

**NELSON COUNTY SCHOOL DISTRICT**

BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION, AND  
REPORTS OF INDEPENDENT AUDITORS

YEAR ENDED JUNE 30, 2015

# NELSON COUNTY SCHOOL DISTRICT

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## REPORT OF INDEPENDENT AUDITORS

Members of the Board of Education  
Nelson County School District  
Bardstown, Kentucky 40004

### 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 Nelson County School District (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### 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; the provisions of *Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirement, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Auditor's Contract – Audit Extension Request, and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

**Opinions**

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

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 4 – 10 and 46 – 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and school activity funds 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, school activity funds, 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, school activity funds, 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* and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirement*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Auditor's Contract – Audit Extension Request*, and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*, we have also issued our report dated November 2, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Bardstown, Kentucky  
November 2, 2015

**NELSON COUNTY SCHOOL DISTRICT – BARDSTOWN, KY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

As management of the Nelson County School District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit. The reporting model is a combination of both government-wide financial statements and fund financial statements.

**FINANCIAL HIGHLIGHTS**

- The ending cash and cash equivalents balance for the District was \$4.655 million.
- Local tax levied at the three percent rate increase of 69.6 cents per \$100 for real estate and tangible property. No change in the motor vehicle tax at 54.8 cents per \$100 of assessed property.
- From fiscal year 2014 to 2015, total revenues from governmental activities increased approximately \$1,725,000 primarily due to increased tax revenues, distilled spirits tax revenues and state grant revenues.
- The district adopted a budget in May 2015 for the upcoming year with \$1.82 million in contingency (4.8% of total budgeted expenditures).
- The District refunded approximately \$11.7million by issuing \$11.97 million in 2015 Series A&B Refunding bonds. The refunding of the bonds is expected to decrease total future debt service payments by approximately \$972,000.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) 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.

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

The government-wide financial statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the District’s assets and liabilities, including capital assets as well as long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability incurred. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

The government-wide financial statements can be found on pages 11 through 12 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform

**NELSON COUNTY SCHOOL DISTRICT – BARDSTOWN, KY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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 and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are food service and day care operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13 through 20 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$26.0 million as of June 30, 2015.

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

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

**Net Position**

The 2015 Government-wide net position compared to 2014 is as follows:

**Net Position  
(Table 1)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	(Restated) 2014	2015	2014	2015	(Restated) 2014
Current and other assets	\$ 5,000,819	\$ 6,809,428	\$ 669,346	\$ 841,239	\$ 5,670,165	\$ 7,650,667
Capital assets	93,188,496	91,929,338	694,514	820,570	93,883,010	92,749,908
Total assets	98,189,315	98,738,766	1,363,860	1,661,809	99,553,175	100,400,575
Deferred outflows of resources	2,070,273	1,968,524	-	-	2,070,273	1,968,524
Long-term debt	68,802,052	72,482,866	-	-	68,802,052	72,482,866
Other liabilities	5,926,299	4,829,393	-	2,098	5,926,299	4,831,491
Total liabilities	74,728,351	77,312,259	-	2,098	74,728,351	77,314,357
Deferred inflows of resources	915,465	-	-	-	915,465	-
Net position:						
Invested in capital assets net of related debt	29,430,888	25,949,201	694,514	820,570	30,125,402	26,769,771
Restricted	244,984	2,938,341	-	-	244,984	2,938,341
Unrestricted	(5,060,100)	(5,492,511)	669,346	839,141	(4,390,754)	(4,653,370)
Total net position	\$ 24,615,772	\$ 23,395,031	\$ 1,363,860	\$ 1,659,711	\$ 25,979,632	\$ 25,054,742

**NELSON COUNTY SCHOOL DISTRICT – BARDSTOWN, KY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

The following are significant current year transactions impacting the Statement of Net Position:

- Capital assets increased approximately \$1.1 million due to current year depreciation of \$3.9 million offset by FY2015 additions approximately \$5.4 million primarily as a result of construction costs related to Energy Conservation Projects for two schools and related improvements and, new computers, buses, and network equipment.
- Total long-term obligations for bonds decreased approximately \$3.6 million as a result of \$12.0 million in Series 2015 Refunding bonds being issued in fiscal year 2015 and scheduled bond principal reductions of approximately \$3.1 million. Also, the District paid \$40,072 toward a claim related to outstanding claims and deficits of the Kentucky School Boards Insurance Trust (KSBIT). As a result of implementing GASBS No. 68 related to pensions, the District recorded a net pension liability for the District’s proportionate share of CERS as of June 30, 2014 for \$9.3 million and a corresponding reduction of the District’s share of the net pension liability for CERS of \$1.1 million during fiscal year 2015, leaving a balance for the District’s proportionate share of the CERS net pension liability at June 30, 2015 of \$8.2 million (as actuarially determined by CERS).



**NELSON COUNTY SCHOOL DISTRICT – BARDSTOWN, KY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**Change in Net Position**

The following Table 2 presents the summary of changes in net position for the fiscal years ending June 30, 2015 and 2014.

**Changes in Net Position  
(Table 2)**

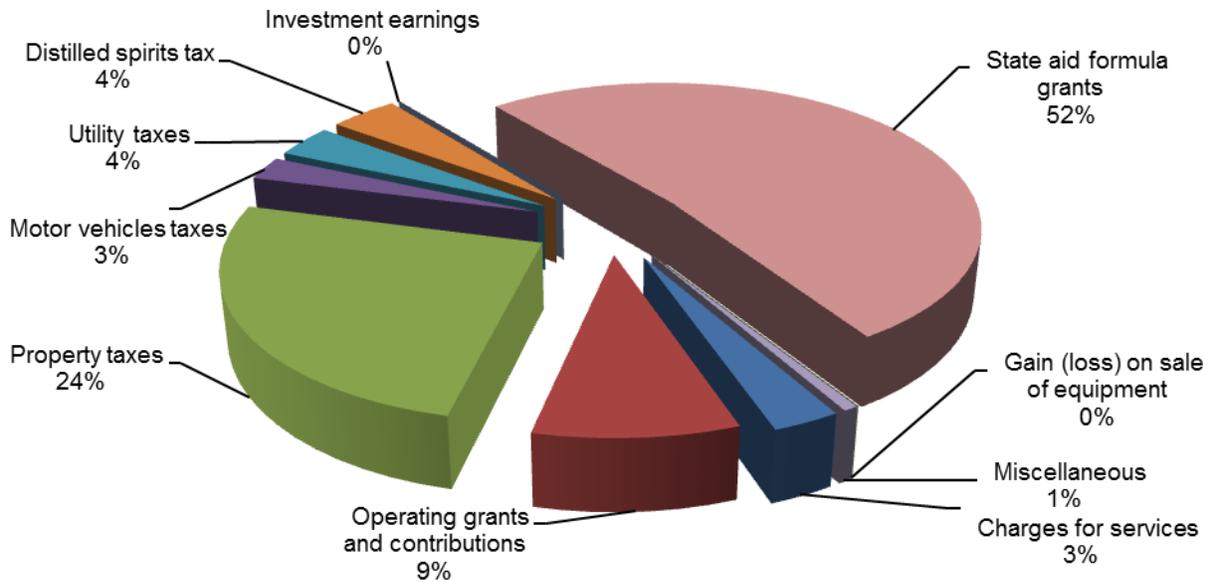
	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
<b>REVENUES</b>						
<b>Program Revenues</b>						
Charges for services	\$ 120,175	\$ 99,261	\$ 1,311,777	\$ 1,367,497	\$ 1,431,952	\$ 1,466,758
Operating grants and contributions	2,277,449	2,303,300	2,033,818	1,983,821	4,311,267	4,287,121
Capital grants and contributions	869,836	886,002	-	-	869,836	886,002
<b>General Revenues</b>						
Property taxes	12,324,689	11,735,743	-	-	12,324,689	11,735,743
Motor vehicle taxes	1,231,849	1,202,248	-	-	1,231,849	1,202,248
Utility taxes	1,725,906	1,731,690	-	-	1,725,906	1,731,690
Distilled spirits tax	1,998,118	1,808,683	-	-	1,998,118	1,808,683
Investment earnings	259	375	-	-	259	375
State aid formula grants	25,037,140	24,075,133	-	-	25,037,140	24,075,133
Gain (loss) on sale of equipment	3,648	7,269	-	492	3,648	7,761
Miscellaneous	306,185	321,038	-	-	306,185	321,038
<b>Total revenues</b>	<b>45,895,254</b>	<b>44,170,742</b>	<b>3,345,595</b>	<b>3,351,810</b>	<b>49,240,849</b>	<b>47,522,552</b>
<b>EXPENSES</b>						
<b>Program Activities</b>						
Instruction	25,453,558	24,534,649	-	-	25,453,558	24,534,649
Student support	2,024,663	2,004,615	-	-	2,024,663	2,004,615
Instruction staff support	1,768,186	1,648,201	-	-	1,768,186	1,648,201
District administration support	1,173,757	1,378,217	-	-	1,173,757	1,378,217
School administrative support	2,833,660	2,850,820	-	-	2,833,660	2,850,820
Business support	1,439,906	1,287,820	-	-	1,439,906	1,287,820
Plant operation and maintenance	3,839,495	4,355,079	-	-	3,839,495	4,355,079
Student transportation	3,481,335	3,322,030	-	-	3,481,335	3,322,030
Community service activities	343,283	334,731	-	-	343,283	334,731
Interest on long-term debt	2,416,670	2,306,261	-	-	2,416,670	2,306,261
<b>Business-type Activities</b>						
Food service	-	-	2,991,980	2,830,895	2,991,980	2,830,895
Child care	-	-	549,466	580,494	549,466	580,494
<b>Total expenses</b>	<b>44,774,513</b>	<b>44,022,423</b>	<b>3,541,446</b>	<b>3,411,389</b>	<b>48,315,959</b>	<b>47,433,812</b>
<b>Transfers</b>	<b>100,000</b>	<b>-</b>	<b>(100,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 1,220,741</b>	<b>\$ 148,319</b>	<b>\$ (295,851)</b>	<b>\$ (59,579)</b>	<b>\$ 924,890</b>	<b>\$ 88,740</b>

The following are significant current year transactions impacting the Changes in Net Position:

