had interest rates ranging from 2.125% to 3.500%.

Overview of Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Bowling Green Independent Public School District as a financial whole, an entire operating entity, in a manner similar to a private-sector business. The annual report consists of three parts: (A) management's discussion and analysis (this section), (B) the basic financial statements and note disclosures, and (C) required and other supplemental information. The statements then proceed to provide an increasingly detailed look at specific financial activities. The District's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Organization of the Financial Statements



The Government-Wide Financial Statements have two sections (1) the *Statement of Net Position* and (2) the *Statement of Activities*. The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other non-major funds presented in total in one column.

Government-Wide Financial Statements (Reporting the School District as a Whole)

One of the most important questions asked about the School District is “How did we do financially during the current fiscal year?” The *Statement of Net Position* and the *Statements of Activities*, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the School District’s net position and changes in that position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as Kentucky’s SEEK funding formula and its adjustments, the School District’s property tax base, required educational programs and other factors.

In the Statement of Net Position and the Statements of Activities, the School District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the School District’s programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extra-curricular activities. The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt is also supported by taxes and intergovernmental revenues.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District’s food service is reported as business activities. These activities are funded thru fees, federal grants, and federal commodities.

Net position may serve over time as a useful indicator of a government’s financial position. The District’s Net Position as of June 30, 2013 was \$30,587,940. This was an increase of \$120,442 over the previous year.

The largest portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The amount of capital assets, net of related debt was \$27,225,114. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Government-wide financial statements can be found on pages [25](#) through 28 of this report.

Fund Financial Statements (Reporting the School District's Most Significant Funds)

After looking at the District as a whole, an analysis of the School District's major funds follows. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is a state mandated uniform system and chart of accounts for all Kentucky public school Districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are assets that belong to others. The school's activity funds and the Bowling Green Independent School District Foundation, Inc. are reported as fiduciary funds. The only proprietary fund is the school food service fund. A proprietary fund is sometimes referred to as an enterprise fund. It is a fund that operates like a business with sales of goods and services. All other activities of the District are included in the governmental funds. The major governmental funds for the Bowling Green Independent Public School District are the general fund, special revenue (grants), SEEK Capital outlay, FSPK, and the unused sick leave trust fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Position and the Statements of Activities) and governmental *funds* is reconciled in the financial statements.

Proprietary Funds - Proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match. The only proprietary fund is our food service operations.

Fiduciary Funds – The schools' activity funds (or agency funds) and Bowling Green Independent School District Foundation, Inc. (or private purpose trust funds) are the District's only fiduciary funds. The schools' activity balances at year-end totaled \$334,635 (a decrease of \$3,633 from the previous year). Bowling Green Independent School District Foundation, Inc. balance at year-end was \$93,397 (an increase of \$19,592 from the previous year).

The basic governmental fund financial statements can be found on pages 29 through 34 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 41 through 65 of this report.

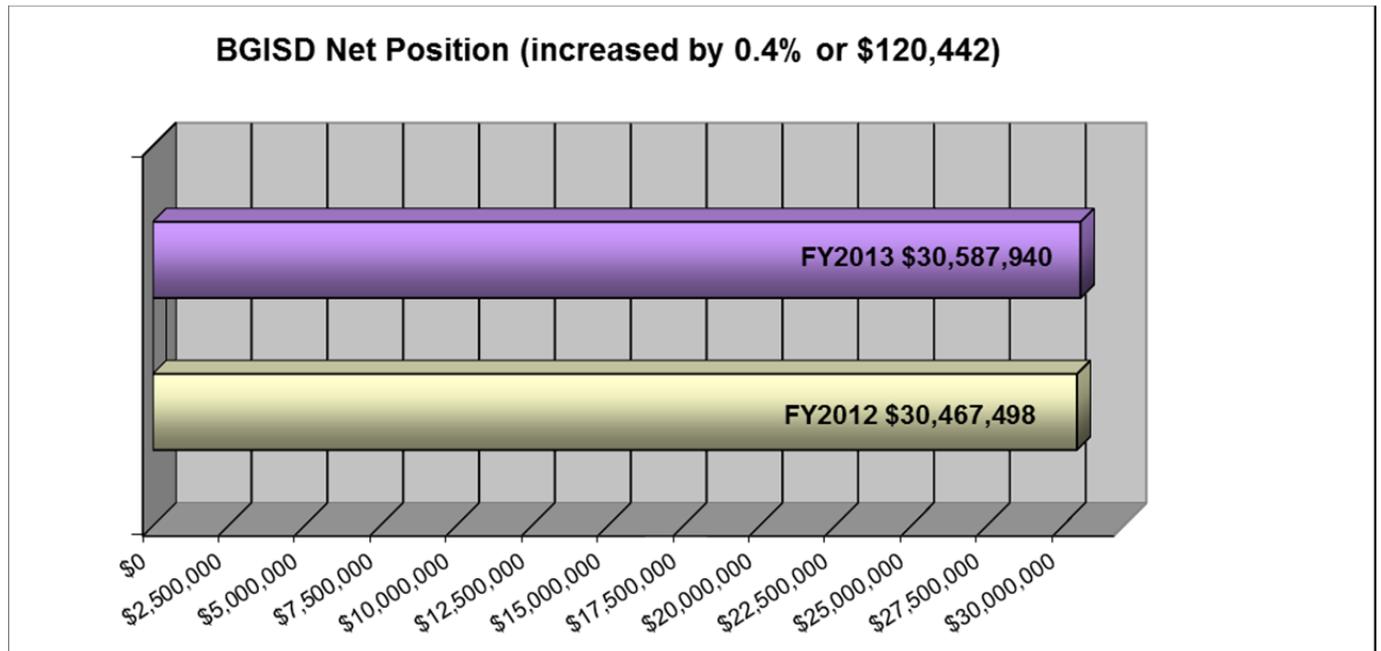
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position for June 30, 2012 and June 30, 2013

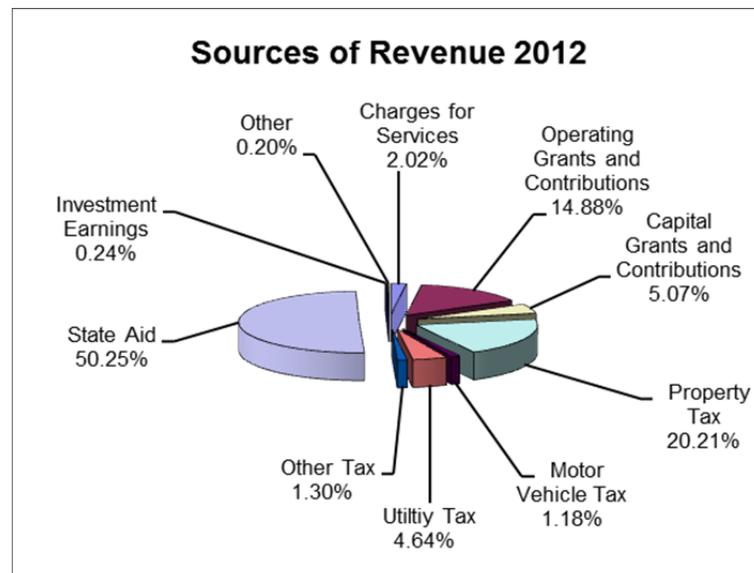
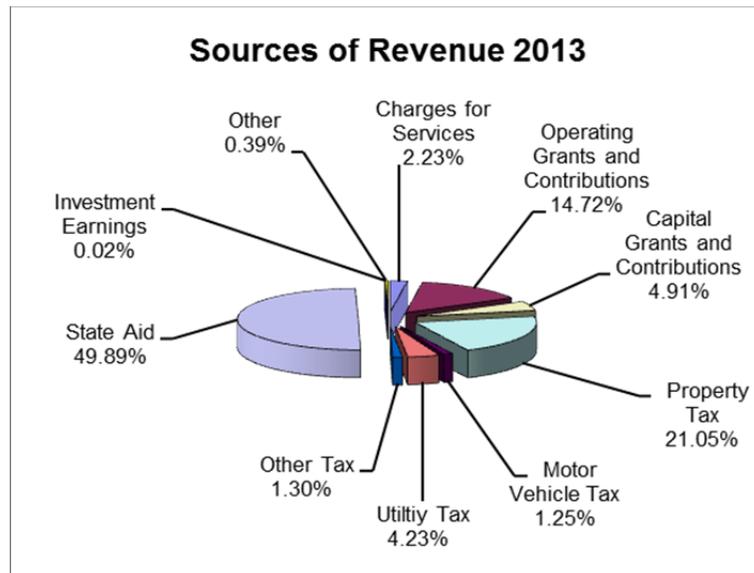
	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District Percentage Change
	FY2012	FY2013	FY2012	FY2013	FY2012	FY2013	2012-2013
Current and Other Assets	\$7,224,703	\$17,893,288	\$239,276	\$253,324	\$7,463,979	\$18,146,612	143.1%
Capital Assets	\$50,023,517	50,405,477	\$499,632	\$434,102	\$50,523,149	\$50,839,579	0.6%
Total Assets	\$57,248,220	\$68,298,765	\$738,908	\$687,426	\$57,987,128	\$68,986,191	19.0%
Deferred amount on debt refunding	0	499,252	\$0	\$0	\$0	\$499,252	
Total Deferred Outflows of Resources	\$0	\$499,252	\$0	\$0	\$0	\$499,252	
Long Term Liabilities	\$24,438,411	\$34,731,344	\$16,110	\$18,696	\$24,454,521	\$34,750,040	42.1%
Other Liabilities	3,037,993	4,075,137	\$27,116	\$72,326	\$3,065,109	\$4,147,463	35.3%
Total Liabilities	\$27,476,404	\$38,806,481	\$43,226	\$91,022	\$27,519,630	\$38,897,503	41.3%
Investment in Capital Assets (net of debt)	\$24,805,511	\$26,791,012	\$499,632	\$434,102	\$25,305,143	\$27,225,114	7.6%
Restricted	\$3,860,552	2,211,636	\$0	\$0	\$3,860,552	\$2,211,636	-42.7%
Unrestricted Fund	\$1,105,753	988,888	\$196,050	\$162,302	\$1,301,803	\$1,151,190	-11.6%
Total Net Position	\$29,771,816	\$29,991,536	\$695,682	\$596,404	\$30,467,498	\$30,587,940	0.40%

At year-end assets and deferred outflows exceeded liabilities by \$30,587,940.



Changes in Net Position for June 30, 2012 and June 30, 2013

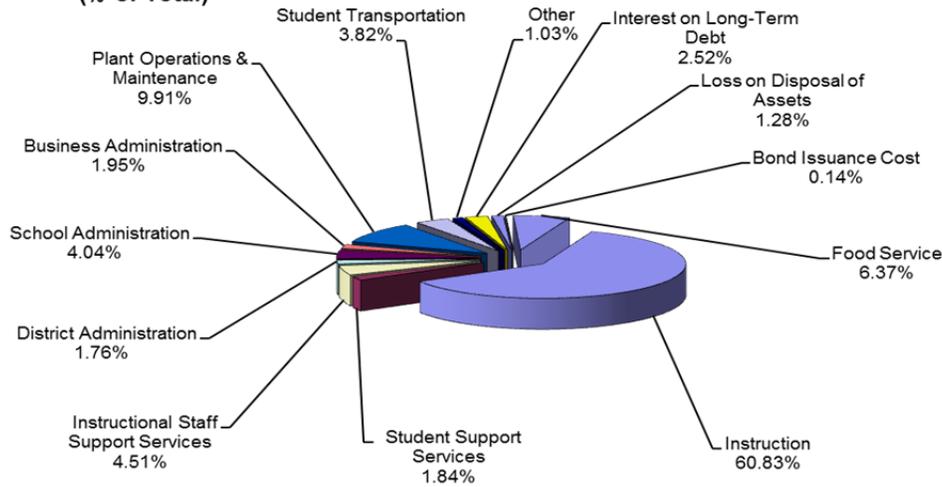
Revenues	Governmental Activities		Proprietary Business-Type Activities		District Total		District Total Percentage Change
	FY2012	FY2013	FY2012	FY2013	FY2012	FY2013	2012-2013
Program Revenues							
Charges for Services	\$127,187	\$233,692	\$735,521	\$715,574	\$862,708	\$949,266	10.0%
Operating Grants and Contributions	\$4,563,688	\$4,381,548	\$1,780,771	\$1,878,457	\$6,344,459	\$6,260,005	-1.3%
Capital Grants and Contributions	\$2,159,314	\$2,087,845	\$0	\$0	\$2,159,314	\$2,087,845	-3.3%
General Revenue							
Taxes							
Property Tax	\$8,615,201	\$8,950,896			\$8,615,201	\$8,950,896	3.9%
Motor Vehicle Tax	\$502,779	\$533,648			\$502,779	\$533,648	6.1%
Utility Tax	\$1,976,254	\$1,799,197			\$1,976,254	\$1,799,197	-9.0%
Other Tax	\$556,056	\$553,172			\$556,056	\$553,172	-0.5%
State Aid	\$21,420,328	\$21,215,023			\$21,420,328	\$21,215,023	-1.0%
Investment Earnings	\$100,019	\$9,788	\$747	\$319	\$100,766	\$10,107	-90.0%
Gain on disposal of Assets	\$6,579				\$6,579	\$0	-100.0%
Other	\$86,297	\$164,350	-105	\$15	\$86,192	\$164,365	90.7%
Transfers	\$0		0		\$0	\$0	
Total Revenues	\$40,113,702	\$39,929,159	\$2,516,934	\$2,594,365	\$42,630,636	\$42,523,524	-0.3%



