

HARDIN COUNTY SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

Year Ended June 30, 2016

HARDIN COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Hardin County School District
Elizabethtown, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hardin County School District as of and for the year ended June 30, 2016, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2016, the District adopted Governmental Accounting Standards Board Statement 72, *Fair Value Measurement and Application* and Statement 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 11, budgetary comparison information on pages 49 to 50, schedule of proportionate share of the net pension liability on pages 51 to 52 and schedule of contributions on pages 53 to 54 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 Hardin County School District's basic financial statements. The combining financial statements, school schedules 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining financial statements, school schedules 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 accounting standards generally accepted in the United States of America. In our opinion, the combining financial statements, school schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 22, 2016, on our consideration of Hardin County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 Hardin County School District's internal control over financial reporting and compliance.



Certified Public Accountants
Elizabethtown, Kentucky
September 22, 2016

REQUIRED SUPPLEMENTARY INFORMATION

**HARDIN COUNTY SCHOOL DISTRICT - ELIZABETHTOWN, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2016**

The discussion and analysis of Hardin County School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to review the School District's financial performance as a whole; readers should also review the financial statements and notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- 1 The beginning General Fund fund balance was \$26.5 million. The ending fund balance was \$24.9 million. The major reason for the change was due to increased operational costs
- 2 The beginning Construction Fund fund balance was \$17.7 million. The ending fund balance was \$7.7 million. The major reason for the change in fund balance was due to bond proceeds being spent on construction projects.

USING THIS ANNUAL REPORT

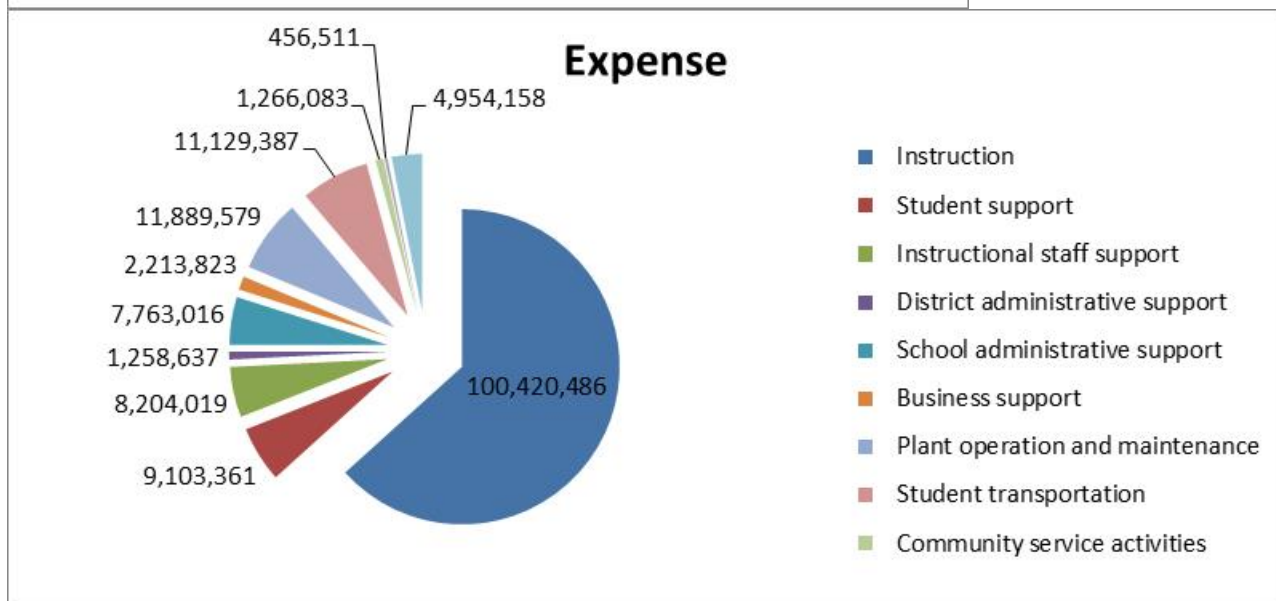
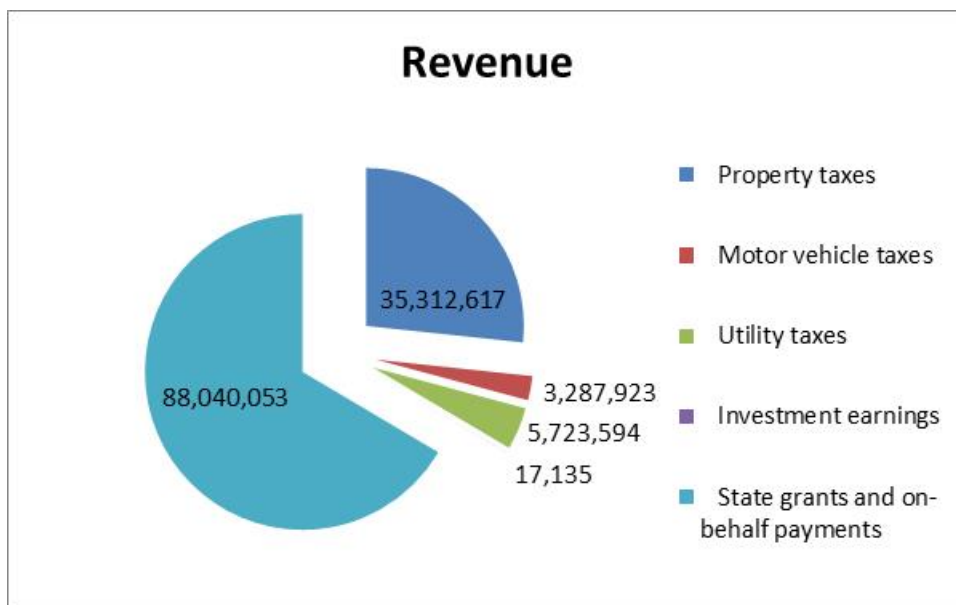
This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This 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 statement of net position presents information on all of the District's assets and deferred outflows and liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as one indicator of whether the financial position of the District is improving or deteriorating.