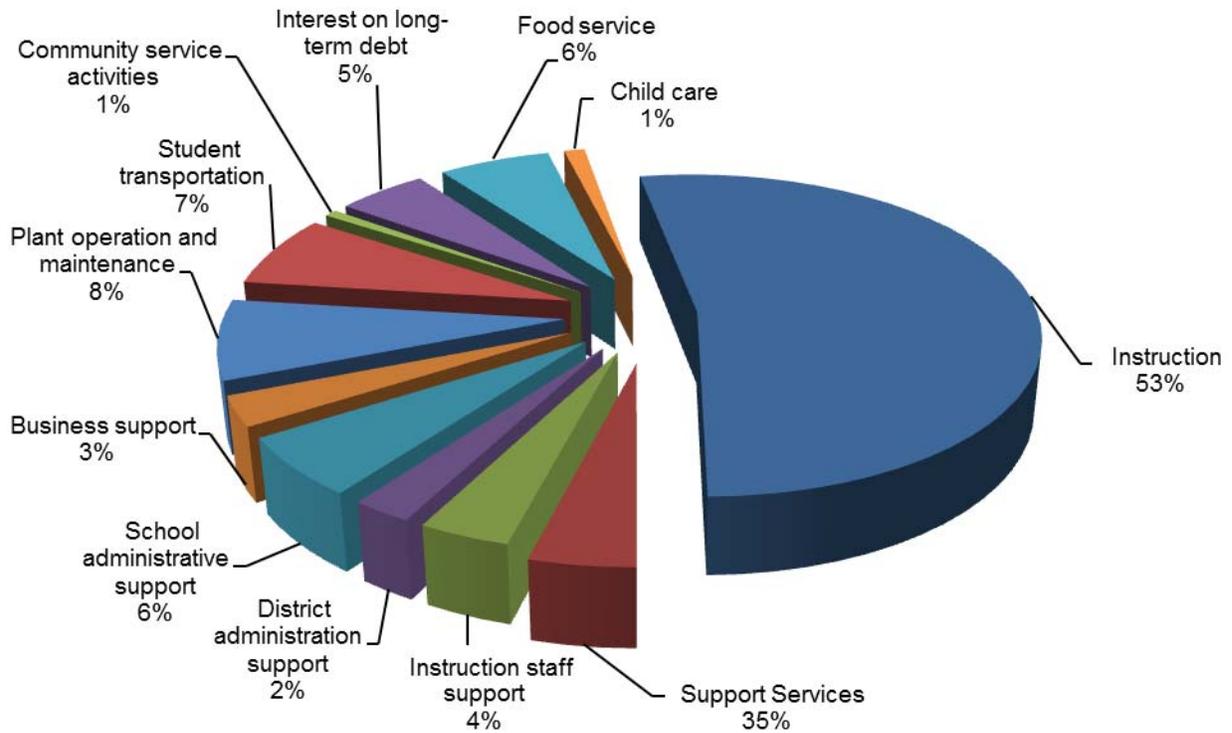
- Total revenues increased approximately \$1.7 million primarily due to increases in property and distilled spirit taxes (approximately \$778,000 combined increase) as well as increases in SEEK funding and state grants of approximately \$962,000 and capital grants and contributions of approximately \$481,000.
- Total expenses increased approximately \$882,000 as a result of increases in Instruction expenses of approximately \$919,000, increase in Business Support of approximately \$152,000, increase in Student Transportation of approximately \$159,000, and increases in Food Service of approximately \$169,000. These were offset by the following: decreases in District Administration of approximately \$204,000 and decrease in Plant Operation and Maintenance of approximately \$516,000.

**NELSON COUNTY SCHOOL DISTRICT – BARDSTOWN, KY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

The following provides a breakdown of total primary government revenues for the year ending June 30, 2015:



The following provides a breakdown of total primary government expenses for the year ending June 30, 2015:



**NELSON COUNTY SCHOOL DISTRICT – BARDSTOWN, KY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**Capital Assets**

At the end of fiscal year 2015, the School District had approximately \$93.2 million invested in land, building and improvements, vehicles, equipment, and construction in process. Table 3 shows fiscal year 2015 and 2014 balances.

**Capital Assets, Net of Depreciation**  
**(Table 3)**

	2015	2014	2015	2014	2015	2014
Land	\$ 2,921,133	\$ 2,921,133	\$ -	\$ -	\$ 2,921,133	\$ 2,921,133
Land improvements	121,000	-	-	-	121,000	-
Buildings and improvements	86,224,115	85,813,067	-	-	86,224,115	85,813,067
Technology Equipment	943,265	484,497	4,175	7,126	947,440	491,623
Vehicles	2,093,255	1,542,795	-	-	2,093,255	1,542,795
General equipment	860,242	812,518	690,339	813,444	1,550,581	1,625,962
<b>Total</b>	<b>93,163,010</b>	<b>91,574,010</b>	<b>694,514</b>	<b>820,570</b>	<b>93,857,524</b>	<b>92,394,580</b>
Construction in process	25,486	355,328	-	-	25,486	355,328
<b>Total</b>	<b>\$ 93,188,496</b>	<b>\$ 91,929,338</b>	<b>\$ 694,514</b>	<b>\$ 820,570</b>	<b>\$ 93,883,010</b>	<b>\$ 92,749,908</b>

The following were major additions and capital assets placed in service during fiscal year 2015:

Energy efficient improvement projects for facilities	\$ <u>3,444,172</u>
Buses	\$ <u>907,288</u>
Copiers under capital lease	\$ <u>442,105</u>
Playground equipment	\$ <u>68,733</u>
Computer and Network Peripherals	\$ <u>286,427</u>

**Debt**

At June 30, 2015, the School District had \$63,605,000 in bonds outstanding. Of this amount, \$7,622,201 is to be paid by the Kentucky School Facility Construction Commission. A total of \$3,540,000 is due within one year.

**General Fund – Budget Highlights**

The School District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. The State Department of Education requires a zero-based budget with any budgeted remaining fund balance shown as a contingency expense in the budget process.

For the General Fund, revenues were budgeted at approximately \$35.7 million with actual amounts of approximately \$36.4 million. Budgeted expenditures of approximately \$35.4 million compare with actual expenditures of approximately \$37.0 million. The most significant fluctuation is for plant operation and maintenance expenditures for capital items that exceeded budget by approximately \$597,000 and student transportation where expenditures exceeded budget by approximately \$603,000.

**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 basic financial statements can be found on pages 22-45 of this report.

**NELSON COUNTY SCHOOL DISTRICT – BARDSTOWN, KY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**BUDGETARY IMPLICATIONS**

In Kentucky the public school fiscal year is July 1 – June 30; other programs, i.e. some federal, operate on a different fiscal year, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget for 2014-2015 with a contingency that exceeded the 2% minimum. The District has adopted a budget for 2015-2016 with a contingency that exceeds the 2% requirement.

**ADDITIONAL CONTACT INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. Questions regarding this report or requests for additional information should be directed to Tim Hockensmith, Director of Administrative Services, 288 Wildcat Lane, Bardstown, Kentucky, 40004, (502) 349-7000.

# NELSON COUNTY SCHOOL DISTRICT

## STATEMENT OF NET POSITION

JUNE 30, 2015

Assets	Governmental Activities	Business-Type Activities	Total
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 4,049,860	\$ 605,080	\$ 4,654,940
Inventory	-	64,266	64,266
Accounts receivable:			
Taxes - current	116,988	-	116,988
Taxes - delinquent	23,225	-	23,225
Intergovernmental - State	568,819	-	568,819
Intergovernmental - Indirect Federal	241,927	-	241,927
Total current assets	<u>5,000,819</u>	<u>669,346</u>	<u>5,670,165</u>
<b><u>Capital Assets, Net</u></b>			
Capital assets, net	<u>93,188,496</u>	<u>694,514</u>	<u>93,883,010</u>
<b>Total Assets</b>	<b><u>98,189,315</u></b>	<b><u>1,363,860</u></b>	<b><u>99,553,175</u></b>
<b>Deferred Outflows of Resources</b>			
Deferred amount on refunding	1,045,062	-	1,045,062
Proportionate share of deferred outflows of resources - CERS	<u>1,025,211</u>	<u>-</u>	<u>1,025,211</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>2,070,273</u></b>	<b><u>-</u></b>	<b><u>2,070,273</u></b>
<b>Liabilities</b>			
<b><u>Current Liabilities</u></b>			
Accounts payable	719,101	-	719,101
Accrued salaries and benefits payable	418,406	-	418,406
Deferred revenue	610,606	-	610,606
Interest payable	395,511	-	395,511
Current portion of bond obligations	3,540,000	-	3,540,000
Current portion of capital lease obligations	121,520	-	121,520
Current portion of claims payable - KSBIT	20,036	-	20,036
Current portion of accrued sick leave	101,119	-	101,119
Total Current Liabilities	<u>5,926,299</u>	<u>-</u>	<u>5,926,299</u>
<b><u>Noncurrent Liabilities</u></b>			
Noncurrent portion of bond obligations	60,065,000	-	60,065,000
Less: bond discount	(564,068)	-	(564,068)
Noncurrent portion of capital lease obligations	595,156	-	595,156
Noncurrent portion of claims payable - KSBIT	100,180	-	100,180
Noncurrent portion of accrued sick leave	404,475	-	404,475
Proportionate share of net pension liability - CERS	<u>8,201,309</u>	<u>-</u>	<u>8,201,309</u>
Total Noncurrent Liabilities	<u>68,802,052</u>	<u>-</u>	<u>68,802,052</u>
<b>Total Liabilities</b>	<b><u>74,728,351</u></b>	<b><u>-</u></b>	<b><u>74,728,351</u></b>
<b>Deferred Inflows of Resources</b>			
Proportionate share of deferred inflows of resources - CERS	<u>915,465</u>	<u>-</u>	<u>915,465</u>
<b>Net Position</b>			
Net investment in capital assets	29,430,888	694,514	30,125,402
Restricted for:			
Construction	244,984	-	244,984
Unrestricted	<u>(5,060,100)</u>	<u>669,346</u>	<u>(4,390,754)</u>
<b>Total Net Position</b>	<b><u>\$ 24,615,772</u></b>	<b><u>\$ 1,363,860</u></b>	<b><u>\$ 25,979,632</u></b>

See accompanying report of independent auditors and notes to financial statements.

**NELSON COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

FUNCTIONS / PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue And Changes In Net Position		
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Instruction	\$ 25,453,558	\$ 104,692	\$ 2,187,028	\$ -	\$ (23,161,838)	\$ -	\$ (23,161,838)
Support Services:							
Student	2,024,663	-	-	-	(2,024,663)	-	(2,024,663)
Instruction staff	1,768,186	-	-	-	(1,768,186)	-	(1,768,186)
District administration	1,173,757	-	-	-	(1,173,757)	-	(1,173,757)
School administrative	2,833,660	-	-	-	(2,833,660)	-	(2,833,660)
Business	1,439,906	-	-	-	(1,439,906)	-	(1,439,906)
Plant operation and maintenance	3,839,495	-	-	-	(3,839,495)	-	(3,839,495)
Student transportation	3,481,335	15,483	90,421	-	(3,375,431)	-	(3,375,431)
Community service activities	343,283	-	-	-	(343,283)	-	(343,283)
Interest on long-term debt	2,416,670	-	-	869,836	(1,546,834)	-	(1,546,834)
<b>Total Governmental Activities</b>	<b>44,774,513</b>	<b>120,175</b>	<b>2,277,449</b>	<b>869,836</b>	<b>(41,507,053)</b>	<b>-</b>	<b>(41,507,053)</b>
<b>Business-Type Activities:</b>							
Food service	2,991,980	875,844	1,938,393	-	-	(177,743)	(177,743)
Child care	549,466	435,933	95,425	-	-	(18,108)	(18,108)
<b>Total Business-Type Activities</b>	<b>3,541,446</b>	<b>1,311,777</b>	<b>2,033,818</b>	<b>-</b>	<b>-</b>	<b>(195,851)</b>	<b>(195,851)</b>
<b>Total Primary Government</b>	<b>\$ 48,315,959</b>	<b>\$ 1,431,952</b>	<b>\$ 4,311,267</b>	<b>\$ 869,836</b>	<b>(41,507,053)</b>	<b>(195,851)</b>	<b>(41,702,904)</b>
<b>General revenues:</b>							
Taxes:							
					12,324,689	-	12,324,689
					1,231,849	-	1,231,849
					1,725,906	-	1,725,906
					1,998,118	-	1,998,118
					259	-	259
					25,037,140	-	25,037,140
					3,648	-	3,648
					306,185	-	306,185
					<u>42,627,794</u>	<u>-</u>	<u>42,627,794</u>
					100,000	(100,000)	-
					1,220,741	(295,851)	924,890
					23,395,031	1,659,711	25,054,742
					<u>\$ 24,615,772</u>	<u>\$ 1,363,860</u>	<u>\$ 25,979,632</u>

See accompanying report of independent auditors and notes to financial statements.