Expenses	Governmental Activities		Proprietary Business-Type Activities		District Total		District Total Percentage Change
	FY2012	FY2013	FY2012	FY2013	FY2012	FY2013	2012-2013
Instruction	\$26,539,415	\$25,717,689			\$26,539,415	\$25,717,689	-3.1%
Support Services							
Student Support Services	\$565,905	\$778,028			\$565,905	\$778,028	37.5%
Instructional Staff	\$1,576,047	\$1,907,115			\$1,576,047	\$1,907,115	21.0%
District Administration	\$837,170	\$745,866			\$837,170	\$745,866	-10.9%
School Administration	\$1,683,510	\$1,706,055			\$1,683,510	\$1,706,055	1.3%
Business Administration	\$823,352	\$823,341			\$823,352	\$823,341	0.0%
Plant Operations & Maintenance	\$5,072,185	\$4,187,783			\$5,072,185	\$4,187,783	-17.4%
Student Transportation	\$1,551,300	\$1,613,460			\$1,551,300	\$1,613,460	4.0%
Other	\$412,036	\$435,406			\$412,036	\$435,406	5.7%
Building Improvement					\$0	\$0	
Interest on Long-Term Debt	\$1,081,465	\$1,067,374			\$1,081,465	\$1,067,374	-1.3%
Loss on Disposal of Assets	\$0	\$540,097			\$0	\$540,097	
Bond Issuance Cost	\$0	\$59,840			\$0	\$59,840	
Food Service			\$2,637,008	\$2,693,643	\$2,637,008	\$2,693,643	2.1%
Total Expenses	\$40,142,385	\$39,582,054	\$2,637,008	\$2,693,643	\$42,779,393	\$42,275,697	-1.2%

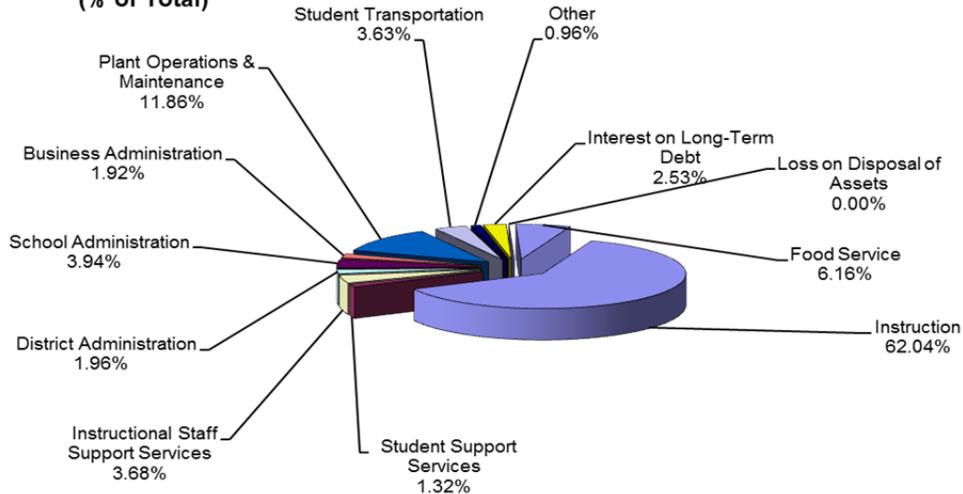
Expenses 2013

(% of Total)



Expenses 2012

(% of Total)

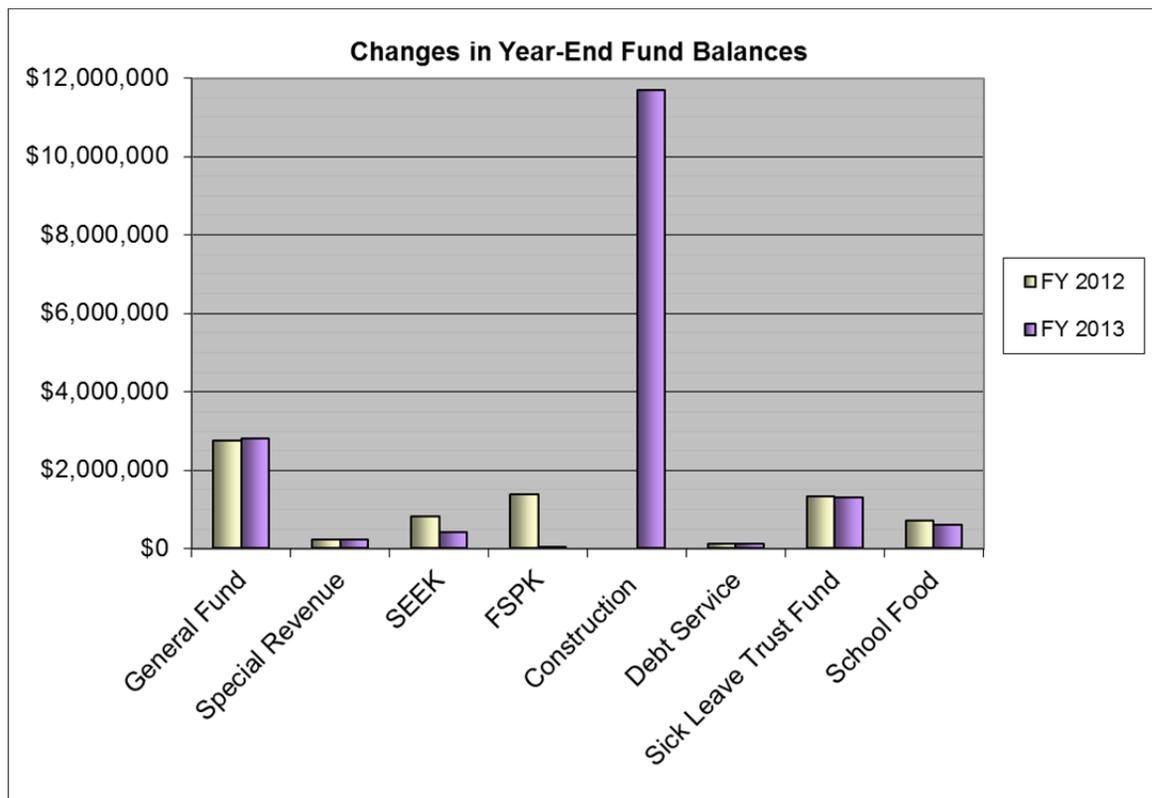


The District's total revenues for 2013 were \$42,523,524 and the total expenses were \$42,275,697. Revenues exceeded Expenses by \$247,827.

- State revenues accounted for 49.89% and local taxes accounted for 27.83% of the revenue.
- Instruction was the major expense category and accounted for 60.83% to the total.
- Food service expenses exceeded revenues by \$99,278 and Governmental revenues exceeded expenses by \$347,105.

Financial Analysis of the District Funds

Changes in End-of-Year Fund Balances	FY 2012	FY 2013	Amount of Change	% Change
General Fund	\$2,760,094	\$2,798,687	\$38,593	1.4%
Special Revenue	\$214,567	\$231,153	\$16,586	7.7%
SEEK	\$822,082	\$407,924	(\$414,158)	-50.4%
FSPK	\$1,374,639	\$22,831	(\$1,351,808)	-98.3%
Construction	\$0	\$11,668,947	\$11,668,947	
Debt Service	\$131,316	\$116,922	(\$14,394)	-11.0%
Sick Leave Trust Fund	\$1,317,948	\$1,307,219	(\$10,729)	-0.8%
School Food	\$695,682	\$596,404	(\$99,278)	-14.3%
Total	\$7,316,328	\$17,150,087	\$9,833,759	134.4%



- The General Fund’s fund balance increased \$38,593.
- The Special Revenue fund increased \$16,586, all in technology projects. All projects in the Special Revenue fund are zeroed at year end except for the technology project.
- The Sick Leave Trust fund shows a decrease of \$10,729 due to decrease in the market value of the investment portfolio. Sick leave payouts at retirement during fiscal year 2013 were \$130,868.07. These payouts were made from the General Fund. No withdrawal from the Sick Leave Trust was made during fiscal year 2013. I anticipate a withdrawal to reimburse the General Fund for the payout in the near future
- The School Food’s fund balance decreased by \$99,278.

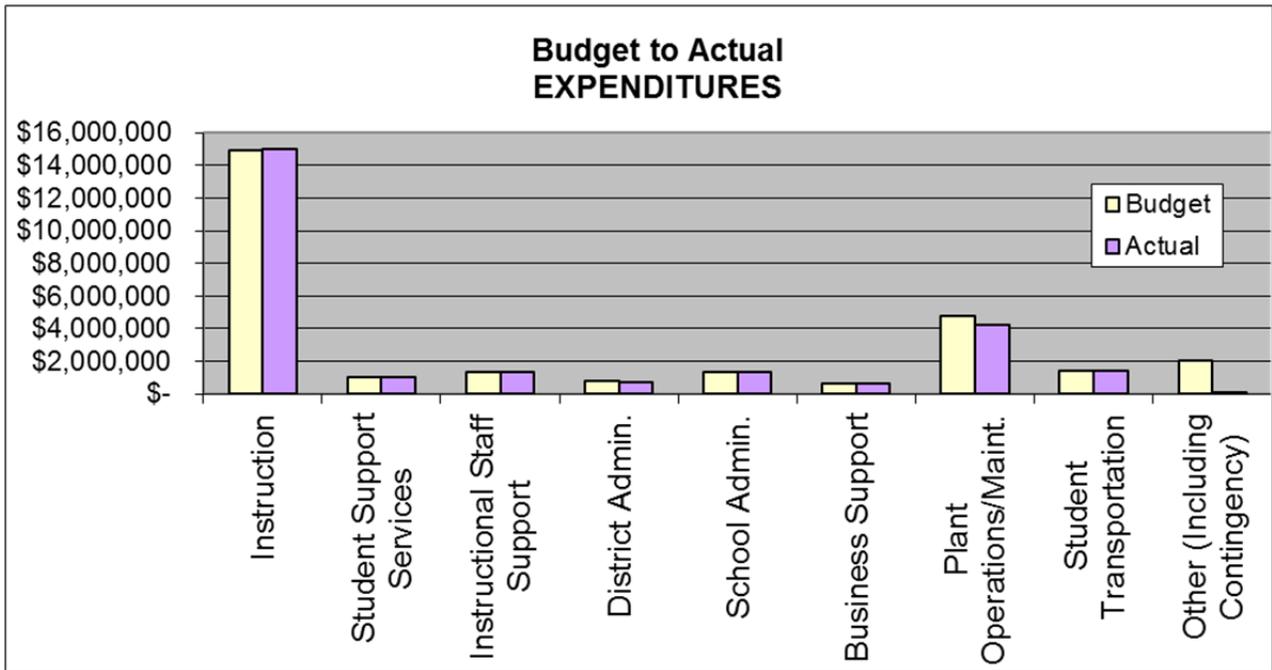
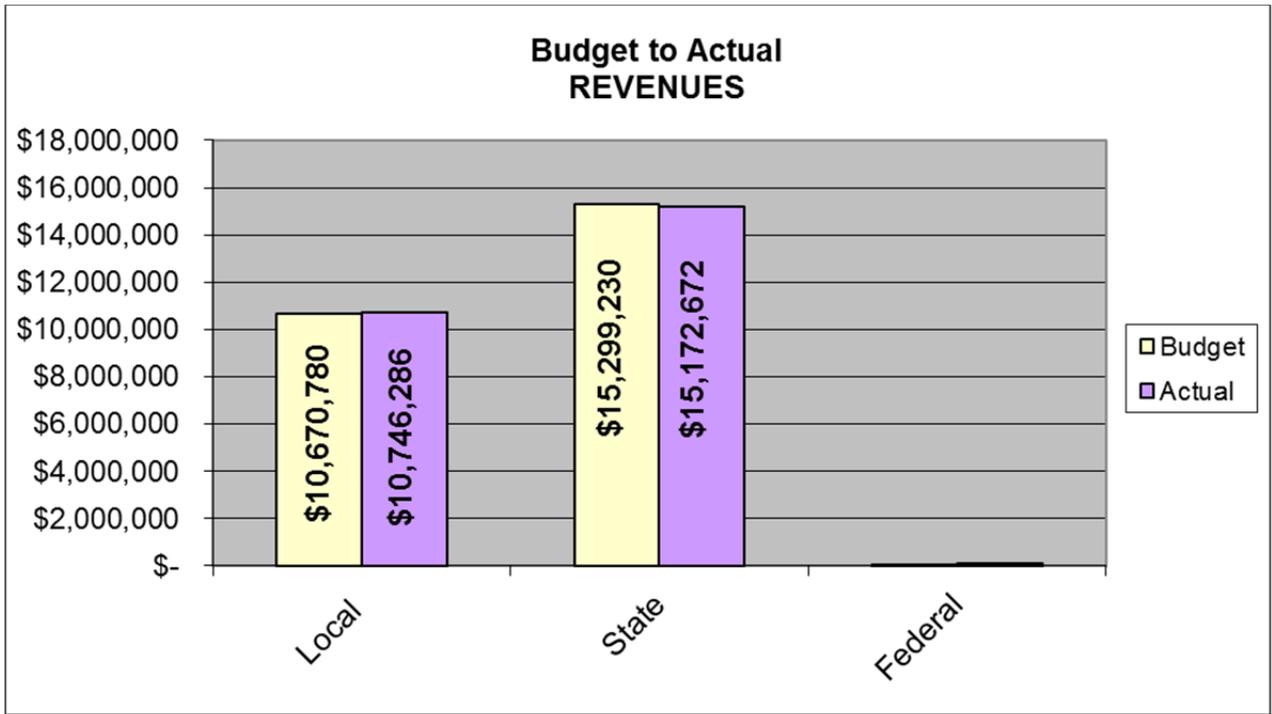
Comments on General Fund and Special Revenue Budget Comparisons

- The District’s General Fund total revenues for the fiscal year ended June 30, 2013, net of On Behalf payments from the state, were \$26,023,025. This is \$28,015 more than was budgeted in the working budget. The District normally budgets conservatively. It is advisable to be conservative when estimating local and state revenue because there have been numerous state funding adjustments in the past that have decreased the amount of state revenue the District received. Also, local revenue for delinquent, omitted and utility taxes are inconsistent from year to year. A carry-forward balance of 8-10% is recommended.
- Expenditures, net of contingency, were less than budgeted by \$755,674. Contingency was budgeted at \$2,019,934. The District is required to budget 2% as contingency, but no expenditures are actually paid from this account.
- The Special Revenue fund budget compared to actual will always differ slightly because the state budget report only shows current fiscal year grant awards. The Special Revenue expenditures will include current year grant expenditures and previous year grant expenditures that were not completed at the end of the previous year.