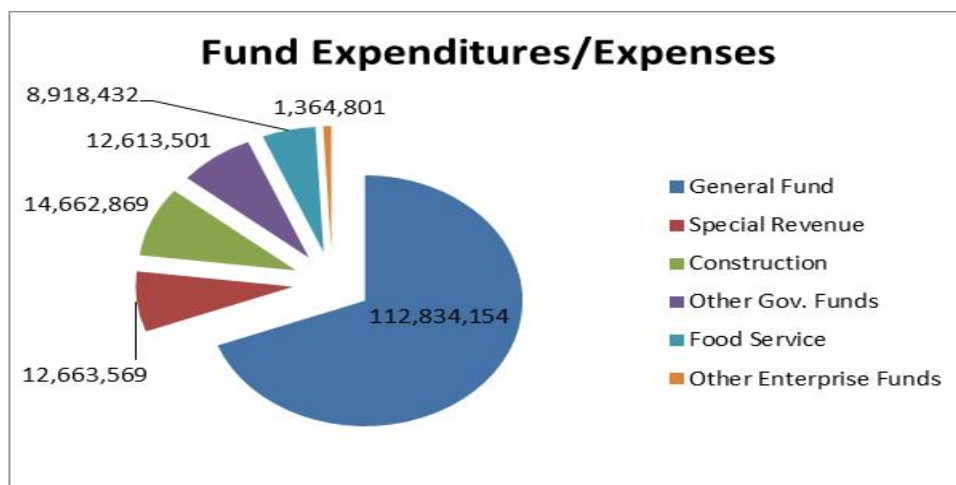
The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues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

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



The government-wide financial statements can be found on pages 12 - 13 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. The fiduciary funds are agency funds for student education and private purpose trust funds. The proprietary funds are the food service, child care, early college and career center and educational television operations. All other activities of the District are included in the governmental funds.



The basic governmental fund financial statements can be found on pages 14 – 22 of this report.