**NELSON COUNTY SCHOOL DISTRICT**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**JUNE 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 3,436,197	\$ 368,679	\$ 244,984	\$ -	\$ 4,049,860
Accounts receivable	709,032	241,927	-	-	950,959
<b>Total assets</b>	<u>\$ 4,145,229</u>	<u>\$ 610,606</u>	<u>\$ 244,984</u>	<u>\$ -</u>	<u>\$ 5,000,819</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 719,101	\$ -	\$ -	\$ -	\$ 719,101
Accrued liabilities	418,406	-	-	-	418,406
Current portion of claims payable - KSBIT	20,036	-	-	-	20,036
Deferred revenue	-	610,606	-	-	610,606
<b>Total liabilities</b>	<u>1,157,543</u>	<u>610,606</u>	<u>-</u>	<u>-</u>	<u>1,768,149</u>
<b>Fund Balances:</b>					
Restricted	-	-	244,984	-	244,984
Committed	1,270,756	-	-	-	1,270,756
Assigned	15,709	-	-	-	15,709
Unassigned	1,701,221	-	-	-	1,701,221
<b>Total Fund Balances</b>	<u>2,987,686</u>	<u>-</u>	<u>244,984</u>	<u>-</u>	<u>3,232,670</u>
<b>Total liabilities and fund balances</b>	<u>\$ 4,145,229</u>	<u>\$ 610,606</u>	<u>\$ 244,984</u>	<u>\$ -</u>	<u>\$ 5,000,819</u>

See accompanying report of independent auditors and notes to financial statements.

**NELSON COUNTY SCHOOL DISTRICT**

**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

JUNE 30, 2015

Total fund balance per fund financial statements		\$ 3,232,670
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		93,188,496
Deferred outflows of resources and deferred inflows of resources related to the District's proportionate share of these amounts reported by the CERS pension plan are reported in the governmental activities in the Statement of Net Position.		
Deferred outflows of resources - proportionate share of collective deferred outflows of resources - CERS	\$ 1,025,211	
Deferred inflows of resources - proportionate share of collective deferred inflows of resources - CERS	<u>(915,465)</u>	109,746
Certain liabilities are not reported in the fund financial statement because they are not due and payable, but they are presented in the statement of net position.		
Bonds payable	(63,605,000)	
Bond discount - unamortized	564,068	
Deferred amount on refunding (deferred outflow of resources)	1,045,062	
Interest payable	(395,511)	
Capital lease obligations	(716,676)	
Proportionate share of net pension liability - CERS	(8,201,309)	
Claims payable - KSBIT (noncurrent)	(100,180)	
Accrued sick leave	<u>(505,594)</u>	<u>(71,915,140)</u>
Net position for governmental activities		<u>\$ 24,615,772</u>

See accompanying report of independent auditors and notes to financial statements.

**NELSON COUNTY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Taxes:					
Property	\$ 8,959,689	\$ -	\$ -	\$ 3,365,000	\$ 12,324,689
Motor vehicle	1,231,849	-	-	-	1,231,849
Utilities	1,725,906	-	-	-	1,725,906
Distilled spirits tax	1,998,118	-	-	-	1,998,118
Tuition and fees	3,324	101,368	-	-	104,692
Earnings on investments	259	-	-	-	259
Other local revenues	202,538	388,125	-	-	590,663
Intergovernmental - state	22,277,932	1,321,356	-	2,188,165	25,787,453
Intergovernmental - indirect federal	-	2,127,977	-	-	2,127,977
Intergovernmental - direct federal	-	-	-	-	-
Total revenues	<u>36,399,615</u>	<u>3,938,826</u>	<u>-</u>	<u>5,553,165</u>	<u>45,891,606</u>
<b>Expenditures:</b>					
Instruction	20,538,313	2,680,407	-	-	23,218,720
Support services:					
Student	1,497,866	403,257	-	-	1,901,123
Instruction staff	1,571,292	159,594	-	-	1,730,886
District administration	1,139,144	-	-	-	1,139,144
School administrative	2,825,914	-	-	-	2,825,914
Business	1,767,999	47,583	-	-	1,815,582
Plant operation and maintenance	4,076,270	18,647	-	-	4,094,917
Student transportation	3,608,582	417,522	-	-	4,026,104
Facilities acquisition and maintenance	-	-	2,991,074	-	2,991,074
Community service activities	48	343,235	-	-	343,283
Debt service:					
Principal	-	-	-	15,105,000	15,105,000
Interest	-	-	-	2,029,118	2,029,118
Bond issue costs	-	-	-	103,511	103,511
Total Expenditures	<u>37,025,428</u>	<u>4,070,245</u>	<u>2,991,074</u>	<u>17,237,629</u>	<u>61,324,376</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>(625,813)</u>	<u>(131,419)</u>	<u>(2,991,074)</u>	<u>(11,684,464)</u>	<u>(15,432,770)</u>
<b>Other financing sources (uses)</b>					
Proceeds from sale of bonds	-	-	-	11,995,740	11,995,740
Bond discount	-	-	-	(13,559)	(13,559)
Proceeds from capital leases	812,506	-	-	-	812,506
Proceeds from sale of fixed assets	3,648	-	-	-	3,648
Operating transfers in	100,000	131,419	297,717	4,385,612	4,914,748
Operating transfers out	(131,419)	-	-	(4,683,329)	(4,814,748)
Total other financing sources (uses)	<u>784,735</u>	<u>131,419</u>	<u>297,717</u>	<u>11,684,464</u>	<u>12,898,335</u>
<b>Net change in fund balances</b>	158,922	-	(2,693,357)	-	(2,534,435)
<b>Fund balance, July 1, 2014</b>	<u>2,828,764</u>	<u>-</u>	<u>2,938,341</u>	<u>-</u>	<u>5,767,105</u>
<b>Fund balance, June 30, 2015</b>	<u>\$ 2,987,686</u>	<u>\$ -</u>	<u>\$ 244,984</u>	<u>\$ -</u>	<u>\$ 3,232,670</u>

See accompanying report of independent auditors and notes to financial statements.

# NELSON COUNTY SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2015

Net change in total fund balances per fund financial statements		\$ (2,534,435)
Amounts reported for governmental activities in the statement of activities are different because of the following:		
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceed depreciation for the year.		
Capital expenditures	\$ 5,021,782	
Depreciation	<u>(3,755,803)</u>	1,265,979
Bond and capital lease proceeds are reported as revenues in this fund statement because they create current financial resources, but they are separated and shown as long-term debt on the statement of net position.		
Bond proceeds	(11,982,181)	
Capital lease proceeds	<u>(812,506)</u>	(12,794,687)
Debt service payments are reported as expenditures in this fund financial statement because they use current financial resources, but they are separated and shown as payments of long-term debt on the statement of net position and interest expense on the statement of activities. The difference is the amount of principal payment made for the year.		
Principal payments on bonds	15,288,670	
Principal payments for capital leases	<u>95,830</u>	15,384,500
In the statement of activities, only the gain (loss) on sale of fixed assets is reported, whereas in the governmental funds, the proceeds for the sale increased financial resources.		
		(6,822)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
Accrued interest	\$ (84,078)	
Sick leave	72,598	
Claims payable - KSBIT (noncurrent)	20,036	
Amortization of bond discount and deferred outflows	(195,258)	
Bond fees		
Pension expense related to changes in the net pension liability and the net changes in deferred inflows of resources and deferred outflows of resources for CERS	<u>92,908</u>	<u>(93,794)</u>
Change in net position of governmental activities		<u>\$ 1,220,741</u>

See accompanying report of independent auditors and notes to financial statements.

**NELSON COUNTY SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**PROPRIETARY FUNDS**

JUNE 30, 2015

<b>Assets</b>	<b>Food Service Fund</b>	<b>Child Care Fund</b>	<b>Total</b>
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 384,142	\$ 220,938	\$ 605,080
Inventory	64,266	-	64,266
Total current assets	<u>448,408</u>	<u>220,938</u>	<u>669,346</u>
<b><u>Capital Assets, Net</u></b>			
Capital assets, net	694,514	-	694,514
Total assets	<u>\$ 1,142,922</u>	<u>\$ 220,938</u>	<u>\$ 1,363,860</u>
<b>Liabilities &amp; Net Position</b>			
<b><u>Current Liabilities</u></b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Net Position</u></b>			
Net investment in capital assets	694,514	-	694,514
Unrestricted	448,408	220,938	669,346
Total net position	<u>\$ 1,142,922</u>	<u>\$ 220,938</u>	<u>\$ 1,363,860</u>

See accompanying report of independent auditors and notes to financial statements.

**NELSON COUNTY SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	<b>Food Service Fund</b>	<b>Child Care Fund</b>	<b>Total</b>
<b>Operating revenues:</b>			
Lunchroom sales	\$ 875,844	\$ -	\$ 875,844
Tuition and fees	-	435,933	435,933
Other operating revenues	-	-	-
<b>Total operating revenues</b>	<b>875,844</b>	<b>435,933</b>	<b>1,311,777</b>
<b>Operating expenses:</b>			
Salaries and wages	1,458,529	505,779	1,964,308
Materials and supplies	1,372,428	35,107	1,407,535
Depreciation	126,055	-	126,055
Other operating expenses	34,968	8,580	43,548
<b>Total operating expenses</b>	<b>2,991,980</b>	<b>549,466</b>	<b>3,541,446</b>
<b>Income (loss) from operations</b>	<b>(2,116,136)</b>	<b>(113,533)</b>	<b>(2,229,669)</b>
<b>Non-operating revenues (expenses):</b>			
Federal grants	1,469,892	-	1,469,892
State grants	294,307	95,425	389,732
Donated commodities	174,194	-	174,194
Fund transfers	(100,000)	-	(100,000)
Loss on sale of equipment	-	-	-
Interest income	-	-	-
<b>Total non-operating revenues (expenses)</b>	<b>1,838,393</b>	<b>95,425</b>	<b>1,933,818</b>
<b>Change in net position</b>	<b>(277,743)</b>	<b>(18,108)</b>	<b>(295,851)</b>
<b>Net position, July 1, 2014</b>	<b>1,420,665</b>	<b>239,046</b>	<b>1,659,711</b>
<b>Net position, June 30, 2015</b>	<b>\$ 1,142,922</b>	<b>\$ 220,938</b>	<b>\$ 1,363,860</b>

See accompanying report of independent auditors and notes to financial statements.