General Fund Budget to Actual Comparison FY 2013

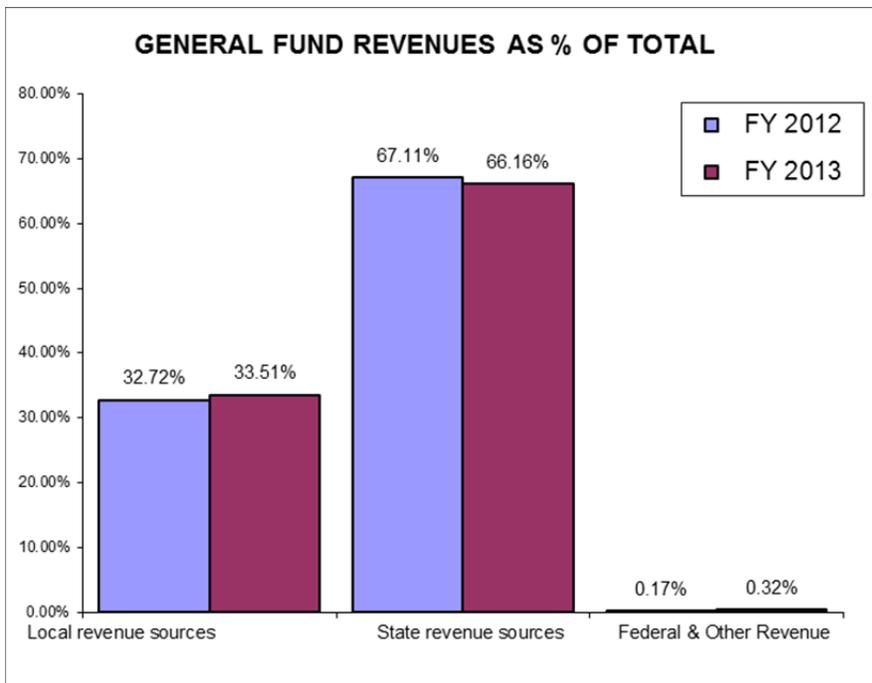
GENERAL FUND REVENUES	Budget	Actual
Local	\$ 10,670,780	\$ 10,746,286
State	\$ 15,299,230	\$ 15,172,672
Federal	\$ 25,000	\$ 104,067
Total	\$ 25,995,010	\$ 26,023,025
	difference	\$ 28,015

GENERAL FUND EXPENDITURES	Budget	Actual
Instruction	\$ 14,941,334	\$ 15,024,159
Student Support Services	\$ 1,066,653	\$ 1,053,624
Instructional Staff Support	\$ 1,357,585	\$ 1,309,798
District Admin.	\$ 811,997	\$ 708,547
School Admin.	\$ 1,374,071	\$ 1,359,896
Business Support	\$ 671,201	\$ 645,573
Plant Operations/Maint.	\$ 4,793,003	\$ 4,195,521
Student Transportation	\$ 1,452,581	\$ 1,411,122
Other (Including Contingency)	\$ 2,019,934	\$ 4,511
Total	\$ 28,488,359	\$ 25,712,751
	difference	\$ (2,775,608)



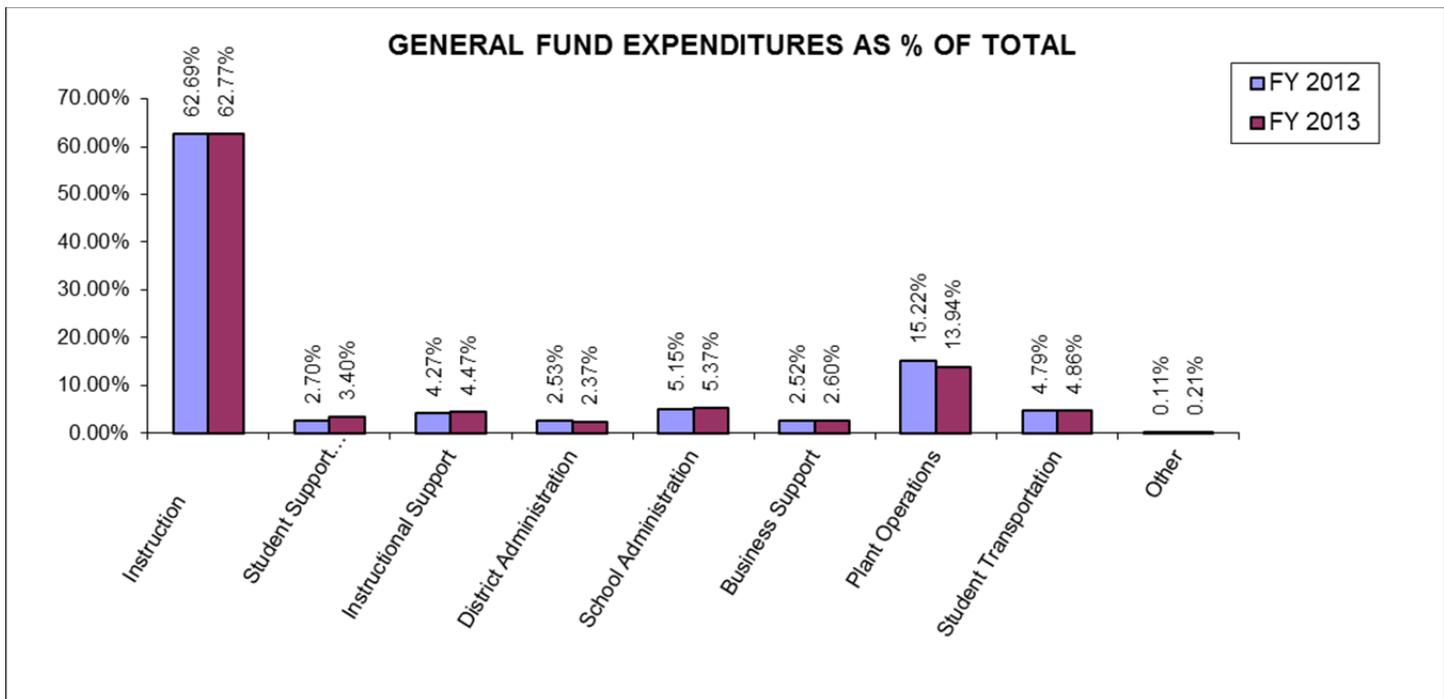
The following tables present a summary of revenue and expenditures of the General Fund for the fiscal years ended June 30, 2012 and June 30, 2013.

General Fund Revenues:	FY 2012	FY 2013
Local revenue sources	\$10,445,109	\$10,746,286
<i>Taxes</i>		
<i>Property</i>	\$7,318,683	\$7,628,345
<i>Motor Vehicle</i>	\$426,909	\$454,451
<i>Utilities</i>	\$1,976,254	\$1,799,197
<i>Other</i>	\$541,918	\$541,528
<i>Tuition and Fees</i>	\$106,641	\$228,962
<i>Earnings on Investments</i>	\$12,495	\$7,398
<i>Other Local Revenue</i>	\$62,209	\$86,405
State revenue sources	\$21,420,328	\$21,215,023
Federal Revenue	\$55,067	\$104,067
Total revenues	\$31,920,504	\$32,065,376



The majority of revenue was derived from state funding (66.16%) with local revenue sources making up 33.51% of total revenue. This reflects an increase in local support and a decrease in state support from the previous year.

General Fund Expenditures	FY 2012	FY 2013
Instruction	\$20,464,581	\$19,933,376
Support Services		
Student Support Services	\$882,615	\$1,079,220
Instructional Support	\$1,394,893	\$1,419,863
District Administration	\$826,788	\$753,014
School Administration	\$1,682,380	\$1,706,514
Business Support	\$821,438	\$824,939
Plant Operations	\$4,968,506	\$4,427,474
Student Transportation	\$1,564,718	\$1,543,180
Other	\$37,471	\$67,522
Total Expenditures	\$32,643,390	\$31,755,102
Excess of Revenue over Expenditures	-\$722,886	\$310,274
Operating Transfers	\$ (131,341)	\$ (271,681)
Net Change in Fund Balance	-\$854,227	\$38,593



The majority (62.77%) of General Fund expenditures were for direct instruction related activities.

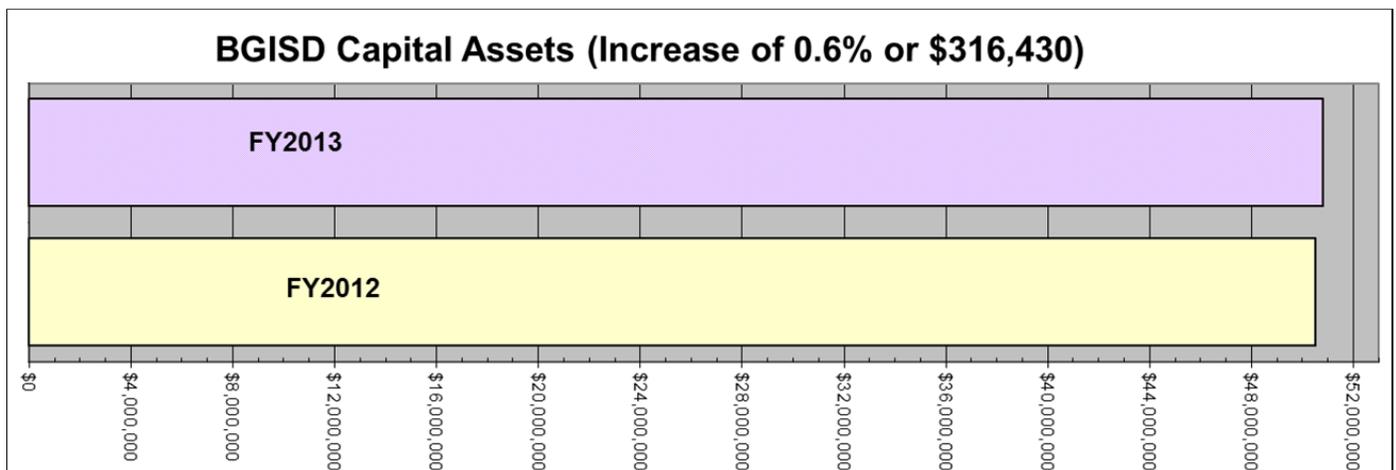
CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2013, the District's cumulative total initial cost of assets decreased by \$3,778,885 to \$74,990,503. This included land, school buildings, athletic facilities, maintenance facilities, computer equipment and administrative offices. Accumulated depreciation on these assets decreased by \$4,098,315 to \$24,150,924. Book value increased for capital assets by \$316,430 to \$50,839,579.