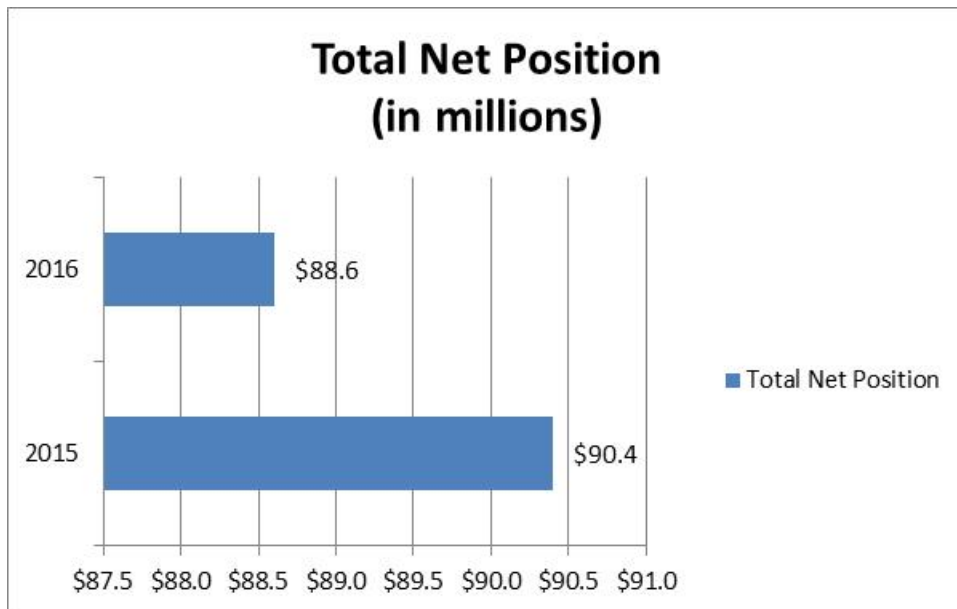
Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 - 48 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as an indicator of a government's financial position. In the case of the District, net position was \$91.4 million as of June 30, 2016. The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is 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 are not 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, disposal and depreciation of capital assets.

Net Position for the period ending June 30, 2016 and 2015
(Table 1)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 36,966,286	\$ 50,496,004	\$ 1,488,219	\$ 1,534,832	\$ 38,454,505	\$ 52,030,836
Capital Assets	221,235,811	213,103,667	1,079,561	1,088,164	222,315,372	214,191,831
Total Assets	258,202,097	263,599,671	2,567,780	2,622,996	260,769,877	266,222,667
Deferred Outflows	8,843,498	4,984,051	868,090	579,612	9,711,588	5,563,663
Long-term Debt	162,181,212	159,938,260	5,511,267	4,448,288	167,692,479	164,386,548
Other Liabilities	12,595,247	14,013,318	17,758	144,875	12,613,005	14,158,193
Total Liabilities	174,776,459	173,951,578	5,529,025	4,593,163	180,305,484	178,544,741
Deferred Inflows	1,432,718	2,352,500	276,682	496,500	1,709,400	2,849,000
Net Position						
Net investment in capital assets	87,519,068	72,507,808	1,079,561	1,088,164	88,598,629	73,595,972
Restricted	9,352,813	19,701,042	-	-	9,352,813	19,701,042
Unrestricted	(6,035,463)	70,794	(3,449,398)	(2,975,219)	(9,484,861)	(2,904,425)
Total Net Position	\$ 90,836,418	\$ 92,279,644	\$(2,369,837)	\$(1,887,055)	\$ 88,466,581	\$ 90,392,589