**NELSON COUNTY SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Food Service Fund</b>	<b>Child Care Fund</b>	<b>Total</b>
<b>Cash Flows From Operating Activities</b>			
Cash received from:			
Lunchroom sales	\$ 875,844	\$ -	\$ 875,844
Tuition and fees	-	435,933	435,933
Other activities	-	-	-
Cash paid to / for:			
Employees	(1,208,159)	(410,354)	(1,618,513)
Supplies	(1,185,452)	(36,829)	(1,222,281)
Other activities	(34,968)	(8,580)	(43,548)
<b>Net cash provided by (used in) operating activities</b>	<b>(1,552,735)</b>	<b>(19,830)</b>	<b>(1,572,565)</b>
<b>Cash Flows From Non-Capital Financing Activities</b>			
Federal grants	1,469,892	-	1,469,892
State grants	43,938	-	43,938
Transfers from (to) other funds	(100,000)	-	(100,000)
<b>Net cash provided by (used in) non-capital financing activities</b>	<b>1,413,830</b>	<b>-</b>	<b>1,413,830</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(138,905)</b>	<b>(19,830)</b>	<b>(158,735)</b>
<b>Balances, beginning of year</b>	<b>523,047</b>	<b>240,768</b>	<b>763,815</b>
<b>Balances, end of year</b>	<b>\$ 384,142</b>	<b>\$ 220,938</b>	<b>\$ 605,080</b>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income	\$ (2,116,136)	\$ (113,533)	\$ (2,229,669)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	126,055	-	126,055
Donated commodities	174,194	-	174,194
State on-behalf payments	250,370	95,425	345,795
Change in assets and liabilities:			
Inventory	13,158	-	13,158
Accounts payable	(376)	(1,722)	(2,098)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (1,552,735)</b>	<b>\$ (19,830)</b>	<b>\$ (1,572,565)</b>

See accompanying report of independent auditors and notes to financial statements.

**NELSON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2015**

	<b>Agency Funds</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 690,208
Accounts receivable	-
	<hr/>
<b>Total Assets</b>	<b>\$ 690,208</b>
	<hr/> <hr/>
<b>Liabilities</b>	
Accounts payable	\$ -
Due to student groups	690,208
	<hr/>
<b>Total Liabilities</b>	<b>690,208</b>
	<hr/> <hr/>
<b>Net Position Held In Trust</b>	<b>\$ -</b>
	<hr/> <hr/>

See accompanying report of independent auditors and notes to financial statements.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

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

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

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

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

Nelson County School District Finance Corporation – In a prior year the Board of Education resolved to authorize the establishment of the Nelson County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the Corporation) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors. The Corporation is blended into the District's financial statements.

#### Basis of Presentation

The District's basic financial statement consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within the 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities accompanied by a total column.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets as well as long-term liabilities are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

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

Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. 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.

All governmental funds are accounted for on the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statements of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District are property tax and utility tax. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The District has the following funds:

I. Governmental Fund Types

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

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 62. This is a major fund of the District.
  - C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
    - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
    - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
    - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
  - D. The Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.
- II. Proprietary Fund Types (Enterprise Fund)
- A. 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 contribution of commodities from the USDA. The Food Service Fund is a major fund.
  - B. The Child Care Fund is used to account for after school revenues and programs where a fee is charged for participating.
- III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)
- A. The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### 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.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 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. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

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

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

#### Property Taxes

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

The property tax rates assessed for the year ended June 30, 2015, to finance the General Fund operations were \$0.711 per \$100 valuation for real property, \$0.711 per \$100 valuation for business personal property and \$0.548 per \$100 valuation for motor vehicles.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

#### 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. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	25-50 years
Land Improvements	20 years
Technology Equipment	5 years
Vehicles	5-10 years
Food Service Equipment	10-12 years
Furniture and Fixtures	7 years

#### Interfund Balances

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

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

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Budgetary Process

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

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

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

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end in accordance with state law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

#### Cash and Cash Equivalents

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

#### Inventories

On government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

#### Prepaid Assets

Payments made that will benefit periods beyond June 30, 2015 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

#### Accrued Liabilities and Long-Term Obligations

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

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within 60 days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

#### Pensions

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

#### Fund Balances

Governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

- *Nonspendable fund balance* - amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation.
- *Committed fund balance* – amounts constrained to specific purposes by the District itself, using its decision making authority to be reported as committed, amounts cannot be used for any other purpose unless the District takes action to remove or change the constraint.
- *Assigned fund balance* - amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The Board and its designees (of which there are none) have the authority to assign amounts to be used for specific purposes.
- *Unassigned fund balance* - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Net Position

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

#### Operating Revenues

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

#### Contributions of Capital

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

#### Interfund Activity

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

### NOTE B – ESTIMATES

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

### NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's cash and cash equivalents was \$7,081,057. \$250,000 of bank account balances per separate banks is covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

### NOTE C – CASH AND CASH EQUIVALENTS – CONTINUED

Breakdown per financial statements:

Governmental Funds	\$	4,049,860
Proprietary Funds		<u>605,080</u>
	\$	<u><u>4,654,940</u></u>

In addition to the cash and cash equivalents listed above, the district has agency funds that are not included in the governmental funds or the proprietary fund balances. The agency funds (school activity funds) at year end were \$690,208.

Due to the nature of the accounts and limitations imposed by the purposes of the various funds, all cash balances are considered to be restricted except for the General Fund.

### NOTE D – DEPOSITS AND INVESTMENTS

The Kentucky Revised Statutes authorize the District to invest money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured; and national or state banks chartered in Kentucky and insured by an agency of the United States providing such banks pledge as security obligations, as permitted by KRS 41.240 (4), having a current quoted market value at least equal to uninsured deposits.

#### Investments

The District may legally invest in certificates of deposit and other interest bearing accounts insured by the Federal Deposit Insurance Corporation (FDIC), uncollateralized certificates of deposit rated in one of the three highest categories by a nationally recognized rating agency; obligations of the United States and of its agencies and instrumentalities, including any corporation of the United States government, bonds or certificates of indebtedness of the State of Kentucky and any of its agencies and instrumentalities; or securities issued by a state or local government or any instrumentalities or agency thereof in the United States and rated in one of the three highest categories by a nationally recognized rating agency; commercial paper rated in the highest category by a nationally recognized rating agency and certain mutual funds as more fully described in KRS 66.480. All of the investments of the District are held in U.S. government agency obligations, which carry the explicit guarantee of the U.S. government or certificates of deposit that are insured by the FDIC.

Concentration of Credit Risk – The District, in accordance with KRS 66.480, limits the amount that may be invested at any time in uncollateralized certificates of deposit, bankers acceptances, commercial paper and securities issued by a state or local government or any instrumentality or agency thereof, to 20% of the total amount of funds invested by the District. At June 30, 2015, the District did not hold any investments in excess of this limit.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

### NOTE D – DEPOSITS AND INVESTMENTS – CONTINUED

**Credit Risk** – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. More specifically, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments held by the District are insured or collateralized with securities held by the financial institution in the District's name.

**Interest Rate Risk** – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or approaching maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

### NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

Governmental Activities	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Non-depreciable assets:				
Land	\$ 2,921,133	\$ -	\$ -	\$ 2,921,133
Construction in process	355,328	25,486	355,328	25,486
Depreciable assets:				
Land Improvements	-	123,218	-	123,218
Buildings and improvements	116,813,541	3,444,172	-	120,257,713
Technology equipment	2,639,509	728,532	65,497	3,302,544
Vehicles	5,332,788	907,288	-	6,240,076
General equipment	2,074,423	142,454	1,000	2,215,877
Totals at historical cost	<u>130,136,722</u>	<u>5,371,150</u>	<u>421,825</u>	<u>135,086,047</u>
Accumulated depreciation:				
Land Improvements	-	2,218	-	2,218
Buildings and improvements	31,000,474	3,033,124	-	34,033,598
Technology equipment	2,155,012	269,375	65,108	2,359,279
Vehicles	3,789,993	356,828	-	4,146,821
General equipment	1,261,905	94,258	528	1,355,635
Total accumulated depreciation	<u>38,207,384</u>	<u>3,755,803</u>	<u>65,636</u>	<u>41,897,551</u>
Governmental activities capital assets, net	<u>\$ 91,929,338</u>	<u>\$ 1,615,347</u>	<u>\$ 356,189</u>	<u>\$ 93,188,496</u>

Depreciation was charged to government functions as follows:

Instruction	\$ 2,865,346
District administration	54,649
School administration	7,746
Business support	64,542
Plant	407,001
Transportation	356,519
Total	<u>\$ 3,755,803</u>

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

### NOTE E – CAPITAL ASSETS – CONTINUED

Business-Type Activities	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Depreciable assets:				
Technology equipment	\$ 72,149	\$ -	\$ -	\$ 72,149
General equipment	<u>2,029,287</u>	<u>-</u>	<u>-</u>	<u>2,029,287</u>
Totals at historical cost	<u>2,101,436</u>	<u>-</u>	<u>-</u>	<u>2,101,436</u>
Accumulated depreciation:				
Technology equipment	65,023	2,951	-	67,974
General equipment	<u>1,215,843</u>	<u>123,105</u>	<u>-</u>	<u>1,338,948</u>
Total accumulated depreciation	<u>1,280,866</u>	<u>126,056</u>	<u>-</u>	<u>1,406,922</u>
Business-type activities capital assets, net	<u>\$ 820,570</u>	<u>\$ (126,056)</u>	<u>\$ -</u>	<u>\$ 694,514</u>

Construction in process totaling \$25,486 is related to the renovation and expansion on the Nelson County Early Learning Center. As of June 30, 2015, the remaining commitment to complete the project totals approximately \$2.8 million.

### NOTE F – LONG-TERM OBLIGATIONS

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

Issue Date	Original Proceeds	Interest Rates
2004	\$ 3,885,000	2.0% - 3.8%
2005	7,245,000	3.0% - 4.0%
2006	2,890,000	3.4% - 4.0%
2007	8,475,000	3.75%
2009	8,250,000	1.4% - 4.0%
2010 R	2,595,000	1.0% - 2.875%
2010 BAB	20,795,000	0.8 % - 6.0%
2010 B-BAB	8,555,000	1.0% - 5.65%
2011	780,000	1.4% - 4.5%
2011 R	8,670,000	0.75% - 2.375%
2014 R	18,770,000	2.0% - 3.5%
2014 EN	3,420,000	1.5% - 3.7%
2015 A	8,485,000	2.0% - 3.0%
2015 B	3,485,000	2.0% - 2.45%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Nelson County Fiscal Court 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 entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

### NOTE F – LONG-TERM OBLIGATIONS – CONTINUED

In January 2015, the Board issued \$8,485,000 of 2015-A School Building Revenue Refunding Bonds refunding the 2010 Series B Build America Bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$164,047. This difference, reported in the accompanying government-wide financial statements as a deduction from bonds payable, is being charged to operations through the year 2030 using the straight-line method which approximates the effective-interest method.