SUMMARY OF CAPITAL ASSETS

CAPITAL ASSETS (net of depreciation)	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District Percentage Change
	FY2012	FY2013	FY2012	FY2013	FY2012	FY2013	2012-2013
	Land & Land Improvements	\$2,556,387	\$4,684,887	\$0	\$0	\$2,556,387	\$4,684,887
Buildings	\$44,087,928	\$42,869,550	\$0	\$0	\$44,087,928	\$42,869,550	-2.8%
Equipment & Furniture	\$3,379,202	2,851,040	\$499,632	\$434,102	\$3,878,834	\$3,285,142	-15.3%
Total Assets	\$50,023,517	\$50,405,477	\$499,632	\$434,102	\$50,523,149	\$50,839,579	0.6%



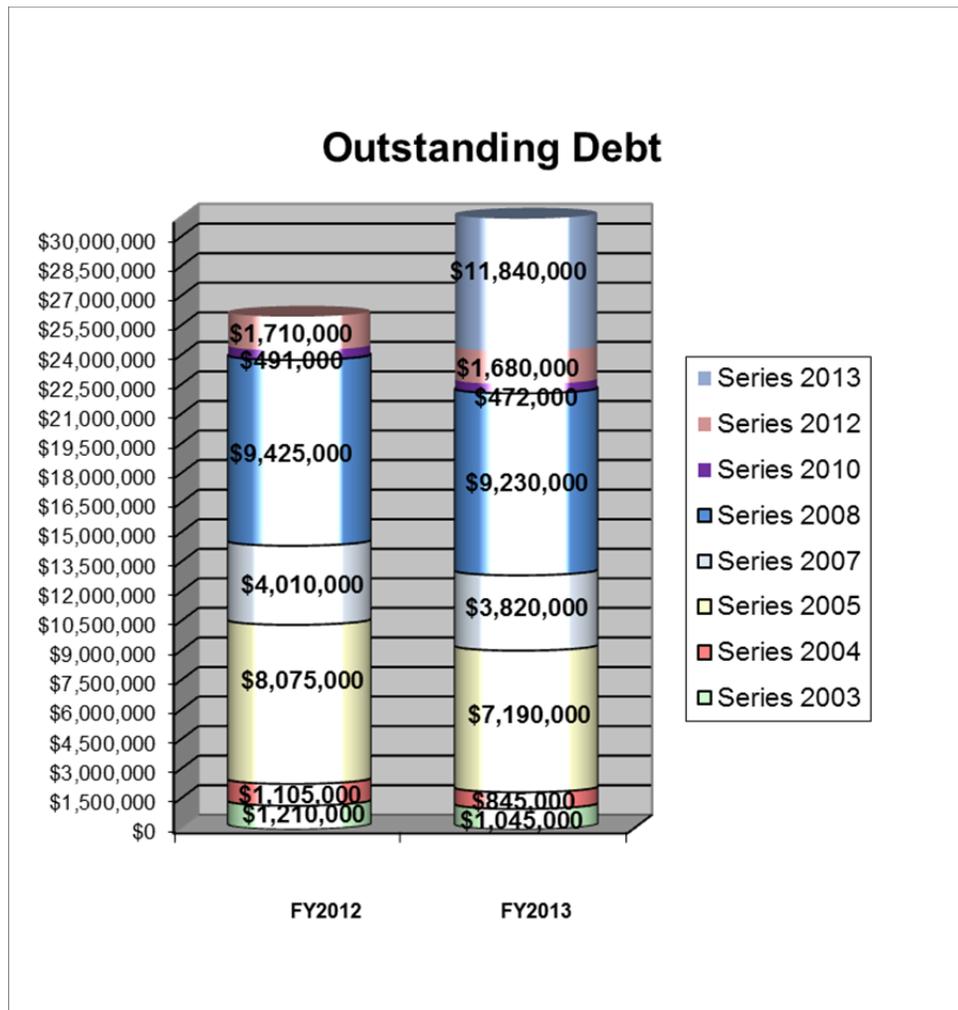
Long-Term Debt

At year-end the District had \$36,122,000 in general obligation bonds outstanding. This was an increase of \$10,096,000 from last year. The increase was due to a combination of the issuance of new bonds and decreases in current bond principal as the District continues to pay current bond obligations.

On June 6, 2013, the District's Finance Corporation issued \$11,840,000 in General Obligation Bonds for the purpose of construction of the "new" Dishman-McGinnis Elementary School. These bonds interest rates range between 2.125% and 3.50% and an overall debt service of \$16,020,217.

Outstanding Debt at Year End

	Governmental Activities 2012	Governmental Activities 2013
General Obligation Bonds:		
Series 2003 Energy Conservation Project for Elementary Schools	\$1,210,000	\$1,045,000
Series 2004 Parker-Bennett-Curry Construction	\$1,105,000	\$845,000
Series 2005 Junior High Construction	\$8,075,000	\$7,190,000
Series 2007 Potter Gray-Dishman McGinnis-W.R. McNeill Renovations	\$4,010,000	\$3,820,000
Series 2008 T.C. Cherry Construction	\$9,425,000	\$9,230,000
Series 2010 W.R McNeill Library Renovations	\$491,000	\$472,000
Series 2012 Refunding Issue 2004	\$1,710,000	\$1,680,000
Series 2013 Dishman-McGinnis Construction		\$11,840,000
TOTAL	\$26,026,000	\$36,122,000



BUDGETARY IMPLICATIONS

It is extremely important that the District continue to budget very conservatively. The District depends heavily on state revenues; 66.16 % of the District's General Fund Revenue during 2013. In the past, there have been significant adjustments in the SEEK funding, as well as, cuts to many state grants. The projected SEEK forecast received from the state should only be considered as an estimate of state revenue. The District previously received such an adjustment during the 2012 fiscal year of \$326,208 to the general fund and \$71,354 to the building fund. The District should always be prepared for such reductions in funding.

The major portion of the District's property tax revenue does not come to the District until the fifth through the seventh months of the fiscal year. This means the general fund's beginning fund balance must be used to absorb much of the first four months of expenditures. Provisions must always be made to have a significant beginning balance to start each year. The District has an ending fund balance of \$2,798,687 or 10.6% of the 2014 general fund budget as a beginning balance.

By law, the General Fund budget must have a minimum of 2% in contingency. The 2% is calculated on budgeted expenditures in Fund 1, Fund 2, Fund 310, Fund 320 and Fund 51. The District adopted a working budget with a contingency of \$2,215,795 (5.5%) for the 2013-2014 fiscal year.

For the 2013-2014 fiscal year, the Board maintained the current discretionary staffing allocation percentage of Zero percent (0%) and did not approve a pay raise for employees. Other actions that will have a financial impact include additional spending on students with special needs, the Limited English Proficient (LEP) program and General Fund matching dollars for other grants. During fiscal year 2013, \$939,865 was needed from the general fund to subsidize special revenue funds (grants). In addition, \$656,253 in excess of the SEEK Add-On for Exceptional Children was expended from the General Fund. The District currently participates in over forty federal and state grants. The total budget for these grants is over \$4 million for 2014. Many of these grants are funded on a reimbursement basis. This requires the District to pay the expenses of the grant and then apply for reimbursement. The District must continue to monitor the grants constantly and get reimbursements in a timely manner. The District must also maintain a significant cash balance in order to pay the expenses of these grants while waiting for reimbursements.

DISTRICT CHALLENGES FOR THE FUTURE

The primary challenges for Bowling Green Independent Schools are to continue to provide modern facilities, continue the excellence in education with a more diverse population, monitor the impact of increasing employer contributions to both employee retirement systems, dealing with reduced state funding, and to maintain the average daily attendance count.

The first challenge mentioned above is to provide modern facilities for our students and staff. Our District has in the past, and must continue in the future, to maintain an adequate maintenance budget to keep our facilities repaired and maintained. The high school over 40 years old and the junior high is 13 years old. The District has started construction to replace the Dishman-McGinnis Elementary on the site of the old L.C. Curry Elementary site. The new Dishman-McGinnis Elementary is scheduled to be completed for the 2014-2015 school year. The Board is in the planning stage for renovations to the W.R. McNeill Elementary facility.

The second challenge mentioned above is to maintain the excellence our District has enjoyed with a growing diverse population. Our community has been designated as an immigration center. This presents our District with the challenge of teaching many students who do not speak English. Our Limited English Proficient (LEP) population has grown to be around 14 % of the District's enrollment with 27 languages spoken. We received \$367.96/LEP student in additional funding for a total of \$156,386 during 2012-2013. It will be important to maintain this funding in the future.

The third challenge mentioned above is to monitor the impact of increasing employer contributions to both employee retirement systems. The mandated increase in employer contribution rate for the 2013-2014 school year was 0.5% for certified. These rate increases come with a decrease to the SEEK base per pupil funding amount of \$6 per student. With certain state grants being cut and federal grant increases unknown until late in the budget cycle the District must continue to monitor the effects of salary and retirement increases as well as health insurance costs for federal grants.

The fourth challenge mentioned is dealing with the loss in state SEEK funding. The District is projected to receive \$3,827 for the 2013-14 school year. This is approximately the same funding level that was received for the 2007-08 school year (\$3,822).

The fifth challenge mentioned is preserving the average daily attendance count. The District receives funding through the SEEK formula based on this count. There are a very limited number of new homes constructed within the boundaries of the District. Therefore, growth within the District is limited. It is vital that our schools have high attendance percentages, as well as, monitoring those student enrollments that continue to choose Bowling Green Independent Schools when they could be attending elsewhere. Maintaining excellence and emphasizing serving the public are the main factors influencing this District challenge.

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. Questions regarding this report should be directed to Joseph Tinius, Superintendent, or to Jeff Herron, Finance Director, located at, 1211 Center St., Bowling Green, KY, 42101, by phone at 270-746-2200, or by email at joe.tinius@bgreen.kyschools.us or jeff.herron@bgreen.kyschools.us.

Basic Financial Statements

Bowling Green Independent School District
Statement of Net Position

June 30, 2013	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 16,078,892	\$ 2,777	\$ 16,081,669
Investments	1,319,131	-	1,319,131
Accounts receivable:			-
Taxes	331,494	-	331,494
Accounts	18,526	-	18,526
Intergovernmental	100,504	194,590	295,094
Internal balances	44,741	-	44,741
Inventory	-	55,957	55,957
Non-depreciable capital assets	4,044,721	-	4,044,721
Depreciable capital assets	69,853,098	1,092,684	70,945,782
Less: accumulated depreciation	(23,492,342)	(658,582)	(24,150,924)
Total assets	68,298,765	687,426	68,986,191
Deferred Outflows of Resources			
Deferred amount on debt refundings	499,252	-	499,252
Total deferred outflows of resources	499,252	-	499,252

June 30, 2013	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable	1,275,647	26,016	1,301,663
Accrued liabilities	30,822	-	30,822
Internal balances	-	44,741	44,741
Unearned revenue	33,136	-	33,136
Accrued interest	372,176	-	372,176
Long-term obligations:			-
Due within one year:			-
Outstanding bonds	1,915,000	-	1,915,000
Compensated absences	448,356	1,569	449,925
Due beyond one year:			-
Outstanding bonds	33,742,077	-	33,742,077
Compensated absences	989,267	18,696	1,007,963
Total liabilities	38,806,481	91,022	38,897,503
Net Position			
Invested in capital assets, net of related debt	26,791,012	434,102	27,225,114
Restricted for:			-
Grant programs	231,153	-	231,153
Capital projects	556,342	-	556,342
Compensated absences	1,307,219	-	1,307,219
Debt service	116,922	-	116,922
Unrestricted	988,888	162,302	1,151,190
Total Net Position	\$ 29,991,536	\$ 596,404	\$ 30,587,940

See accompanying notes to the financial statements.

Bowling Green Independent School District
Statement of Activities

Year Ended June 30, 2013	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction	\$ 25,717,689	\$ 228,962	\$ 3,851,677	\$ 114,106	\$ (21,522,944)	\$ -	\$ (21,522,944)
Support services:							
Student	778,028	-	1,005	-	(777,023)	-	(777,023)
Instructional staff	1,907,115	-	115,831	-	(1,791,284)	-	(1,791,284)
District administration	745,866	-	-	-	(745,866)	-	(745,866)
School administration	1,706,055	-	-	-	(1,706,055)	-	(1,706,055)
Business	823,341	-	-	-	(823,341)	-	(823,341)
Plant operations and maintenance	4,187,783	4,730	-	-	(4,183,053)	-	(4,183,053)
Student transportation	1,613,460	-	46,257	-	(1,567,203)	-	(1,567,203)
Other	435,406	-	366,778	-	(68,628)	-	(68,628)
Building acquisition and construction	-	-	-	1,639,424	1,639,424	-	1,639,424
Bond issuance cost	59,840	-	-	-	(59,840)	-	(59,840)
Loss on disposal of assets	540,097	-	-	-	(540,097)	-	(540,097)
Interest on long-term debt	1,067,374	-	-	334,315	(733,059)	-	(733,059)
Total governmental activities	39,582,054	233,692	4,381,548	2,087,845	(32,878,969)	-	(32,878,969)
Business-type activities							
Food services	2,693,643	715,574	1,878,457	-	-	(99,612)	(99,612)
Total business-type activities	2,693,643	715,574	1,878,457	-	-	(99,612)	(99,612)
Total School District	\$ 42,275,697	\$ 949,266	\$ 6,260,005	\$ 2,087,845	(32,878,969)	(99,612)	(32,978,581)

General Revenues

Taxes:			
Property	8,950,896	-	8,950,896
Motor vehicle	533,648	-	533,648
Utilities	1,799,197	-	1,799,197
Other	553,172	-	553,172
State aid	21,215,023	-	21,215,023
Investment earnings	9,788	319	10,107
Other	164,350	15	164,365
Total general revenues	33,226,074	334	33,226,408
Change in Net Position	347,105	(99,278)	247,827
Net Position - Beginning of Year	29,771,816	695,682	30,467,498
Effect of Adoption of GASB 65	(127,385)	-	(127,385)
Net Position - Beginning of Year, as restated	29,644,431	695,682	30,340,113
Net Position - End of Year	\$ 29,991,536	\$ 596,404	\$ 30,587,940

Bowling Green Independent School District
Balance Sheet
Governmental Funds

June 30, 2013	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 2,766,124	\$ 217,222	\$ 12,552,609	\$ 542,937	\$ 16,078,892
Investments	11,912	-	-	1,307,219	1,319,131
Accounts receivable:					
Taxes	326,754	-	-	4,740	331,494
Accounts	18,526	-	-	-	18,526
Intergovernmental	-	100,504	-	-	100,504
Due from other funds	44,741	-	-	-	44,741
Total Assets	\$ 3,168,057	\$ 317,726	\$ 12,552,609	\$ 1,854,896	\$ 17,893,288

Liabilities and Fund Balances

Liabilities					
Accounts payable	\$ 338,548	\$ 53,437	\$ 883,662	\$ -	\$ 1,275,647
Accrued liabilities	30,822	-	-	-	30,822
Unearned revenue	-	33,136	-	-	33,136
Total liabilities	369,370	86,573	883,662	-	1,339,605
Fund Balances					
Restricted	-	231,153	11,668,947	1,854,896	13,754,996
Assigned	233,719	-	-	-	233,719
Unassigned	2,564,968	-	-	-	2,564,968
Total fund balances	2,798,687	231,153	11,668,947	1,854,896	16,553,683
Total Liabilities and Fund Balances	\$ 3,168,057	\$ 317,726	\$ 12,552,609	\$ 1,854,896	\$ 17,893,288

**Bowling Green Independent School District
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position**

June 30,	2013
Total Fund Balances - Governmental Funds	\$ 16,553,683
<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 \$73,897,819 and the accumulated depreciation is \$23,492,342.</p>	50,405,477
<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>	499,252
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>	
Bonds payable	(35,657,077)
Accrued interest on the bonds	(372,176)
Compensated absences	(1,437,623)
<p style="text-align: right;">Total Net Position - Governmental Activities \$ 29,991,536</p>	

See accompanying notes to the financial statements.