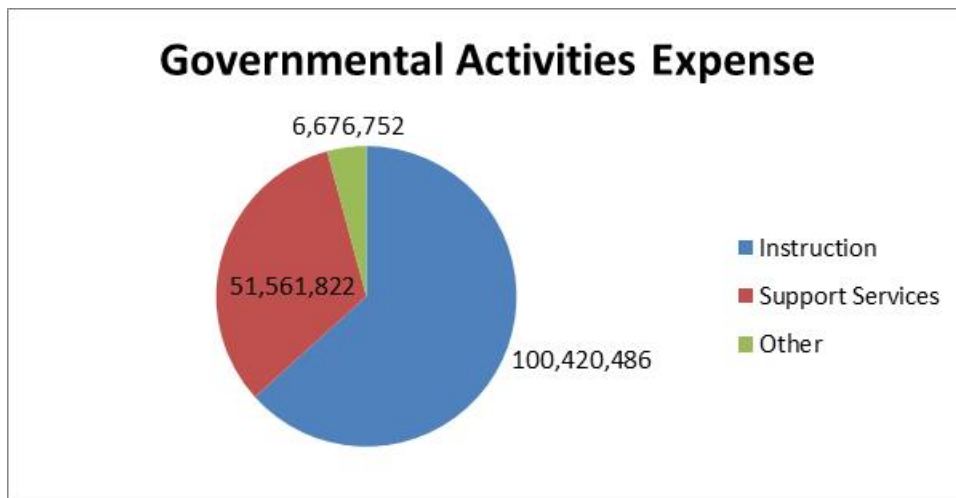


The following Table 2 presents a summary of changes in net position for the fiscal years ended June 30, 2016 and 2015.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program revenues						
Charges for services	\$ 156,492	\$ 125,880	\$ 2,434,248	\$ 2,686,992	\$ 2,590,740	\$ 2,812,872
Operating grants and contributions	51,713,653	47,235,563	7,662,885	6,743,264	59,376,538	53,978,827
Capital grants and contributions	5,757,589	5,939,952	-	-	5,757,589	5,939,952
General revenues						
Property taxes	35,312,617	33,195,533	-	-	35,312,617	33,195,533
Motor vehicle taxes	3,287,923	3,137,416	-	-	3,287,923	3,137,416
Utility taxes	5,723,594	6,022,713	-	-	5,723,594	6,022,713
Other taxes	10,498	9,276	-	-	10,498	9,276
Investment earnings	17,135	25,984	393	560	17,528	26,544
State and formula grants	54,668,081	54,267,931	-	-	54,668,081	54,267,931
Miscellaneous	738,832	569,104	-	-	738,832	569,104
Total revenues	157,386,414	150,529,352	10,097,526	9,430,816	167,483,940	159,960,168
EXPENSES						
Program Activities						
Instruction	100,420,486	90,325,891	-	-	100,420,486	90,325,891
Student support	9,103,361	8,515,917	-	-	9,103,361	8,515,917
Instructional staff support	8,204,019	8,078,034	-	-	8,204,019	8,078,034
District administrative support	1,258,637	1,423,087	-	-	1,258,637	1,423,087
School administrative support	7,763,016	8,303,433	-	-	7,763,016	8,303,433
Business support	2,213,823	1,981,626	-	-	2,213,823	1,981,626
Plant operation and maintenance	11,889,579	10,120,824	-	-	11,889,579	10,120,824
Student transportation	11,129,387	9,259,109	-	-	11,129,387	9,259,109
Community service activities	1,266,083	1,233,491	-	-	1,266,083	1,233,491
Other	456,511	340,899	-	-	456,511	340,899
Interest costs	4,954,158	5,028,147	-	-	4,954,158	5,028,147
Business-type Activities						
Food service	-	-	9,311,520	8,879,556	9,311,520	8,879,556
Childcare	-	-	1,284,739	574,099	1,284,739	574,099
Early College and Career Center	-	-	34,846	4,304	34,846	4,304
Educational television	-	-	119,783	86,680	119,783	86,680
Total expenses	158,659,060	144,610,458	10,750,888	9,544,639	169,409,948	154,155,097
Transfers	(170,580)	(14,280)	170,580	14,280	-	-
Extraordinary item - KSBIT	-	(469,354)	-	-	-	(469,354)
Increase (decrease) in net position	\$ (1,443,226)	\$ 5,435,260	\$ (482,782)	\$ (99,543)	\$ (1,926,008)	\$ 5,335,717

Governmental Activities

Instruction comprises 64%, support services comprise 32% and expense for community services, interest and other items accounts for 4% of governmental expenses.



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

	Governmental Activities Total Cost of Services		Net Cost of Services	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Instruction	\$ 100,420,486	\$ 90,325,891	\$ 59,485,237	\$ 53,780,912
Support Services	51,561,822	47,681,728	41,878,242	38,101,626
Community Services	1,266,083	1,233,793	76,739	55,097
Facility acquisition and construction	-	-	(4,649,556)	(4,831,918)
Other	456,511	340,899	394,539	283,233
Interest costs	4,954,158	5,028,147	3,846,125	3,920,113
Total expenses	<u>\$ 158,659,060</u>	<u>\$ 144,610,458</u>	<u>\$ 101,031,326</u>	<u>\$ 91,309,063</u>

Business-Type Activities

The business-type activities include the food service, child care, early college and career center and educational television operations. These programs had total revenues of \$10,097,526 and expenses of \$10,750,888 for fiscal year 2016. Of the revenues, \$2,434,248 was charges for services, \$7,662,885 was from State and Federal operating grants, and \$393 was from investment earnings. The food service fund also received \$170,580 of capital assets paid for by the Construction Fund. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of this activity. If it becomes necessary, the School District will make adjustments to the operations of this activity.

The School District's Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$184.9 million and expenditures and other financing uses of \$196.9 million. Net changes in fund balances for the year were most significant in the General Fund (\$1.7) million and the Construction Fund (\$10.1) million.