The District completed the refunding to reduce its total debt service payments over the next 15 years by \$662,626.

In February 2015, the Board issued \$3,485,000 of 2015-B School Building Revenue Refunding Bonds refunding the 2010 Series B Build America Bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$108,226. This difference, reported in the accompanying government-wide financial statements as a deduction from bonds payable, is being charged to operations through the year 2026 using the straight-line method which approximates the effective-interest method.

The District completed the refunding to reduce its total debt service payments over the next 11 years by \$309,522.

The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements. The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2015 for debt service (principal and interest) are as follows:

	Nelson County School District		Kentucky School Facility Construction Commission		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 2,869,580	\$ 1,664,617	\$ 670,420	\$ 199,399	\$ 3,540,000	\$ 1,864,016
2017	2,949,346	1,585,102	660,654	180,629	3,610,000	1,765,731
2018	3,019,364	1,520,317	630,636	166,420	3,650,000	1,686,737
2019	3,099,852	1,449,859	645,148	152,130	3,745,000	1,601,989
2020	3,184,101	1,374,492	660,899	136,590	3,845,000	1,511,082
2021 - 2025	17,437,376	5,452,646	3,017,624	427,462	20,455,000	5,880,108
2026 - 2030	20,287,146	2,333,668	1,242,854	97,827	21,530,000	2,431,495
2031 - 2034	3,136,034	140,786	93,966	1,409	3,230,000	142,195
	<u>\$ 55,982,799</u>	<u>\$ 15,521,487</u>	<u>\$ 7,622,201</u>	<u>\$ 1,361,866</u>	<u>\$ 63,605,000</u>	<u>\$ 16,883,353</u>

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

### NOTE F – LONG-TERM OBLIGATIONS – CONTINUED

#### Capital Lease Obligations

In August 2015, the District entered capital lease participation agreements issued by the Kentucky Interlocal School Transportation Association (KISTA) for the purchase of four school buses. Future minimum lease payments under the terms of the lease are as follows:

Year Ending June 30	
2016	\$ 47,088
2017	41,034
2018	41,652
2019	41,586
2020	41,508
2021 - 2024	<u>151,620</u>
	364,488
Less: amount representing interest	<u>(36,192)</u>
Present value of minimum lease payments	<u>\$ 328,296</u>
Current maturities	\$ 40,052
Non-current maturities	<u>288,244</u>
	<u>\$ 328,296</u>

The net book value of the buses under capital lease at June 30, 2015 is \$329,695.

In August 2015, the District entered into a capital lease agreement for the purchase of copier/fax/scanning equipment to be used District-wide. Future minimum lease payments under the terms of the lease are as follows:

Year Ending June 30	
2016	\$ 101,148
2017	101,148
2018	101,148
2019	101,148
2020	<u>33,717</u>
	438,309
Less: amount representing interest	<u>(49,929)</u>
Present value of minimum lease payments	<u>\$ 388,380</u>
Current maturities	\$ 81,468
Non-current maturities	<u>306,912</u>
	<u>\$ 388,380</u>

The net book value of the equipment at June 30, 2015 is \$387,411.

Capital assets under capital leases are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

### NOTE F – LONG-TERM OBLIGATIONS – CONTINUED

#### Accumulated Unpaid Sick Leave Benefits

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

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

Long-term liability activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts due in one year
Revenue bonds payable	\$ 66,745,000	\$ 11,970,000	\$ 15,110,000	\$ 63,605,000	\$ 3,540,000
KISTA capital lease obligation	-	372,288	43,992	328,296	40,052
Other capital lease obligation	-	440,218	51,838	388,380	81,468
Claims payable - KSBIT	160,288	-	40,072	120,216	20,036
Net Pension Liability - CERS	9,279,959	-	1,078,650	8,201,309	-
Accrued sick leave	578,192	150,330	222,928	505,594	101,119
	<u>\$ 76,763,439</u>	<u>\$ 12,932,836</u>	<u>\$ 16,547,480</u>	<u>\$ 73,148,795</u>	<u>\$ 3,782,675</u>

The debt service fund is primarily responsible for paying the bond obligations through funding from the capital outlay fund. The general fund is primarily responsible for paying accrued sick leave.

### NOTE G – FUND BALANCES

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2015, the District had \$244,984 in restricted fund balance for future construction.

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 \$1,270,756 in committed funds at June 30, 2015 committed as follows: \$265,756 for technology, \$430,000 for future construction, \$325,000 for buses, and \$250,000 committed for sick leave.

Assigned fund balances represent amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. The District had \$15,709 assigned for open purchase orders encumbered at June 30, 2015.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

### NOTE G – FUND BALANCES – CONTINUED

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.

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

### NOTE H – RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

#### General information about the County Employees Retirement System Non-Hazardous ("CERS")

*Plan description*—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

*Benefits provided*—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and the sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and the sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

### NOTE H – RETIREMENT PLANS – CONTINUED

\$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

*Contributions* – Required contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

### General information about the Teachers' Retirement System of the State of Kentucky ("KTRS")

*Plan description*—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at [http://www.ktrs.ky.gov/05\\_publications/index.htm](http://www.ktrs.ky.gov/05_publications/index.htm).

*Benefits provided*—For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

### NOTE H – RETIREMENT PLANS – CONTINUED

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.105% of their salaries to the System. University employees are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 7.68% of their salary to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

#### **Medical Insurance Plan**

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

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees 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-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

**NELSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2015

**NOTE H – RETIREMENT PLANS – CONTINUED**

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District’s proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability – CERS	\$ 8,201,309
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>122,991,359</u>
Total	<u>\$ 131,192,668</u>

The net pension liability for each plan was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District’s proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District’s proportion was 0.252785 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$932,303 related to CERS and \$2,898,331 related to KTRS. The District also recognized revenue of \$2,898,331 for KTRS support provided by the Commonwealth. At June 30, 2014, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>CERS:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	915,465
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	<u>1,025,211</u>	<u>-</u>
	<u>\$ 1,025,211</u>	<u>\$ 915,465</u>

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

### NOTE H – RETIREMENT PLANS – CONTINUED

\$1,025,211 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:			
	2016	\$	183,093
	2017		183,093
	2018		183,093
	2019		183,093
	2020		183,093

*Actuarial assumptions* - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	3.50%	3.50%
Salary Increases	4.50%	4.0-8.2%
Investment rate of return	7.75%	7.50%

For CERS, Mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

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

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

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

### NOTE H – RETIREMENT PLANS – CONTINUED

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U. S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
	<u>100%</u>	

*Discount rate*—For CERS, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

*Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate*—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

### NOTE H – RETIREMENT PLANS – CONTINUED

	1% Decrease	Current Discount Rate	1% Increase
CERS	6.75%	7.75%	8.75%
District's proportionate share of the net pension liability	\$ 10,792,377	\$ 8,201,309	\$ 5,912,044
KTRS	4.23%	5.23%	6.23%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -

*Pension plan fiduciary net position*—Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

#### Deferred Compensation

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits 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 on this financial statement.

### NOTE I – 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 based upon the grantor's review, the funds are considered not to have 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.

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress of the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

In fiscal year 2014 the District was notified that in order to settle outstanding claims and deficits of the Kentucky School Boards Insurance Trust (KSBIT), a non-profit self-insured pool, an assessment would be made to present and prior insurance trust members. The District did not record an estimated liability as of June 30, 2014 on the government-wide statement of net position as the liability was not reasonably estimable.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

### NOTE I – CONTINGENCIES - CONTINUED

In August 2014, the District was notified of the final assessment of \$160,288. The claim is to be paid over a seven-year period. The balance of the claim payable at June 30, 2015 total \$120,216 in the statement of net position. Payments due under the claim at June 30, 2015 are as follows:

Year Ending June 30	
2016	\$ 20,036
2017	20,036
2018	20,036
2019	20,036
2020	20,036
2021	<u>20,036</u>
	<u>\$ 120,216</u>

### NOTE J – 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. The Nelson County School District is covered by insurance which provides for a defense and response to the litigation.

### NOTE K – INSURANCE AND RELATED ACTIVITIES

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

### NOTE L – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until 24 months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving 90 days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro-rata basis.

**NELSON COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2015

**NOTE L – RISK MANAGEMENT – CONTINUED**

The District purchases unemployment insurance through the Kentucky School Board’s 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 M – DEFICIT OPERATING BALANCES**

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

Food Service Fund	\$	285,293
Child Care Fund		18,108

**NOTE N – COBRA**

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

**NOTE O – TRANSFER OF FUNDS**

The following transfers were made during the year ending June 30, 2015:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special Revenue	Technology Match	\$ 131,419
Capital Outlay Fund	Debt Service Fund	Debt Service	\$ 121,476
Capital Outlay Fund	Construction Fund	Construction Projects	\$ 297,717
Building Fund	Debt Service Fund	Debt Service	\$ 4,264,136

**NOTE P – ON-BEHALF PAYMENTS**

The District receives on-behalf payments from the State of Kentucky for items including retirement and insurance as well as debt service on-behalf payments from the Kentucky School Facility Construction Commission for debt service. The amount received for the fiscal year ended June 30, 2015 was \$8,115,324. These payments were recorded as follows:

General Fund	\$	6,881,813
Debt Service Fund		869,836
Food Service Fund		268,250
Child Care Fund		95,425
	\$	<u>8,115,324</u>

On-behalf payments consisted of the following: \$2,898,331 related to KTRS, \$4,264,693 related to payroll items and benefits (primarily health insurance) net of federal reimbursements, \$82,464 related to technology, and \$869,836 related to debt service.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

### NOTE Q – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 2, 2015, the date which the financial statements were available to be issued.

Subsequent to June 30, 2015, the District approved an increase in the property tax rate to 74.0 cents per \$100 in assessed value of real estate and personal property.

Subsequent to June 30, 2105, the District began Phase III of the Thomas Nelson High School Auditorium Project. The budgeted cost of the project is estimated at \$3.158 million.

### NOTE R – CHANGES IN ACCOUNTING PRINCIPLES AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES

Effective July 1, 2014, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement no. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50, "Pension Disclosures", as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$9,279,959 reduction in beginning net position on the Statement of Activities and an increase of \$1,095,488 of deferred outflows of resources – District contributions subsequent to the measurement date.