Bowling Green Independent School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2013	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	\$ 7,628,345	\$ -	\$ -	\$ 1,322,551	\$ 8,950,896
Motor vehicle	454,451	-	-	79,197	533,648
Utilities	1,799,197	-	-	-	1,799,197
Other	541,528	-	-	11,644	553,172
Tuition and fees	228,962	-	-	-	228,962
Earnings on investments	7,398	460	1,963	2,390	12,211
Other local revenue	86,405	-	-	-	86,405
Intergovernmental - state	21,215,023	1,400,397	-	1,971,776	24,587,196
Intergovernmental - federal	104,067	3,094,797	-	-	3,198,864
Total revenues	32,065,376	4,495,654	1,963	3,387,558	39,950,551

Expenditures

Current:

Instruction	19,933,376	4,007,350	-	269	23,940,995
Support services:					
Student	1,079,220	1,005	-	-	1,080,225
Instructional staff	1,419,863	115,831	-	-	1,535,694
District administration	753,014	-	-	9,773	762,787
School administration	1,706,514	-	-	-	1,706,514
Business	824,939	-	-	-	824,939
Plant operations and maintenance	4,427,474	-	-	-	4,427,474

Student transportation	1,543,180	46,257	-	-	1,589,437
Other	67,522	366,778	-	956	435,256
Debt service:					
Principal	-	-	-	1,744,000	1,744,000
Interest	-	-	-	958,888	958,888
Facilities acquisition and construction	-	-	2,554,665	-	2,554,665
Bond issuance costs	-	-	59,840	-	59,840
Total expenditures	31,755,102	4,537,221	2,614,505	2,713,886	41,620,714
Excess (Deficiency) of Revenues over Expenditures	310,274	(41,567)	(2,612,542)	673,672	(1,670,163)
Other Financing Sources (Uses)					
Bond proceeds-net of discount	-	-	11,603,200	-	11,603,200
Operating transfers in	-	58,153	2,678,289	2,354,179	5,090,621
Operating transfers out	(271,681)	-	-	(4,818,940)	(5,090,621)
Total other financing sources (uses)	(271,681)	58,153	14,281,489	(2,464,761)	11,603,200
Net Change in Fund Balances	38,593	16,586	11,668,947	(1,791,089)	9,933,037
Fund Balances - Beginning of Year	2,760,094	214,567	-	3,645,985	6,620,646
Fund Balances - End of Year	\$ 2,798,687	\$ 231,153	\$ 11,668,947	\$ 1,854,896	\$ 16,553,683

**Bowling Green Independent School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities**

Year Ended June 30,	2013
Total Net Change in Fund Balances - Governmental Funds	\$ 9,933,037
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 capital outlay, \$3,466,233, exceeds depreciation, \$2,522,784, in the period.	943,449
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.	(561,489)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,744,000
The issuance of a bond is shown as an other financing source in the governmental funds and provide current financial resources, but they increase long-term liabilities in the statement of net position.	(11,603,200)
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.	(108,692)
Change in Net Position - Governmental Activities	\$ 347,105

See accompanying notes to the financial statements.

Bowling Green Independent School District
Statement of Net Position
Proprietary Funds

June 30, 2013	Enterprise Fund Food Service
Assets	
Current Assets	
Cash	\$ 2,777
Accounts receivable	
Intergovernmental	194,590
Inventory	55,957
Total current assets	253,324
Non-Current Assets	
Fixed assets - net	434,102
Total assets	687,426
Liabilities	
Current Liabilities	
Accounts payable	26,016
Due to other funds	44,741
Compensated absences due within one year	1,569
Total current liabilities	72,326
Long-Term Liabilities	
Compensated absences due beyond one year	18,696
Total liabilities	91,022
Net Position	
Invested in capital assets	434,102
Unrestricted	162,302
Total Net Position	\$ 596,404

See accompanying notes to the financial statements.

Bowling Green Independent School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds

Year Ended June 30, 2013	Enterprise Fund Food Service
Operating Revenues	
Lunchroom sales	\$ 715,574
Total operating revenues	715,574
Operating Expenses	
Salaries and wages	1,113,260
Contract services	47,775
Materials and supplies	1,451,536
Other operating expenses	3,863
Depreciation expense	77,209
Total operating expenses	2,693,643
Operating loss	(1,978,069)
Non-Operating Revenues (Expenses)	
State operating grants	146,437
Federal operating grants	1,595,906
Donated commodities	136,114
Interest revenue	319
Other	15
Total non-operating revenues (expenses)	1,878,791
Change in Net Position	(99,278)
Net Position - Beginning of Year	695,682
Net Position - End of Year	\$ 596,404

See accompanying notes to the financial statements.

Bowling Green Independent School District
Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2013	Fund Food Service
Cash Flows from Operating Activities	
Cash received from user charges	\$ 715,575
Cash payments to employees for services	(987,146)
Cash payments for contract services	(47,775)
Cash payments to suppliers for goods and services	(1,271,859)
Cash payments for other operating expenses	(3,863)
Net cash used in operating activities	(1,595,068)
Cash Flows from Non-Capital Financing Activities	
Non-operating grants received	1,474,727
Other	15
Net cash provided by non-capital financing activities	1,474,742
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	(11,679)
Net cash used by capital and related financing activities	(11,679)
Cash Flows from Investing Activities	
Interest on investments	319
Net cash provided by investing activities	319
Net Decrease in Cash	(131,686)
Cash - Beginning of Year	134,463
Cash - End of Year	\$ 2,777

Year Ended June 30, 2013	Enterprise Fund Food Service
Reconciliation of Operating Loss to Net Cash Used In Operating Activities	
Operating loss	\$ (1,978,069)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	77,209
Commodities received	136,114
On-behalf payments	123,214
Changes in assets and liabilities:	
Inventories	(1,332)
Accounts payable	44,896
Compensated absences	2,900
Net Cash Used In Operating Activities	\$ (1,595,068)

Noncash Activities

- The food service fund received \$136,114 of donated commodities from the federal government.
- The District received on-behalf payments of \$123,214 relating to fringe benefits from the state government.

See accompanying notes to the financial statements.

Bowling Green Independent School District
Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2013	Agency Funds	Private Purpose Trust Fund
Assets		
Cash	\$ 391,093	\$ 93,397
Accounts receivable	56,189	-
Total assets	447,282	93,397
Liabilities		
Accounts payable	45,654	-
Deferred compensation payable	66,993	-
Due to student groups	334,635	-
Total liabilities	447,282	-
Net Position		
Held in trust for scholarships	-	43,576
Held in trust for District support	-	49,821
Total Net Position	\$ -	\$ 93,397

See accompanying notes to the financial statements.

Bowling Green Independent School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year Ended June 30, 2013	Private Purpose Trust Fund
Additions	
Contributions	\$ 105,985
Total additions	105,985
Deductions	
Scholarships	16,250
Administrative fees	2,807
District support	67,336
Total deductions	86,393
Change in Net Position	19,592
Net Position - Beginning of Year	73,805
Net Position - End of Year	\$ 93,397

See accompanying notes to the financial statements.

Note 1: Summary of Significant Accounting Policies

• ***Reporting Entity***

The Bowling Green Independent 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 Bowling Green Independent 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 Bowling Green Independent 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 potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or 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 organizations are included in the accompanying financial statements as blended component units:

Bowling Green Independent School District Finance Corporation — The Bowling Green Independent Board of Education resolved to authorize the establishment of the Bowling Green Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized

Note 1: Summary of Significant Accounting Policies
(Continued)

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 Bowling Green Independent Board of Education also comprise the Corporation's Board of Directors.

Bowling Green Independent School District Foundation- The Foundation is used to benefit the district and to provide scholarships to students based on donor designation. Two Board Members of the Bowling Green Independent Board of Education are members of the Foundation's Board of Directors. The Foundation also shares like management with the District.

• ***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

Note 1: Summary of Significant Accounting Policies
(Continued)

segment or governmental function is self-financing or draws from the general revenues of the District.

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

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

The District has the following funds:

▶ **Governmental Fund Types**

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

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

Note 1: Summary of Significant Accounting Policies
(Continued)

The *Sick Leave Trust Fund* (a special revenue fund) — The corpus and any earnings of the Trust are restricted for payment of compensated absences of the District as stated in the trust agreement.

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 construction fund is a major fund.

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

▶ **Proprietary Fund Types**

Enterprise Fund

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.

Note 1: Summary of Significant Accounting Policies
(Continued)

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

▶ **Fiduciary Fund Types** (includes agency funds 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 Fund

The *Private Purpose Trust Fund* is used to report trust arrangements under which principal and income benefit individuals and the District's operations.

● **Basis of Accounting**

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

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

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

Note 1: Summary of Significant Accounting Policies
(Continued)

sources) and decreases (i.e., expenditures and other financing uses) in the fund balance.

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

The financial statements of the governmental fund types are prepared on the modified accrual basis of accounting. On this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid. The proprietary funds are accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

• ***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, 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.

• ***Investments***

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

Note 1: Summary of Significant Accounting Policies
(Continued)

• ***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:

Description	Estimated Lives
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 year
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

Note 1: Summary of Significant Accounting Policies
(Continued)

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

• ***Unearned Revenue***

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

• ***Compensated Absences***

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

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 account 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.

Note 1: Summary of Significant Accounting Policies
(Continued)

• ***Net Position***

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

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

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

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

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 City Attorney.

Note 1: Summary of Significant Accounting Policies
(Continued)

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

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

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

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

• ***Interfund Activity***

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

• ***Interfund Balances***

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

Note 1: Summary of Significant Accounting Policies
(Continued)

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 fund. 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 fund.

• ***Subsequent Events***

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through November 5, 2013 which was the date the financial statements were made available.

• ***New Accounting Pronouncements***

Recently Issued and Adopted Accounting Pronouncements

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34* provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude.

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

Note 1: Summary of Significant Accounting Policies
(Continued)

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

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, amends or supersedes the accounting and financial reporting guidance for certain items previously required to be as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The District has early implemented the new requirements of this statement for the fiscal year ended June 30, 2013. The implementation of GASB 65 resulted in the write-off of bond issuance costs and the effect of adoption of GASB 65 is the reduction of beginning net position by \$127,385.

Recently Issued Accounting Pronouncements

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

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

Note 1: Summary of Significant Accounting Policies
(Continued)

currently evaluating the impact of the adoption of this statement on the District's financial statements.

Note 2: Cash and Investments

• **Deposits**

At June 30, 2013, the carrying amounts of the District's deposits were \$16,578,071 and the bank balances were \$17,641,643 which were covered by federal depository insurance or by collateral held by the bank's agent in the District's name.

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

June 30,	2013
Governmental funds	\$ 16,090,804
Proprietary funds	2,777
Fiduciary funds	484,490
	\$ 16,578,071

▶ **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, the District is required by state statute that bank deposits must be collateralized. The District's bank balance of \$17,641,643 was not exposed to custodial credit risk as of June 30, 2013.

• **Investments**

June 30, 2013			
General Fund Investments	Rating	Maturities	Fair Value
CD	N/R	4/20/2015	\$ 11,912
			\$ 11,912

Bowling Green Independent School District
Notes to Financial Statements (Continued)

Note 2: Cash and Investments (Continued)

June 30, 2013

Sick Leave Trust Fund Investments	Rating	Maturities	Fair Value
Money Market	N/R	On Demand	\$ 33,118
Allen Co KY School Dist Fin Corp Sch Bldg Rev Ref DTD	Aa3	-	51,229
Boone Cnty KY Sch Dist Fin Corp DTD	Aa3	-	51,835
Florida St Brd of Edu Public Edu Ref Captial Outlay 2011 Ser F Go DTD	Aa1	-	52,884
Hawaii St Ref Ser Dt Go DTD	Aa2	-	53,132
Madison Cnty KY Sch Dist Fin Corp Second Ser DTD	Aa3	-	65,393
Mclennan Cnty Tx Ref Go DTD	Aa1	-	52,066
Moline IL Ref Ser F Go DTD	Aa2	-	54,509
New York City NY Transitional Fin Auth Rev Future Tax Secd Sub Ser E DTD	Aa1	-	111,473
New York St Environmental Facs Corp St Clean St Clean Wtr & Drinking Revolving	Aaa	-	52,500
New York Dorm Auth St Pers Income Tax Rev Gen Purp Ser E DTD	AAA	-	52,533
N Daviess IN Sch Bldg Corp Ref First Mtg	AA+	-	50,962
Ohio St Ref Higher Ed Ser A Go DTD	Aa1	-	55,450
San Francisco City & Cnty CA Unif Sch Dist Ser A Go DTD	Aa2	-	107,268
Seattle Wash Go Prerefunded 2008 Ref & Impt Go DTD	AAA	-	50,145
Union Cnty NC Ltd Oblig Ref DTD	Aa2	-	53,240
Vanguard Intermed-term TX-EX Fd #42 Cl Closed to New Inv	A	-	225,128
Washington St Ref Var Purpose Ser R 2012C Go DTD	Aa1	-	54,368
Washington St Ref Motor Vehicle Fuel Ser R 2011C Go DTD	Aa1	-	79,986
			\$ 1,307,219

Note 2: Cash and Investments *(Continued)*

▶ *Interest Rate Risk*

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

▶ *Credit Risk*

Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and securities in mutual funds shall be eligible investments pursuant to this section. The District has no investment policy that would further limit its investment choices.