### NOTE S – EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

In June 2015, the GASB issued Statement No. 72, *Fair Value Measurements and Application*. GASBS No. 72 addresses accounting and financial reporting issues related to fair value measurements. The statement defines *fair value* as the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. This statement is effective for periods beginning after June 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASBS No. 75 requires additional accounting and reporting for governments that provides other post-employment benefits (OPEB) other than pensions to its employees. This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

# NELSON COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

### **NOTE S – EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS – CONTINUED**

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

1. Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
2. The gross dollar amount of taxes abated during the period
3. Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

This statement is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**NELSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET TO ACTUAL  
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Taxes:				
Property	\$ 8,950,000	8,950,000	\$ 8,959,689	\$ 9,689
Motor vehicle	1,215,000	1,215,000	1,231,849	16,849
Utilities	1,725,000	1,725,000	1,725,906	906
Distilled spirits tax	1,850,000	1,995,000	1,998,118	3,118
Tuition and fees	-	-	3,324	3,324
Earnings on investments	-	-	259	259
Other local revenues	145,000	145,000	202,538	57,538
Intergovernmental - state	21,801,000	21,695,411	22,277,932	582,521
<b>Total Revenues</b>	<u>35,686,000</u>	<u>35,725,411</u>	<u>36,399,615</u>	<u>674,204</u>
<b>Expenditures:</b>				
Instruction	20,284,486	20,309,249	20,538,313	(229,064)
Support services:				
Student	1,473,040	1,463,039	1,497,866	(34,827)
Instruction staff	1,621,440	1,635,977	1,571,292	64,685
District administration	1,399,133	1,399,133	1,139,144	259,989
School administrative	2,742,828	2,708,374	2,825,914	(117,540)
Business	1,445,335	1,447,300	1,767,999	(320,699)
Plant operation and maintenance	3,485,024	3,479,334	4,076,270	(596,936)
Student transportation	3,016,060	3,006,058	3,608,582	(602,524)
Community service activities	-	-	48	(48)
<b>Total Expenditures</b>	<u>35,467,346</u>	<u>35,448,464</u>	<u>37,025,428</u>	<u>(1,576,964)</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>218,654</u>	<u>276,947</u>	<u>(625,813)</u>	<u>(902,760)</u>
<b>Other financing sources (uses)</b>				
Proceeds from capital leases	-	-	812,506	812,506
Proceeds from sale of fixed assets	-	-	3,648	3,648
Contingency	(1,821,649)	(1,650,000)	-	1,650,000
Operating transfers in	200,000	100,000	100,000	-
Operating transfers out	(95,000)	(284,951)	(131,419)	153,532
<b>Total other financing sources (uses)</b>	<u>(1,716,649)</u>	<u>(1,834,951)</u>	<u>784,735</u>	<u>2,619,686</u>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<u>\$ (1,497,995)</u>	<u>\$ (1,558,004)</u>	<u>\$ 158,922</u>	<u>\$ 1,716,926</u>
<b>Fund balance, July 1, 2014</b>	1,497,995	1,558,004	2,828,764	
<b>Fund balance, June 30, 2015</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,987,686</u>	

See accompanying report of independent auditors.

**NELSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET TO ACTUAL  
SPECIAL REVENUE FUND**

FOR THE YEAR ENDED JUNE 30, 2015

	<b>Budget</b>		<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Tuition and fees	\$ -	\$ -	\$ 101,368	\$ 101,368
Other local revenues	35,000	38,000	388,125	350,125
Intergovernmental - state	1,490,055	1,500,301	1,321,356	(178,945)
Intergovernmental - indirect federal	2,281,666	2,328,369	2,127,977	(200,392)
<b>Total Revenues</b>	<b>3,806,721</b>	<b>3,866,670</b>	<b>3,938,826</b>	<b>72,156</b>
<b>Expenditures:</b>				
Instruction	3,020,841	2,588,563	2,680,407	(91,844)
Support services:				
Student	32,825	363,141	403,257	(40,116)
Instruction staff	224,826	239,427	159,594	79,833
Business	135,000	135,000	47,583	87,417
Plant operation and maintenance	-	-	18,647	(18,647)
Student transportation	175,025	321,025	417,522	(96,497)
Community Service Activities	293,204	294,514	343,235	(48,721)
<b>Total Expenditures</b>	<b>3,881,721</b>	<b>3,941,670</b>	<b>4,070,245</b>	<b>(128,575)</b>
<b>Excess (Deficit) Of Revenues Over Expenditures</b>	<b>(75,000)</b>	<b>(75,000)</b>	<b>(131,419)</b>	<b>(56,419)</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	75,000	75,000	131,419	56,419
Operating transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>75,000</b>	<b>75,000</b>	<b>131,419</b>	<b>56,419</b>
<b>Excess (Deficit) Of Revenues &amp; Other Financing Sources Over Expenditures &amp; Other Financing Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund Balance, July 1, 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Fund Balance, June 30, 2015</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

See accompanying report of independent auditors.

# NELSON COUNTY SCHOOL DISTRICT

## SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

FOR THE YEAR ENDED JUNE 30, 2015

### KTRS

	*	*	*	*	*	*	*	*	*	
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's proportion of the net pension liability	0.000000%									
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commonwealth's proportionate share of the net pension liability	<u>122,991,359</u>	-	-	-	-	-	-	-	-	-
Total	<u>\$ 122,991,359</u>	<u>\$ -</u>								
District's covered-employee payroll	\$ 19,139,900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%									
Plan fiduciary net position as a percentage of the total pension liability	45.59%									

### CERS

	*	*	*	*	*	*	*	*	*	
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's proportion of the net pension liability	0.252785%									
District's proportionate share of the net pension liability	\$ 8,201,309	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 5,802,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's proportionate share of the net pension liability as a percentage of its covered payroll	141.35%									
Plan fiduciary net position as a percentage of the total pension liability	66.80%									

\* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will report available information.

Note: The amounts presented for each fiscal year were determined as of the prior fiscal year-end June 30, 2014.

See accompanying report of independent auditors.

**NELSON COUNTY SCHOOL DISTRICT**

**SCHEDULES OF DISTRICT CONTRIBUTIONS**

**LAST 10 FISCAL YEARS**

**KTRS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 581,929	\$ 442,139	\$ 339,435	\$ 230,147	\$ 224,578	\$ 180,196	\$ 98,836	\$ 97,855	\$ 104,776	\$ 95,277
Contributions in relation to the contractually required contribution	<u>581,929</u>	<u>442,139</u>	<u>339,435</u>	<u>230,147</u>	<u>224,578</u>	<u>180,196</u>	<u>98,836</u>	<u>97,855</u>	<u>104,776</u>	<u>95,277</u>
Contribution (excess) deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
District's covered-employee payroll	\$ 19,139,900	\$ 18,756,900	\$ 18,979,000	\$ 19,429,000	\$ 18,805,500	\$ 20,835,600	\$ 19,761,500	\$ 19,750,700	\$ 18,097,000	\$ 16,764,200
Contributions as a percentage of covered employee payroll	3.0%	2.4%	1.8%	1.2%	1.2%	0.9%	0.5%	0.5%	0.6%	0.6%

**CERS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 1,025,211	\$ 1,096,853	\$ 1,116,087	\$ 1,133,804	\$ 1,002,750	\$ 972,537	\$ 808,902	\$ 965,133	\$ 723,027	\$ 554,767
Contributions in relation to the contractually required contribution	<u>1,025,211</u>	<u>1,096,853</u>	<u>1,116,087</u>	<u>1,133,804</u>	<u>1,002,750</u>	<u>972,537</u>	<u>808,902</u>	<u>965,133</u>	<u>723,027</u>	<u>554,767</u>
Contribution (excess) deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
District's covered-employee payroll	\$ 5,802,000	\$ 5,807,200	\$ 5,980,000	\$ 5,980,000	\$ 5,922,900	\$ 6,018,200	\$ 5,991,900	\$ 5,968,700	\$ 5,481,600	\$ 5,050,600
Contributions as a percentage of covered employee payroll	17.7%	18.9%	18.7%	19.0%	16.9%	16.2%	13.5%	16.2%	13.2%	11.0%

Note: The amounts presented for each fiscal year were determined as of the prior fiscal year-end June 30, 2014.

See accompanying report of independent auditors.

**NELSON COUNTY SCHOOL DISTRICT**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2015

***Changes of benefit terms:*** None

***Changes of assumptions:*** None

See accompanying report of independent auditors.

**SUPPLEMENTARY INFORMATION**

**NELSON COUNTY SCHOOL DISTRICT**

**COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2015

	<b>Debt Service Fund</b>	<b>Capital Outlay Fund</b>	<b>Building Fund</b>	<b>Total</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-
Total Assets & Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Liabilities &amp; Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	-	-	-	-
Total Liabilities	-	-	-	-
<b>Fund Balances:</b>				
Restricted	-	-	-	-
Total Fund Balances	-	-	-	-
Total Liabilities & Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying report of independent auditors.

**NELSON COUNTY SCHOOL DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES – NON-MAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Debt Service Fund</u>	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Total</u>
<b>Revenues:</b>				
From Local Sources:				
Taxes:				
Property	\$ -	\$ -	\$ 3,365,000	\$ 3,365,000
Intergovernmental - State	869,836	419,193	899,136	2,188,165
Total Revenues	<u>869,836</u>	<u>419,193</u>	<u>4,264,136</u>	<u>5,553,165</u>
<b>Expenditures</b>				
Debt Service - Principal	15,105,000	-	-	15,105,000
Debt Service - Interest	2,029,118	-	-	2,029,118
Debt Service - Issue costs	103,511	-	-	103,511
Total Expenditures	<u>17,237,629</u>	<u>-</u>	<u>-</u>	<u>17,237,629</u>
<b>Excess (deficit) of revenues over expenditures</b>	(16,367,793)	419,193	4,264,136	(11,684,464)
<b>Other financing sources (uses)</b>				
Proceeds from sale of bonds	11,995,740	-	-	11,995,740
Bond discount	(13,559)	-	-	(13,559)
Operating transfers in	4,385,612	-	-	4,385,612
Operating transfers out	-	(419,193)	(4,264,136)	(4,683,329)
Total other financing sources (uses)	<u>16,367,793</u>	<u>(419,193)</u>	<u>(4,264,136)</u>	<u>11,684,464</u>
<b>Change in fund balances</b>	-	-	-	-
<b>Fund balance, July 1, 2014</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, June 30, 2015</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying report of independent auditors.

**NELSON COUNTY SCHOOL DISTRICT**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION – AGENCY FUNDS**

JUNE 30, 2015

	<u>Bloomfield Middle School</u>	<u>New Haven Elementary School</u>	<u>Boston Elementary School</u>	<u>Old Ky Home Middle School</u>	<u>Cox's Creek Elementary School</u>	<u>Foster Heights Elementary School</u>
<b>Assets</b>						
Cash and cash equivalents	\$ 53,225	\$ 49,347	\$ 35,876	\$ 64,681	\$ 20,563	\$ 51,905
Accounts receivable	-	-	-	-	-	-
<b>Total assets</b>	<u>\$ 53,225</u>	<u>\$ 49,347</u>	<u>\$ 35,876</u>	<u>\$ 64,681</u>	<u>\$ 20,563</u>	<u>\$ 51,905</u>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to student groups	53,225	49,347	35,876	64,681	20,563	51,905
<b>Total liabilities</b>	<u>\$ 53,225</u>	<u>\$ 49,347</u>	<u>\$ 35,876</u>	<u>\$ 64,681</u>	<u>\$ 20,563</u>	<u>\$ 51,905</u>
	<u>Nelson County High School</u>	<u>Bloomfield Elementary School</u>	<u>Thomas Nelson High School</u>	<u>Early Childhood Center</u>	<u>Horizons Academy</u>	<u>Total Agency Funds</u>
<b>Assets</b>						
Cash and cash equivalents	\$ 208,549	\$ 66,675	\$ 136,034	\$ 1,787	\$ 1,566	\$ 690,208
Accounts receivable	-	-	-	-	-	-
<b>Total assets</b>	<u>\$ 208,549</u>	<u>\$ 66,675</u>	<u>136,034</u>	<u>1,787</u>	<u>1,566</u>	<u>690,208</u>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	-	-	-	-
Due to student groups	208,549	66,675	136,034	1,787	1,566	690,208
<b>Total liabilities</b>	<u>\$ 208,549</u>	<u>\$ 66,675</u>	<u>\$ 136,034</u>	<u>\$ 1,787</u>	<u>\$ 1,566</u>	<u>\$ 690,208</u>

See accompanying report of independent auditors.

**NELSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF ASSETS, RECEIPTS, DISBURSEMENTS, AND LIABILITIES – ALL SCHOOLS**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Cash Balance July 1, 2014</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Cash Balance June 30, 2015</b>	<b>Due to Student Groups June 30, 2015</b>
Bloomfield Middle School	\$ 53,800	\$ 127,099	\$ 127,674	\$ 53,225	\$ 53,225
New Haven Elementary School	39,663	79,597	69,913	49,347	49,347
Boston Elementary School	44,608	46,666	55,398	35,876	35,876
Old Ky Home Middle School	81,384	145,858	162,561	64,681	64,681
Cox's Creek Elementary School	65,593	114,823	159,853	20,563	20,563
Foster Heights Elementary School	64,924	94,073	107,092	51,905	51,905
Nelson County High School	194,168	600,909	586,528	208,549	208,549
Bloomfield Elementary School	58,958	66,144	58,427	66,675	66,675
Thomas Nelson High School	109,416	414,577	387,959	136,034	136,034
Nelson Co. Early Learning Center	4,986	12,399	15,598	1,787	1,787
Horizons Academy	-	2,128	562	1,566	1,566
<b>Totals</b>	<b>\$ 717,500</b>	<b>\$ 1,704,273</b>	<b>\$ 1,731,565</b>	<b>\$ 690,208</b>	<b>\$ 690,208</b>

See accompanying report of independent auditors.

# NELSON COUNTY SCHOOL DISTRICT

## SCHEDULE OF ASSETS, RECEIPTS, DISBURSEMENTS, AND LIABILITIES – NELSON COUNTY HIGH SCHOOL

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Cash Balance July 1, 2014	Receipts	Disbursements	Cash Balance June 30, 2015	Accounts Receivable and due from other funds	Due to Student Groups June 30, 2015
Administration	\$ 251	-	251	\$ -	\$ -	\$ -
General fund	438	4,479	3,253	1,664	-	1,664
Athletic Vending	5,523	2,075	5,272	2,326	-	2,326
Concessions	-	41,905	36,032	5,873	-	5,873
Teachers' Lounge	2,864	3,588	4,693	1,759	-	1,759
Band	2,122	18,369	20,491	-	-	-
Band Fundraising	-	27,621	18,641	8,980	-	8,980
Corporate Analysis	-	418	418	-	-	-
Field Trips	-	-	-	-	-	-
Cardinal Collection	-	-	-	-	-	-
Board Tuition	-	5,490	5,490	-	-	-
AP Tests	473	7,110	7,583	-	-	-
Board Parking Pass	-	1,323	1,323	-	-	-
Drama	2,430	10,389	6,089	6,730	-	6,730
Guidance	692	1,149	1,040	801	-	801
Special Education	479	398	143	734	-	734
Prom	1,770	14,978	12,169	4,579	-	4,579
Library	2,100	237	2,337	-	-	-
Nurse	1,570	32	169	1,433	-	1,433
Colorguard	-	7,386	5,857	1,529	-	1,529
Textbook - Lost/Damaged	984	499	1,483	-	-	-
Use of Building	3,105	7,251	5,859	4,497	-	4,497
Yearbook	38,555	3,440	2,007	39,988	-	39,988
Student Beverage	2,386	779	2,939	226	-	226
ROTC - Unit Funds	5,659	9,826	9,961	5,524	-	5,524
Instructional	3,703	9,387	13,090	-	-	-
Science Department	8,495	11,308	19,803	-	-	-
Art	-	7,009	6,694	315	-	315
Board Art	1,536	3,265	4,801	-	-	-
Renaissance Class	56	-	-	56	-	56
PE Class	162	-	-	162	-	162
Graduate Class	2,490	-	1,023	1,467	-	1,467
Math Dept.	98	-	28	70	-	70
Transition Acct.	961	900	1,129	732	-	732
Heritage Club	-	-	-	-	-	-
Key Club	1,218	7,356	7,642	932	-	932
Book Club - Page	43	-	-	43	-	43
FFA	2,885	33,849	32,036	4,698	-	4,698
STLP	12	-	-	12	-	12
St. Council	3,500	1,500	5,000	-	-	-
Grade 9	-	-	-	-	-	-
Grade 10	-	-	-	-	-	-
Grade 11	-	-	-	-	-	-
Grade 12	-	-	-	-	-	-
National Honor Society	489	5,415	5,847	57	-	57
FFA - Corn Maze	-	-	-	-	-	-
Tech. Student Assoc.	-	-	-	-	-	-
NHS Scholarship	1,015	1,000	2,000	15	-	15
Literary Magazine	41	-	-	41	-	41
Student Council	4,152	3,351	4,578	2,925	-	2,925
FFA - Scholarship	2,677	1,805	360	4,122	-	4,122
Academic Team	337	600	837	100	-	100
CASA-SADD	354	-	87	267	-	267
FFA - Fruit Sales	-	25	25	-	-	-

See accompanying report of independent auditors.

**NELSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF ASSETS, RECEIPTS, DISBURSEMENTS, AND LIABILITIES – NELSON COUNTY HIGH SCHOOL**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Cash Balance July 1, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash Balance June 30, 2015</u>	<u>Accounts Receivable and due from other funds</u>	<u>Due to Student Groups June 30, 2015</u>
<b>(Continued)</b>						
Fellowship-Christian	405	76	131	350	-	350
FFA - Greenhouse	1,851	-	1,851	-	-	-
FFA - Floriculture	25	-	25	-	-	-
FFA - Region Lincoln	1,383	2,298	2,036	1,645	-	1,645
Girls' Golf	342	3,793	3,631	504	-	504
Girls' Soccer	8,182	17,869	15,103	10,948	-	10,948
Athletic	16,278	103,171	113,322	6,127	-	6,127
Board Athletics	-	1,259	1,259	-	-	-
Boys' Basketball	5,043	11,946	13,846	3,143	-	3,143
Cardinal Concessions	-	13,719	13,719	-	-	-
Turf Account	1,091	33,533	-	34,624	-	34,624
Track	1,050	2,666	2,425	1,291	-	1,291
The End Zone	36	160	-	196	-	196
Boys' Soccer	1,552	6,135	5,498	2,189	-	2,189
Dance Team	210	-	-	210	-	210
Archery	507	1,500	1,038	969	-	969
Cross Country	7,319	18,126	17,624	7,821	-	7,821
Tennis	1,208	1,620	1,503	1,325	-	1,325
Baseball	4,499	17,704	14,627	7,576	-	7,576
Girls' Softball	1,800	11,565	10,075	3,290	-	3,290
Volleyball	4,872	19,585	23,494	963	-	963
Boys' Golf	3,691	1,500	1,238	3,953	-	3,953
Swim Team	190	4,520	3,675	1,035	-	1,035
Cheerleaders	2,085	19,903	17,916	4,072	-	4,072
Bowling Team	734	2,147	2,741	140	-	140
Lady Cards' Basketball	2,092	25,277	25,415	1,954	-	1,954
Wrestling	1,650	2,759	3,641	768	-	768
Football Team	7,011	29,592	31,835	4,768	-	4,768
NC Elementary Boys	8,487	24,784	32,568	703	-	703
Girls Soccer Boosters	-	-	-	-	-	-
Project Graduation	3,400	28,541	28,038	3,903	-	3,903
Volleyball Boosters	-	-	-	-	-	-
FFA Alumni	1,550	4,227	4,352	1,425	-	1,425
Sub Total	194,168	665,487	651,106	208,549	-	208,549
Transfers	-	64,578	64,578	-	-	-
<b>TOTAL</b>	<u>\$ 194,168</u>	<u>\$ 600,909</u>	<u>\$ 586,528</u>	<u>\$ 208,549</u>	<u>\$ -</u>	<u>\$ 208,549</u>

See accompanying report of independent auditors.

# NELSON COUNTY SCHOOL DISTRICT

## SCHEDULE OF ASSETS, RECEIPTS, DISBURSEMENTS, AND LIABILITIES – THOMAS NELSON HIGH SCHOOL

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Cash Balance July 1, 2014	Receipts	Disbursements	Cash Balance June 30, 2015	Accounts Receivable and due from other funds	Due to Student Groups June 30, 2015
General	\$ 1,717	2,426	3,566	\$ 577	\$ -	\$ 577
Board Account	-	46,664	46,664	-	-	-
Laying the Foundation	2,500	2,000	4,178	322	-	322
Tuition	-	58	-	58	-	58
Use of Building	317	-	317	-	-	-
Junior Chef	74	-	-	74	-	74
Guidance	116	494	576	34	-	34
SEA	92	400	-	492	-	492
Textbook Fees	7,382	-	7,382	-	-	-
SOC	143	5,970	4,253	1,860	-	1,860
Concessions	6,841	45,094	44,780	7,155	-	7,155
Concession Equipment	-	4,449	2,253	2,196	-	2,196
Athletics	4,137	62,938	53,268	13,807	-	13,807
Athletic Transportation	-	-	-	-	-	-
Staff Vending	-	2,418	2,058	360	-	360
Staff Flower Fund	-	-	-	-	-	-
Nurse	157	-	2	155	-	155
PEP Club	189	1,960	1,271	878	-	878
Ping Pong Club	63	-	-	63	-	63
Leadership Dynamics	39	4,601	1,791	2,849	-	2,849
STLP	37	228	257	8	-	8
FBLA	-	2,691	2,691	-	-	-
Fellowship Christian	251	-	-	251	-	251
Key Club	2,707	555	-	3,262	-	3,262
Leader Council	3,434	-	3,434	-	-	-
General Care	290	-	70	220	-	220
Smoking	649	-	649	-	-	-
Beta Club	1,178	10,005	7,455	3,728	-	3,728
Academic Team/FPS	-	455	455	-	-	-
Corp Scholars	-	-	-	-	-	-
Football	10,516	24,871	25,926	9,461	-	9,461
Volleyball	4,317	14,951	17,781	1,487	-	1,487
Boys Basketball	4,787	8,317	10,423	2,681	-	2,681
Boys Soccer	3,833	7,918	6,246	5,505	-	5,505
Girls Soccer	3,672	20,210	16,229	7,653	-	7,653
Golf	-	8,816	6,354	2,462	-	2,462
Bowling	3,689	2,950	3,802	2,837	-	2,837
Cross Country	-	5,191	4,390	801	-	801
Track & Field	-	-	-	-	-	-
Baseball	1,878	9,454	6,112	5,220	-	5,220
Wrestling	265	2,725	1,922	1,068	-	1,068
Girls Basketball	3,686	9,353	8,122	4,917	-	4,917
Archery	197	7,646	5,554	2,289	-	2,289
Girls Softball	1,638	10,164	7,117	4,685	-	4,685
Swim Team	-	438	438	-	-	-
Cheerleading	2,178	9,284	8,562	2,900	-	2,900
Tennis	26	2,683	2,457	252	-	252
Dance Team	894	9,208	9,881	221	-	221
Band	1,994	12,064	11,109	2,949	-	2,949
Drama	1,726	1,820	2,835	711	-	711
General Store	1,475	-	1,475	-	-	-
FFA	952	16,191	14,975	2,168	-	2,168
Corn Maze	491	8,301	6,482	2,310	-	2,310

See accompanying report of independent auditors.

**NELSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF ASSETS, RECEIPTS, DISBURSEMENTS, AND LIABILITIES – THOMAS NELSON HIGH SCHOOL**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Cash Balance July 1, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash Balance June 30, 2015</u>	<u>Accounts Receivable and due from other funds</u>	<u>Due to Student Groups June 30, 2015</u>
<b>(Continued)</b>						
Dodge	857	-	-	857	-	857
FFA Alumni	4,340	3,499	3,192	4,647	-	4,647
AP Test	1,455	15,602	14,772	2,285	-	2,285
Project Liftoff	127	13,380	13,193	314	-	314
Prom	3,713	6,900	4,905	5,708	-	5,708
Library	745	750	228	1,267	-	1,267
Yearbook	16,694	14,560	12,472	18,782	-	18,782
Journalism	-	-	-	-	-	-
Art	671	-	311	360	-	360
Physical Ed	64	-	-	64	-	64
National Honor Society	-	997	173	824	-	824
Math Dept	59	-	59	-	-	-
Humanities	161	-	161	-	-	-
Anatomy	3	-	3	-	-	-
AP Biology	-	-	-	-	-	-
Sub Total	109,416	441,649	415,031	136,034	-	136,034
Transfers	-	27,072	27,072	-	-	-
<b>TOTAL</b>	<u>\$ 109,416</u>	<u>\$ 414,577</u>	<u>\$ 387,959</u>	<u>\$ 136,034</u>	<u>\$ -</u>	<u>\$ 136,034</u>

See accompanying report of independent auditors.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NELSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department Of Education</u></b>			
Passed through the Kentucky Department of Education			
<b>Title I Cluster</b>			
Title I - Part A Cluster	84.010	3104	\$ 223,739
		3104M	3,574
		310A	<u>758,668</u>
TOTAL TITLE I CLUSTER			<u>985,981</u>
<b>Special Education Cluster (IDEA)</b>			
Special Education - Grants to State	84.027	3373	212
		3374	46,287
		3374P	44,937
		337A	845,885
		337AP	<u>45,673</u>
			<u>982,994</u>
Special Education - Preschool Grants	84.173	3434	19,086
		3434P	8,104
		343A	50,448
		343AP	<u>4,533</u>
			<u>82,171</u>
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)			<u>1,065,165</u>
<b>Vocational Education - Basic Grants to States</b>	84.048	3484	5,908
		3484A	989
		348A	<u>21,999</u>
			<u>28,896</u>
<b>Improving Teacher Quality - State Grants</b>	84.367	4013	4,592
		4014	<u>111,476</u>
			<u>116,068</u>
<b>Race to the Top</b>	84.416	4521	<u>7,607</u>
<b>Twenty-First Century Community Learning Centers</b>	84.287	5502J	1,327
		5503B	3,784
		5503U	5,000
		5503Z	31,328
		5504	<u>112,500</u>
			<u>153,939</u>
<b>Total U.S. Department Of Education</b>			<u>2,357,656</u>
<b><u>U.S. Department Of Agriculture</u></b>			
Child Nutrition Cluster:			
Cash Assistance			
Passed through the Kentucky Department of Education			
School Breakfast Program	10.553	090451999	381,386
National School Lunch Program	10.555	090451999	1,088,506
Noncash Assistance (Commodities)			
National School Lunch Program	10.555	090451999	<u>174,194</u>
<b>Total U.S. Department Of Agriculture</b>			<u>1,644,086</u>
<b>Total Federal Program Expenditures</b>			<u>\$ 4,001,742</u>

See accompanying report of independent auditors and notes to the schedule of expenditures of federal wards

## **NELSON COUNTY SCHOOL DISTRICT**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

JUNE 30, 2015

#### **NOTE 1 – BASIS OF PRESENTATION**

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

#### **NOTE 2 – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

#### **NOTE 3 – SUBRECIPIENTS**

There were no subrecipients during the year ending June 30, 2015.

**NELSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2015

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

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**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiencies(s) identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiencies(s) identified that are not considered to be material weakness(es)?  yes  none reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	<b>Title I Grants to Local Education Agencies</b>
84.027	<b>Special Education Cluster</b>
84.173	Grants to States Preschool Grants

**NELSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2015

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

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

Auditee qualified as low-risk auditee?           \_\_\_ yes                                    X  no

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**Section II – Financial Statement Findings**

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No findings to report.

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**Section III – Federal Award Findings and Questioned Costs**

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No findings or questioned costs to report.

## NELSON COUNTY SCHOOL DISTRICT

### SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

JUNE 30, 2015

#### REFERENCE NUMBER 2014-001

**Criteria:** The District's management is responsible for establishing and maintaining internal controls for the proper recording of all the District's accounting transactions.

**Condition:** As part of the audit for fiscal year ending June 30, 2014, we proposed material adjustments related to capital assets and long-term debt to the financial statements.

**Current Status:** For fiscal year 2015, management implemented additional procedures to identify and provide adjustments to auditors in order to adjust the governmental fund financial statements to the government-wide statement of net position and statement of activities. Management provided auditors with details of capital assets and long-term debt.

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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

Members of the Board of Education  
Nelson County School District  
Bardstown, Kentucky

We have audited, 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 of America and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I, II, III, and IV of 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 the Nelson County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Nelson County School District's basic financial statements and have issued our report thereon dated November 1, 2015.

#### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

We also noted certain other matters that we reported to management of Nelson County School District in a separate letter dated November 1, 2015.

### 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 Standard* and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I, II, III, and IV of the Independent Auditor's Contract in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bardstown, Kentucky  
November 1, 2015

# SMITH & COMPANY CPA's, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Education  
Nelson County School District  
Bardstown, Kentucky

### Report on Compliance for Each Major Federal Program

We have audited the Nelson County School District's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The Nelson County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

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

### Auditor's Responsibility

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

### Opinion on Each Major Federal Program

In our opinion, the Nelson County School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### Report on Internal Control Over Compliance

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

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

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

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



Bardstown, Kentucky  
November 1, 2015

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Nelson County School District  
Bardstown, Kentucky

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

However, during our audit we became aware of certain matters that are an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. A separate report dated November 1, 2015 contains our report on the District's internal control structure. This letter does not affect our report dated November 1, 2015 on the financial statements of the Nelson County School District.

We will review the status of our comments during our next audit engagement. We have already discussed the comments and suggestions with various District personnel, and their implementation is currently being reviewed. 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.

This report is intended solely for the information and use of management, members of the board of education, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,



Bardstown, Kentucky  
November 1, 2015

**NELSON COUNTY SCHOOL DISTRICT**

**MANAGEMENT LETTER COMMENTS**

JUNE 30, 2015

**CURRENT YEAR COMMENTS**

School Activity Funds – Required Procedures

**Criteria:** The Kentucky Department of Education “Red Book” requires use of specific forms (or reasonable facsimiles) and various procedures for certain activities. The chart below summarizes conditions we noted during our audit.

<b>Conditions:</b>	NH	TN HS	FH	BMS	NC HS	OKH MS	BES	BS	CC
Missing or incomplete fundraiser worksheets						√			
Multiple receipt forms not signed by students		√							
Inventory control sheets not completed or incomplete			√	√					
Sales tax paid on transaction(s)		√		√					
Check not properly voided									√
Credit Card Sign In/Out Log missing Purchase Order Number(s)	√	√	√		√		√	√	√
Credit Card Sign In/Out Log missing dates and/or signatures					√	√			√
Using outdated version of Redbook Form “Credit Card Sign In/Out Log” (F-SA-13)							√		

**Legend:**

- NH – New Haven School
- TNHS – Thomas Nelson High School
- FH – Foster Heights Elementary School
- BMS – Bloomfield Middle School
- NCHS – Nelson County High School
- OKHMS – Old Kentucky Home Middle School
- BES – Bloomfield Elementary School
- BS – Boston School
- CC – Cox’s Creek Elementary School

**Cause:** School personnel and principals did not ensure Red Book compliance for the instances noted above.

**Effect:** Noncompliance with the Red Book policies and procedures could lead to the misappropriation of assets.

**Recommendation:** We recommend the principal and bookkeeper at each school review the “Red Book” and comply with the policy and procedure requirements.

**Management’s Response:** We have stressed compliance with the Red Book to both principals and bookkeepers and require annual Red Book training.

**NELSON COUNTY SCHOOL DISTRICT**

**MANAGEMENT LETTER COMMENTS**

JUNE 30, 2015

**STATUS OF PRIOR YEAR FINDINGS**

The chart below summarizes conditions we noted during our audit for the year ending June 30, 2014.

<b>Conditions:</b>	NH	TN HS	FH	BMS	NC HS	OKH MS	BS	CC
Missing or incomplete fundraiser worksheets				√				
Missing multiple receipt forms				√	√	√	√	√
Multiple receipt forms not signed by students		√						
Inventory control sheets not completed or incomplete	√		√	√			√	
Purchase order not completed / approved							√	

**Legend:**

- NH – New Haven School
- TNHS – Thomas Nelson High School
- FH – Foster Heights Elementary School
- BMS – Bloomfield Middle School
- NCHS – Nelson County High School
- OKHMS – Old Kentucky Home Middle School
- BS – Boston School
- CC – Cox’s Creek Elementary School

**Current Status:** The principals and bookkeepers for the above schools have made significant progress toward eliminating the above conditions. Also, all bookkeepers attended a “Red Book” training course during the year ending June 30, 2015.

**Management’s Response:** We have stressed compliance with the Red Book to both principals and bookkeepers and require annual Red Book training. We believe schools are making significant progress towards eliminating procedural exceptions to Red Book policies and procedures.