▶ *Concentration of Credit Risk*

The District places no limit on the amount the District may invest in any one issuer. The District did not have more than 5% of the District's investments with any one issuer.

▶ *Risks and Uncertainties*

The District invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, credit and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the account balances and the amounts reported in the financial statements.

Note 3: Interfund Receivables and Payables

Interfund balances at June 30, 2013 consist of the following:

June 30, 2013		
Receivable Fund	Payable Fund	Amount
General Fund	Food Service	\$ 44,741

The amount represents an interfund loan from the general fund to the food service fund that was necessary to fulfill the current cash requirements of the food service fund.

Bowling Green Independent School District
Notes to Financial Statements (Continued)

Note 4: Capital Assets

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

June 30, 2013	Capital Cost			Ending Balance
	Beginning Balance	Additions	Retirements/ Reclassifications	
Governmental Activities:				
Capital assets that are not depreciated:				
Land	\$ 1,690,856	\$ -	\$ -	\$ 1,690,856
Construction in progress	127,207	2,554,127	327,469	2,353,865
Total non-depreciable historical cost	1,818,063	2,554,127	327,469	4,044,721
Capital assets that are depreciated:				
Land improvements	1,834,212	-	150,139	1,684,073
Buildings and improvements	64,413,949	370,651	5,694,383	59,090,217
Technology equipment	5,198,439	672,743	926,281	4,944,901
Vehicles	2,476,486	188,868	110,261	2,555,093
General	1,841,535	7,313	270,034	1,578,814
Total depreciable historical cost	75,764,621	1,239,575	7,151,098	69,853,098
Less accumulated depreciation for:				
Land improvements	1,095,888	51,641	103,622	1,043,907
Buildings and improvements	20,326,021	1,467,424	5,572,778	16,220,667
Technology equipment	3,276,919	723,460	566,480	3,433,899
Vehicles	1,717,043	155,423	102,767	1,769,699
General	1,143,296	124,836	243,962	1,024,170
Total accumulated depreciation	27,559,167	2,522,784	6,589,609	23,492,342
Total depreciable historical cost, net	48,205,454	(1,283,209)	561,489	46,360,756
Governmental Activities, Capital Assets, Net	\$ 50,023,517	\$ 1,270,918	\$ 888,958	\$ 50,405,477

Bowling Green Independent School District
Notes to Financial Statements (Continued)

Note 4: Capital Assets (Continued)

June 30, 2013	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Business-Type Activities:				
Capital assets that are depreciated:				
Technology equipment	\$ 25,875	\$ 6,761	\$ 2,698	\$ 29,938
General	1,160,829	4,918	103,001	1,062,746
Total depreciable historic cost	1,186,704	11,679	105,699	1,092,684
Less accumulated depreciation for:				
Technology equipment	12,449	4,563	2,698	14,314
General	674,623	72,646	103,001	644,268
Total accumulated depreciation	687,072	77,209	105,699	658,582
Total Depreciable Historic Cost, Net	499,632	(65,530)	-	434,102
Business-Type Activities, Capital Assets, Net	\$ 499,632	\$ (65,530)	\$ -	\$ 434,102

Depreciation expense was charged to governmental functions as follows:

Year Ended June 30,	2013
Instruction	\$ 1,880,831
Support services:	
Student	260,187
Instructional staff	73,292
District administration	3,617
School administration	1,306
Business	2,011
Facilities operations	137,972
Student transportation	163,418
Other	150
Total Depreciation Expense	\$ 2,522,784

Bowling Green Independent School District
Notes to Financial Statements (Continued)

Note 4: Capital Assets *(Continued)*

As of June 30, 2013, the District had begun building the new Dishman–McGinnis Elementary School on the previous site of L. C. Curry Elementary School.

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 KISTA	\$ 2,205,000	1.25% - 4.50%
2004	1,355,000	2.00% - 4.50%
2005	9,390,000	3.75%
2007	4,705,000	3.375% - 3.875%
2008	9,970,000	3.50% - 4.125%
2010	510,000	3.65%
2012	1,730,000	1.150% - 1.625%
2013	11,840,000	2.125% - 3.500%

On June 6, 2013, the District issued \$11,840,000 General Obligation Bonds with interest rates ranging from 2.125% - 3.500% for the construction of the new Dishman-McGinnis Elementary School.

The District, through the General Fund, including utility taxes and the SEEK capital outlay fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Bowling Green Independent 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.

Bowling Green Independent School District
Notes to Financial Statements (Continued)

Note 5: Long-Term Obligations *(Continued)*

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

Year	Bowling Green Independent School District		School Facility Construction Commission		Total Debt Service
	Principal	Interest	Principal	Interest	
2013—2014	\$ 1,632,849	\$ 1,136,489	\$ 282,151	\$ 133,327	\$ 3,184,816
2014—2015	1,661,585	1,107,127	288,415	127,059	3,184,186
2015—2016	1,722,616	1,042,190	298,384	117,392	3,180,582
2016—2017	1,798,246	973,879	308,754	106,722	3,187,601
2017—2018	1,863,769	910,134	318,231	97,248	3,189,382
2018—2019	1,674,696	847,888	328,304	87,174	2,938,062
2019—2020	1,730,221	788,666	338,779	76,698	2,934,364
2020—2021	1,447,842	718,587	192,158	65,813	2,424,400
2021—2022	1,442,909	666,807	198,091	59,880	2,367,687
2022—2023	1,462,791	614,261	204,209	53,760	2,335,021
2023—2024	1,517,149	557,849	210,851	47,141	2,332,990
2024—2025	1,560,922	499,242	158,078	40,286	2,258,528
2025—2026	1,621,230	438,805	163,770	34,593	2,258,398
2026—2027	1,681,281	375,501	169,719	28,643	2,255,144
2027—2028	1,746,062	309,198	175,938	22,427	2,253,625
2028—2029	1,395,453	239,691	157,547	16,408	1,809,099
2029—2030	1,429,493	207,529	104,507	11,804	1,753,333
2030—2031	1,476,950	158,927	98,050	8,330	1,742,257
2031—2032	1,524,453	108,712	75,547	5,389	1,714,101
2032—2033	1,581,584	55,356	78,416	2,744	1,718,100
	\$ 31,972,101	\$ 11,756,838	\$ 4,149,899	\$ 1,142,838	\$ 49,021,676

Bowling Green Independent School District
Notes to Financial Statements (Continued)

Note 5: Long-Term Obligations *(Continued)*

Long-term liability activity for the year ended June 30, 2013 was as follows:

June 30, 2013	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Amounts Due within One Year
Bonds and notes payable:					
General obligation debt	\$ 26,026,000	\$ 11,840,000	\$(1,744,000)	\$ 36,122,000	\$ 1,915,000
Less: deferred issuance discounts and premiums	(244,914)	(236,800)	16,791	(464,923)	-
Total bonds and notes payable	25,781,086	11,603,200	(1,727,209)	35,657,077	1,915,000
Other liabilities:					
Compensated absences	1,437,416	131,075	(130,868)	1,437,623	448,356
Total other liabilities	1,437,416	131,075	(130,868)	1,437,623	448,356
Total Long-Term Liabilities	\$ 27,218,502	\$ 11,734,275	\$(1,858,077)	\$ 37,094,700	\$ 2,363,356

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, 2013, the District had \$11,900,100 as restricted for major funds (\$11,668,947 as restricted for construction in the construction fund and \$231,153 as restricted for grant programs in the special revenue fund). The District has

Note 6: Fund Balances *(Continued)*

\$547,677 as restricted for capital projects or debt service and \$1,307,219 as restricted for compensated absences in the nonmajor funds.

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 no commitments at June 30, 2013.

Assigned fund balances are amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2013 was \$233,719. 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, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically rebudgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2013 in the governmental funds balance sheet.

Note 7: Pension Plans

• ***Plan Descriptions***

The Bowling Green Independent School District participates in the Teachers' Retirement System of the State of Kentucky, a component unit of the Commonwealth of Kentucky

Note 7: Pension Plans *(Continued)*

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

• **Funding Policy**

KTRS plan members are required to contribute 10.855% of their covered salary. CERS plan members are required to contribute 5.0% (6.0% for new hires effective July, 1, 2008) of their covered salary. The District is required to contribute to the CERS and KTRS and the Commonwealth of Kentucky is required to contribute to the KTRS. The contribution rate is actuarially determined. The current rate for KTRS is 14.105% for the Commonwealth and 1.000% for the District of annual covered payroll. The rate for CERS is 19.55%, 18.96% and 16.93% for the years ended June 30, 2013, 2012 and 2011, respectively, of annual covered payroll. The contribution requirements of the plan members, the District and Commonwealth of Kentucky are established and may be amended by the Plans' Board of Trustees. The District's contributions to CERS for the years ended June 30, 2013, 2012 and 2011 were \$1,090,433, \$1,094,966, and \$947,776, respectively, equal to the required contributions for each year.

For the year ended June 30, 2013, the Commonwealth contributed \$2,151,844 to the KTRS for the benefit of the District's participating employees. The District's contributions to the KTRS for the year ended June 30, 2013 were \$347,455.

• **Medical Insurance Plan**

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

Note 7: Pension Plans *(Continued)*

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

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

• ***Deferred Compensation Plans***

The District offers its employees to defer compensation in accordance with Internal Revenue Code Section 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: Contingencies

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

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

Note 10: Litigation

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

Note 11: Excess Expenditures over Appropriations

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

Year Ended June 30, 2013	
Fund	Amount
Food Service	\$ 99,278
Debt service	14,394
Sick Leave Trust	10,729
SEEK	414,158
FSPK	1,351,808

Bowling Green Independent School District
Notes to Financial Statements (Continued)

Note 12: Fund Transfers

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

From Fund	To Fund	Purpose	Amount
General	Debt Service	Debt Service	\$ 213,528
SEEK	Construction	Construction	771,395
FSPK	Construction	Construction	1,906,894
FSPK	Debt Service	Debt Service	2,140,651
General	Special Revenue	Expenditures	58,153

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, 2013 was \$6,499,880. These payments were recorded as follows:

Fund	Amount
General Fund	\$ 6,042,351
Food Service Fund	123,214
Debt Service Fund	334,315
Total	\$ 6,499,880

Required Supplementary Information

Bowling Green Independent School District
Budgetary Comparison Schedule for the General Fund

Year Ended June 30, 2013	Budgeted Amounts		Actual (Budgetary Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Local and intermediate sources	\$ 10,670,780	\$ 10,670,780	\$ 10,746,286	\$ 75,506
State programs	15,299,230	15,299,230	15,172,672	(126,558)
Federal programs	25,000	25,000	104,067	79,067
Total revenues	25,995,010	25,995,010	26,023,025	28,015
Expenditures				
Current:				
Instruction	14,941,334	14,941,334	15,024,159	(82,825)
Support services:				
Student	1,066,653	1,066,653	1,053,624	13,029
Instructional staff	1,357,585	1,357,585	1,309,798	47,787
District administration	811,997	811,997	708,547	103,450
School administration	1,374,071	1,374,071	1,359,896	14,175
Business	671,201	671,201	645,573	25,628
Plant operations and maintenance	4,793,003	4,793,003	4,195,521	597,482
Student transportation	1,452,581	1,452,581	1,411,122	41,459
Other	2,019,934	2,019,934	4,511	2,015,423
Total expenditures	28,488,359	28,488,359	25,712,751	2,775,608

Excess (Deficiency) of Revenues over Expenditures	(2,493,349)	(2,493,349)	310,274	2,803,623
Other Financing Sources (Uses)				
Operating transfers - net	(266,745)	(266,745)	(271,681)	(4,936)
Total other financing sources (uses)	(266,745)	(266,745)	(271,681)	(4,936)
Net Change in Fund Balance	(2,760,094)	(2,760,094)	38,593	2,798,687
Fund Balance - Beginning of Year	2,760,094	2,760,094	2,760,094	-
Fund Balance - End of Year	\$ -	\$ -	\$ 2,798,687	\$ 2,798,687

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

Inflows/revenues:

Actual amounts (budgetary basis) \$ 26,023,025

Differences - budget to GAAP:

On-behalf payments recorded under GAAP basis not included in budgeted amounts 6,042,351

**Total Revenues as Reported on the Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds \$ 32,065,376**

Outflows/expenditures:

Actual amounts (budgetary basis) \$ 25,712,751

Differences - budget to GAAP:

On-behalf payments recorded under GAAP basis not included in budgeted amounts 6,042,351

**Total Expenditures as Reported on the Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds \$ 31,755,102**

Bowling Green Independent School District
Budgetary Comparison Schedule for the Special Revenue Fund

Year Ended June 30, 2013	Budgeted Amounts		Actual (GAAP Basis)	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Local and intermediate sources	\$ -	\$ -	\$ 460	\$ 460
State programs	1,281,816	1,281,816	1,400,397	118,581
Federal programs	2,972,051	2,972,051	3,094,797	122,746
Total revenues	4,253,867	4,253,867	4,495,654	241,787
Expenditures				
Current:				
Instruction	3,715,818	3,715,818	4,007,350	(291,532)
Support services:				
Student	63,069	63,069	1,005	62,064
Instructional staff	95,123	95,123	115,831	(20,708)
Student transportation	53,131	53,131	46,257	6,874
Other	370,950	370,950	366,778	4,172
Total expenditures	4,298,091	4,298,091	4,537,221	(239,130)
Excess (Deficiency) of Revenues over Expenditures	(44,224)	(44,224)	(41,567)	2,657

Other Financing Sources (Uses)				
Operating transfers - net	44,224	44,224	58,153	13,929
Total other financing sources (uses)	44,224	44,224	58,153	13,929
Net Change in Fund Balance	-	-	16,586	16,586
Fund Balance - Beginning of Year	-	-	214,567	214,567
Fund Balance - End of Year	\$ -	\$ -	\$ 231,153	\$ 231,153

Supplementary Information

Bowling Green Independent School District
Combining Balance Sheet
Non-Major Governmental Funds

June 30, 2013	Sick Leave Trust Fund	FSPK Fund	SEEK Fund	Debt Service Fund	Total Other Governmental Funds
Assets					
Cash	\$ -	\$ 18,091	\$ 407,924	\$ 116,922	\$ 542,937
Investments	1,307,219	-	-	-	1,307,219
Accounts receivable:					
Taxes	-	4,740	-	-	4,740
Total Assets	\$ 1,307,219	\$ 22,831	\$ 407,924	\$ 116,922	\$ 1,854,896
Fund Balances					
Restricted	\$ 1,307,219	\$ 22,831	\$ 407,924	\$ 116,922	\$ 1,854,896
Total Fund Balances	\$ 1,307,219	\$ 22,831	\$ 407,924	\$ 116,922	\$ 1,854,896

Bowling Green Independent School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds

Year Ended June 30, 2013	SEEK Fund	FSPK Fund	Sick Leave Trust Fund	Debt Service Fund	Total Other Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	\$ -	\$ 1,322,551	\$ -	\$ -	\$ 1,322,551
Motor vehicle	-	79,197	-	-	79,197
Other	-	11,644	-	-	11,644
Earnings on investments	-	2,121	269	-	2,390
Intergovernmental - state	357,237	1,280,224	-	334,315	1,971,776
Total revenues	357,237	2,695,737	269	334,315	3,387,558
Expenditures					
Current:					
Instruction	-	-	269	-	269
Support services:					
District administration	-	-	9,773	-	9,773
Other	-	-	956	-	956
Debt service:					
Principal	-	-	-	1,744,000	1,744,000
Interest	-	-	-	958,888	958,888
Total expenditures	-	-	10,998	2,702,888	2,713,886

Excess (Deficiency) of Revenues over Expenditures	357,237	2,695,737	(10,729)	(2,368,573)	673,672
<hr/>					
Other Financing Sources (Uses)					
Operating transfers in	-	-	-	2,354,179	2,354,179
Operating transfers out	(771,395)	(4,047,545)	-	-	(4,818,940)
<hr/>					
Total other financing sources (uses)	(771,395)	(4,047,545)	-	2,354,179	(2,464,761)
<hr/>					
Net Change in Fund Balances	(414,158)	(1,351,808)	(10,729)	(14,394)	(1,791,089)
<hr/>					
Fund Balances - Beginning of Year	822,082	1,374,639	1,317,948	131,316	3,645,985
<hr/>					
Fund Balances - End of Year	\$ 407,924	\$ 22,831	\$ 1,307,219	\$ 116,922	\$ 1,854,896
<hr/>					

Bowling Green Independent School District
Combining Statement of Assets and Liabilities
All Agency Funds

June 30, 2013	Agency Funds	Deferred Compensation	Total Agency Funds
Assets			
Cash	\$ 324,100	\$ 66,993	\$ 391,093
Accounts receivable	56,189	-	56,189
Total Assets	\$ 380,289	\$ 66,993	\$ 447,282
Liabilities			
Accounts payable	45,654		45,654
Deferred compensation payable		66,993	66,993
Due to student groups	334,635		334,635
Total Liabilities	\$ 380,289	\$ 66,993	\$ 447,282

Bowling Green Independent School District
Combining Statement of Assets and Liabilities
All School Activity Funds
Agency Funds

June 30, 2013	Cash			Cash	Accounts	Accounts	Due to Student
	July 1, 2012	Receipts	Disbursements	June 30, 2013	Receivable	Payable	Groups
							June 30, 2013
Bowling Green High School	\$ 175,824	\$ 483,304	\$ 494,762	\$ 164,366	\$ 55,368	\$ 45,654	\$ 174,080
Bowling Green Junior High School	44,789	126,996	119,040	52,745	-	-	52,745
Parker-Bennett-Curry Elementary School	7,196	25,003	24,215	7,984	821	-	8,805
T.C. Cherry Elementary School	20,915	21,301	20,546	21,670	-	-	21,670
Potter Gray Elementary School	33,801	82,197	72,819	43,179	-	-	43,179
Dishman-McGinnis Elementary School	12,470	9,740	10,256	11,954	-	-	11,954
W.R. McNeil Elementary School	11,641	72,650	62,089	22,202	-	-	22,202
Total	\$ 306,636	\$ 821,191	\$ 803,727	\$ 324,100	\$ 56,189	\$ 45,654	\$ 334,635

Bowling Green Independent School District
Statement of Assets and Liabilities
School Activity Funds
Bowling Green High School

	Cash			Cash		Accounts	Accounts	Due to Student
June 30, 2013	July 1, 2012	Receipts	Disbursements	June 30, 2013	Receivable	Payable	Groups	
							June 30, 2013	
General Fund	\$ 2,742	\$ 13,927	\$ 15,707	\$ 962	\$ -	\$ 500	\$ 462	
Alumni Association	75	1,907	753	1,229	-	286	943	
International Coffee	23	100	-	123	-	-	123	
McGinnis Fund	119	-	-	119	-	-	119	
Reimbursables	(8,714)	5,241	20,042	(23,515)	26,054	-	2,539	
Textbook Rental	-	15,416	-	15,416	-	15,989	(573)	
Textbook Replacement	353	220	-	573	-	-	573	
Youth Services Center	6,802	4,818	4,976	6,644	-	-	6,644	
Hospitality Fund	500	1,656	1,767	389	-	-	389	
Student Fund	4,408	6,563	5,364	5,607	-	-	5,607	
African-American History	275	-	-	275	-	-	275	
Arabic Club	41	-	-	41	-	-	41	
Beta Club	1,616	1,665	1,137	2,144	-	-	2,144	
BG Pride	576	-	-	576	-	-	576	
CEC	173	-	-	173	-	-	173	
Deca Club	783	4,897	5,458	222	-	-	222	
Disc Golf Club	451	130	-	581	-	-	581	
Speech Drama Club	159	130	20	269	-	-	269	
Environmental Club	332	-	-	332	-	-	332	
FBLA	271	54	63	262	-	-	262	

FCA	596	-	-	596	-	-	596
FCCLA	4,557	19,311	20,094	3,774	-	-	3,774
FCCLA/Regional	-	3,181	450	2,731	-	-	2,731
French Club	256	75	10	321	-	-	321
FEA	49	35	-	84	-	-	84
GAPP	87	21,590	21,675	2	-	-	2
German Club	1,217	670	962	925	-	500	425
HI-Y Club	33	4,240	4,272	1	-	-	1
HOSA	574	1,318	1,775	117	-	-	117
Jr. Beta Club	170	-	-	170	-	-	170
Junior Class	4,177	5,631	4,471	5,337	-	3,201	2,136
Key Club	1	60	60	1	-	-	1
Literary Club	-	302	257	45	-	-	45
Mountain Bike Club	20	-	-	20	-	-	20
National Honor Society	1,599	760	564	1,795	-	-	1,795
One Stop School	34	-	-	34	-	-	34
Quiz Bowl Club	3	-	-	3	-	-	3
Spanish Club	277	520	645	152	-	-	152
Student Government	1,287	3,760	3,394	1,653	-	-	1,653
STLP	115	2,711	1,111	1,715	-	-	1,715
Vica Club	931	600	1,399	132	-	-	132
Young African Americans	319	-	-	319	-	-	319
Young Democrats	62	-	-	62	-	-	62
Young Republicans	69	-	-	69	-	-	69
Purple Coffeehouse	385	641	926	100	-	-	100
Hacky Sack	380	-	-	380	-	-	380

Bowling Green Independent School District
Statement of Assets and Liabilities (Continued)
School Activity Funds
Bowling Green High School

June 30, 2013	Cash	Receipts	Disbursements	Cash	Accounts	Accounts	Due to Student
	July 1, 2012			June 30, 2013	Receivable	Payable	Groups
							June 30, 2013
Rock the Boat	12	75	-	87	-	-	87
Math Club	-	354	305	49	-	-	49
AP World History	81	365	390	56	-	-	56
Art Department	636	949	1,585	-	-	-	-
Auto Mechanics	(974)	-	-	(974)	-	-	(974)
Band	20	2,055	2,555	(480)	285	250	(445)
BGWC Honors Band	-	890	890	-	-	-	-
Business Department	325	-	-	325	-	-	325
Carpentry	(310)	1,660	1,545	(195)	500	-	305
Choir	(4,172)	-	400	(4,572)	4,584	-	12
DC Trip	14,664	62,808	59,271	18,201	-	-	18,201
Multimedia	728	1,055	1,043	740	-	-	740
English Department	611	3,618	3,907	322	-	-	322
Math Department	876	-	-	876	-	-	876
Engraving	290	113	147	256	-	-	256
ESL	213	-	150	63	-	-	63
Fashion Design	2	-	-	2	-	-	2
Foods Fund	1	-	-	1	-	-	1
FMD Fund	203	-	-	203	-	-	203
World Language Show	-	590	590	-	-	-	-
GE Fund Star Program	36	-	-	36	-	-	36
Greenhouse	584	-	-	584	-	-	584

Newspaper Project	900	-	-	900	-	-	900
PSAT Preparation	924	1,035	1,255	704	-	-	704
Purple GEM	(422)	2,133	1,223	488	370	-	858
Renaissance	281	2,787	2,743	325	-	-	325
ROTC	473	266	575	164	-	-	164
Science Department	279	786	967	98	-	-	98
Social Studies Department	869	1,170	1,058	981	-	-	981
AP US History	2,128	2,862	2,250	2,740	-	-	2,740
Advanced Placement	(4,582)	8,025	6,087	(2,644)	1,464	-	(1,180)
Annual	40,672	22,902	13,200	50,374	335	21,272	29,437
Guidance Department	4,320	300	801	3,819	-	-	3,819
HBCU Tour	2,628	-	-	2,628	-	-	2,628
Library Club	29	1,112	1,130	11	-	-	11
AP Testing	12,508	49,344	45,659	16,193	1,015	-	17,208
Athletics General	10,622	9,725	41,495	(21,148)	13,494	156	(7,810)
Bowling	-	1,896	1,896	-	-	-	-
Baseball	-	12,851	12,851	-	455	-	455
Boys Basketball	-	14,450	14,450	-	-	-	-
Girls Basketball	-	18,470	18,470	-	-	-	-
Football	-	69,132	69,132	-	-	-	-
Boys Golf	-	630	630	-	-	-	-
Boys Soccer	-	17,950	17,950	-	-	-	-
Girls Soccer	-	7,760	7,760	-	-	-	-
Softball	-	4,474	4,474	-	-	-	-
Swimming	-	5,808	5,808	-	-	-	-
Volleyball	-	4,881	4,881	-	1,338	-	1,338
PTO Fund	1,858	745	555	2,048	-	500	1,548

Bowling Green Independent School District
Statement of Assets and Liabilities (Continued)
School Activity Funds
Bowling Green High School

June 30, 2013	Cash July 1, 2012	Receipts	Disbursements	Cash June 30, 2013	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2013
Strike Force	134	-	134	-	-	-	-
Girls Basketball Tournament	(515)	765	1,724	(1,474)	1,474	-	-
WBGIT	-	657	657	-	-	-	-
BGIT	3,642	11,851	9,569	5,924	-	-	5,924
Boys Basketball Tournament	1,196	3,666	4,069	793	-	2,500	(1,707)
Co-Ed Cheerleading	-	6,792	6,792	-	-	-	-
Dance Team	538	-	538	-	-	-	-
Orchestra	(3,079)	585	1,099	(3,593)	-	-	(3,593)
Alive Grant	138	-	-	138	-	-	138
Bill Hoagland Schools	410	-	-	410	-	-	410
Florence Jean Memo	1,000	-	-	1,000	-	-	1,000
Jon Clark Scholarship	1,430	600	2,500	(470)	4,000	500	3,030
Cecil Karrick Scholarship	2,680	-	250	2,430	-	-	2,430
CD Athletic Fund	15,771	70	-	15,841	-	-	15,841
CD Jon Clark Scholarship	36,983	163	-	37,146	-	-	37,146
Total	\$ 175,824	\$ 483,304	\$ 494,762	\$ 164,366	\$ 55,368	\$ 45,654	\$ 174,080

Bowling Green Independent School District Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Child Nutrition Cluster			
Food Distribution Program - noncash	10.555	--	\$ 136,114
Passed-Through State Department of Education:			
School Breakfast Program	10.553	7760005 13	398,538
Summer Food Program	10.559	7740023 12	93,110
National School Lunch Program	10.555	7750002 13	<u>1,064,791</u>
Subtotal			1,692,553
Fresh Fruits and Vegetables Program	10.582	7720012 12	39,468
Total U.S. Department of Agriculture			<u>1,732,021</u>
U.S. Department of Defense			
ROTC	12.000	--	61,647
Total U.S. Department of Defense			<u>61,647</u>
U.S. Department of Education			
Passed-Through State Department of Education:			
Title I - Part A Cluster			
Title I to Local Educational Agencies - 2012	84.010	3100002 11	107,480
Title I to Local Educational Agencies - 2013	84.010	3100002 12	1,470,951
Title I Delinquent Children in LEA - 2012	84.010	3100102 12	141,494
Title I School Improvement Funds - 2012	84.010	3100202 12	<u>12,552</u>
Subtotal			1,732,477
School Improvement Grants Cluster			
AARA - School Improvement Funds	84.388A	4100302 09	8,404
AARA - School Improvement Funds	84.388A	4100302 09	<u>49,922</u>
Subtotal			58,326
Even Start 2011	84.213	3160002 10	8,589
Special Education Cluster			
Special Education - IDEA-B to LEA- 2012	84.027	3810002 11	976
Special Education - IDEA-B to LEA- 2013	84.027	3810002 12	767,917
IDEA-B Special Education - Preschool - 2013	84.173	3800002 12	<u>43,062</u>
Subtotal			811,955

Year Ended June 30, 2013

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
English Language Acquisition Grants - 2012	84.365	3300002 12	150
English Language Acquisition Grants - 2013	84.365	3300002 13	94,793
Subtotal			94,943
Vocational Education - 2012	84.048	4621332 12	10,228
Vocational Education - 2013	84.048	4621332 13	36,175
Subtotal			46,403
Education Technology State Grants Cluster			
Education Technology - 2009	84.318X	3210002 09	451
Education Technology - 2011	84.318X	3210002 10	4,401
AARA - Education Technology - 2009	84.386A	4210002 09	250
Subtotal			5,102
Educational Jobs	84.410	EJOB00 10	6,108
Improving Teacher Quality - 2013	84.367	3230002 12	216,388
Race to the Top	84.413A	3960002 11	33,830
Total U.S. Department of Education			3,014,121
U.S. Department of Health and Human Services			
Passed-Through State Department of Education:			
Refugee Children	93.576	4203	19,028
Total U.S. Department of Health and Human Services			19,028
Total Expenditures of Federal Awards			\$ 4,826,817

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

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

Note 2: Summary of Significant Accounting Policies

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

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

Note 3: Subrecipients

There were no subrecipients during the fiscal year.

Bowling Green Independent School District
Summary Schedule of Prior Year Audit Findings

None.



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

Kentucky State Committee for School District Audits
Members of the Board of Education
Bowling Green Independent School District
Bowling Green, 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 Bowling Green Independent School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Bowling Green Independent School District's basic financial statements and have issued our report thereon dated November 5, 2013.

● **Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a

timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item number 13-01 that we consider to be a significant deficiency.

- **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*.

- **District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

- **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.

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

Kentucky State Committee for School District Audits
Members of the Board of Education
Bowling Green Independent School District
Bowling Green, Kentucky

● Report on Compliance for Each Major Federal Program

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

● Management's Responsibility

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

● Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

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

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

- **Opinion on Each Major Federal Program**

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

- **Report on Internal Control over Compliance**

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

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

deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Section I — Summary of Auditor’s Results

■ **Financial Statements**

Type of auditor’s report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes No

Noncompliance material to financial statements noted? Yes No

■ **Federal Awards**

Internal control over major programs:

Material weakness(es) identified? Yes No

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

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

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

**Bowling Green Independent School District
Schedule of Findings and Questioned Costs (Continued)**

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Section II — Financial Statement Findings

▪ **13-01 Financial Reporting**

Criteria and Condition: The internal control structure should be such that misstatements in the District’s financial statements are prevented or detected and corrected on a timely basis. Material audit adjustments were made to accounts receivable and retainage payable.

Cause: Certain internal controls were not in place to prevent or detect and correct misstatements.

Effect: Financial statements could contain undetected errors.

Recommendation: We recommend controls over the financial close process be reviewed to ensure significant amounts are reported correctly and timely in the District’s financial statements.

Views of Responsible Officials and Planned Corrective Actions: We will review the financial close process for correct reporting on the financial statements.

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
Bowling Green Independent School District
Bowling Green, Kentucky

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

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum accompanying this letter summarizes our comments and suggestions regarding those matters. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated November 5, 2013 contains our report on the District's internal control. This letter does not affect our report dated November 5, 2013 on the financial statements of the District.

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

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

Carr, Riggs & Ingram, LLC
Bowling Green, Kentucky
November 5, 2013

Prior Year Comments Not Corrected

• Bowling Green High

- In our procedures over activity funds, we noted several activity funds with deficit balances at year end. Appropriate transfers should be made to cover deficit balances.
- During our review of ticket sales, we noted that receipts from ticket sales are not deposited in a timely manner. We recommend that all receipts collected from ticket sales from school events be deposited at least the day following the event when it is after school hours. Undeposited receipts should be secure until a deposit is made.
- During our testing of disbursements, we were unable to locate documentation on three out of 45. We recommend all documentation be obtained to support the transactions.
- During our procedures over the activity funds, we noted that the school uses an activity fund account to make purchases to be paid with Board funds and then requests reimbursement from the central office. We recommend use of this account be limited to emergencies only when it is not feasible to submit a purchase order to the central office for payment.
- During our procedures over the activity funds, we noted that the central fund treasurer receives the bank statement directly through an online download. We recommend the principal receive the bank statement and review it prior to the treasurer receiving and reconciling it.
- During our procedures over the activity funds, we noted that the bank statement does not include copies of the checks that have cleared the bank. We recommend that the school download the checks provided by the bank so that they may be reviewed for proprietary purposes.

• Central Office

- During our procedures over the bidding process, we noted several instances of vendors that were determined by the district to be not required to bid per KRS 45A.380 *Noncompetitive Negotiation* that lacked documentation. We recommend the proper documentation be maintained when it is determined that competition is not feasible.

• **Food Service**

- In our procedures over inventory, we noted inventory counts that were not accurate and item prices did not agree to support. We recommend an accurate count of the inventory be taken and the prices on inventory sheets be reviewed and updated monthly to insure accurate inventory numbers.

• **W. R. McNeill**

- During our procedures over receipts, we noted that receipts are not being deposited on a daily basis. We recommend all money received in excess of \$100 be deposited on a daily basis.
- In our procedures over activity funds, we noted several activity funds with deficit balances at year end. Appropriate transfers should be made to cover deficit balances.

• **Parker Bennett Curry**

- During our procedures over the activity funds, we noted that the certificate of deposit was cashed, but not removed from the accounting records, but rather shown as a receipt in the current year. This caused the Annual Financial Report to be overstated by the amount previously recorded for the CD. We recommend the accounting records be properly adjusted to correct the error.

Current Year Comments

- **W. R. McNeill**

- During our procedures over disbursements, we noted instances of invoices not being stamped as paid. We recommend all invoices be stamped or marked as paid to ensure the duplication of expenditures does not occur.

- **Bowling Green Junior High**

- During our procedures over ticket sales receipts, we noted that money collected from games is not kept in a safe until a deposit is made. We recommend all monies collected that are not deposited on the same day be kept in a secure locked location until a deposit can be made.

- **Central Office**

- During our review of internal controls, we noted two invoices out of 25 selections that did not have documentation of general ledger account coding. We recommend that the general ledger account coding be documented on all invoices to ensure the proper recording of the expenditure within the general ledger.

- **Bowling Green High**

- During our procedures over disbursements, we noted that some athletic purchase orders were dated after the invoice date and not signed by all appropriate personnel. We recommend purchase orders be used before the order of goods takes place to ensure proper approval of the expenditure and that all appropriate signatures are documented on the purchase orders.
- During our review of ticket sales, we noted that ticket sales reports were not signed by the ticket taker and in some instances not signed by the person in charge of sales. We recommend that all ticket sales reports be properly completed and signed by all appropriate individuals.
- During our review of the Annual Financial Report and bank reconciliation, we noted several old outstanding checks. We recommend that the outstanding check list be reviewed and any checks that have been outstanding for a significant period be properly voided and reissued if necessary.

Bowling Green Independent School District Comments and Recommendations (Continued)

- During our procedures over disbursements, we noted instances of invoices not being stamped as paid. We recommend that all invoices be stamped or marked as paid to ensure the duplication of expenditures does not occur.
- During our procedures over receipts, we noticed that no supporting documentation could be provided for four receipts out of 19 selections. We recommend that multiple receipts forms be attached to all receipts to ensure that all monies collected are deposited and reviewed by another individual for accuracy.
- During our procedures over receipts, we noticed that dual initials were not present on two receipts out of 19 selections. We recommend dual initials be obtained on every deposit slip or receipt to ensure monies are counted by two individuals.

Bowling Green Independent Schools

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Administrators

Associate Superintendent, **VICKI WRITSEL**
Director of Finance/Treasurer, **JEFF HERRON**
Director of Pupil Personnel, **JON LAWSON**
Director of Elementary/Secondary Programs, **JENNIFER DAVIS**
Director of Transportation/Business Manager, **MIKE MCCLOUD**
Director of Personnel, **KEN MAY**

Management's Response to Comments and Recommendations

PRIOR YEAR COMMENTS

- ◆ Management's Response to Prior Year Comments & Recommendations not corrected at Bowling Green High School
 - Management concurs and will stress to the principal and bookkeeper that appropriate transfers should be made to cover deficit balance activity funds.
 - Management concurs and will stress to the principal and bookkeeper/athletic director that receipts from ticket sales from school events should be secured overnight and deposited the next business day.
 - Management concurs and will stress to the principal and bookkeeper that proper documentation be maintained for all disbursements and receipts.
 - Management concurs and will stress to the principal and bookkeeper that purchases to be made from SBDM/Board should not be first paid by activity funds then reimbursement requested from central office.
 - Management concurs and will stress to the principal and bookkeeper that the principal receive the bank statement independently and sign it indicating the principal's review.
 - Management concurs and will stress to the principal and bookkeeper that the principal receive either a CD of cleared checks from the bank for his review or document his login to the bank's online banking website to review checks cleared during the month for proprietary purposes.
- ◆ Management's Response to Prior Year Comments & Recommendations not corrected at Central Office
 - Management concurs and will stress that proper documentation be maintained for the determination that competition is not feasible for bidding.

- ◆ Management's Response to Prior Year Comments & Recommendations not corrected at Food Service
 - Management concurs and will stress that an accurate count of the inventory be taken and the prices on inventory sheets be reviewed and updated monthly to insure accurate inventory numbers.
- ◆ Management's Response to Prior Year Comments & Recommendations not corrected at W.R. McNeill
 - Management concurs and will stress to the principal and secretary that receipts in excess of \$100 be consistently deposited on a daily basis.
 - Management concurs and will stress to the principal and secretary that appropriate transfers should be made to cover deficit balance activity funds.
- ◆ Management's Response to Prior Year Comments & Recommendations not corrected at Parker Bennett Curry
 - Management concurs and will stress to the principal and secretary that accounting records be properly adjusted to correct for certificate of deposit activity.

CURRENT YEAR COMMENTS

- ◆ Management's Response to W.R. McNeill Elementary Comments & Recommendations
 - Management concurs and will stress to the principal and secretary that all invoices be stamped or marked as paid to ensure the duplication of expenditures does not occur.
- ◆ Management's Response to Bowling Green Jr. High Comments & Recommendations
 - Management concurs and will stress to the principal and bookkeeper that all monies collected that are not deposited on the same day be kept in a secure locked location until a deposit can be made.
- ◆ Management's Response to Central Office Comments & Recommendations
 - Management concurs and will stress that the general ledger account coding be documented on all invoices to ensure the proper recording of the expenditure within the general ledger.
- ◆ Management's Response to Bowling Green High School Comments & Recommendations
 - Management concurs and will stress to the principal and bookkeeper that purchase orders be used before the order of goods takes place to ensure proper approval of the expenditure and that all appropriate signatures are documented on the purchase orders.
 - Management concurs and will stress to the principal and bookkeeper that all ticket sales reports be properly completed and signed by all appropriate individuals.

- Management concurs and will stress to the principal and bookkeeper that the outstanding check list be reviewed and any checks that have been outstanding for a significant period be properly voided and reissued if necessary.
- Management concurs and will stress to the principal and bookkeeper all invoices be stamped or marked as paid to ensure the duplication of expenditures does not occur.
- Management concurs and will stress to the principal and bookkeeper that multiple receipts forms be attached to all receipts to ensure that all monies collected are deposited and reviewed by another individual for accuracy.
- Management concurs and will stress to the principal and bookkeeper that dual initials be obtained on every deposit slip or receipt to ensure monies are counted by two individuals.