The decrease in the General Fund was primarily due to operational costs. The decrease in the Construction Fund was due to spending bond proceeds received during the previous fiscal 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 \$86.9 million with actual amounts of \$112.9 million. Budgeted expenditures of \$106.9 million compare with actual expenditures of \$112.8 million. The most significant fluctuation is for on-behalf payments of \$22.6 million.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016 the School District had \$222.3 million invested in land, land improvements, buildings, vehicles, equipment, and construction in progress, and \$221.2 million in governmental activities. Table 4 shows fiscal year 2016 and 2015 balances.

(Table 4)
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 7,539,317	\$ 7,539,317	\$ 16,790	\$ 16,790	\$ 7,556,107	\$ 7,556,107
Land improvements	2,701,183	1,861,393	-	-	2,701,183	1,861,393
Buildings and improvements	165,684,012	162,657,819	24,816	29,020	165,708,828	162,686,839
Technology	3,438,943	4,171,581	414	770	3,439,357	4,172,351
Vehicles	5,459,328	5,268,156	11,459	17,437	5,470,787	5,285,593
General equipment	1,916,720	2,053,107	1,026,082	1,024,147	2,942,802	3,077,254
Total	186,739,503	183,551,373	1,079,561	1,088,164	187,819,064	184,639,537
Construction in progress	34,496,308	29,552,294	-	-	34,496,308	29,552,294
Total	<u>\$ 221,235,811</u>	<u>\$ 213,103,667</u>	<u>\$ 1,079,561</u>	<u>\$ 1,088,164</u>	<u>\$ 222,315,372</u>	<u>\$ 214,191,831</u>

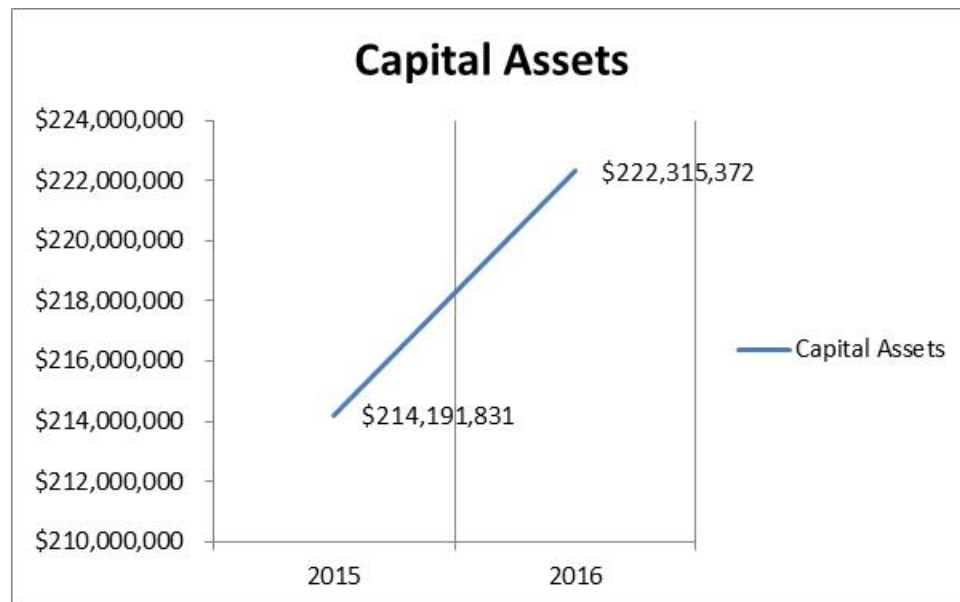


Table 5 shows the changes in capital assets for the fiscal years ended June 30, 2016 and 2015.

(Table 5)
Change in Capital Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 213,103,667	\$ 193,688,580	\$ 1,088,164	\$ 1,187,066	\$ 214,191,831	\$ 194,875,646
Additions	16,538,850	27,664,745	189,657	94,993	16,728,507	27,759,738
Retirements	(302,238)	(52,989)	(1,726)	(600)	(303,964)	(53,589)
Depreciation	(8,104,468)	(8,196,669)	(196,534)	(193,295)	(8,301,002)	(8,389,964)
Ending balance	<u>\$ 221,235,811</u>	<u>\$ 213,103,667</u>	<u>\$ 1,079,561</u>	<u>\$ 1,088,164</u>	<u>\$ 222,315,372</u>	<u>\$ 214,191,831</u>

Ongoing construction costs are in construction in progress at June 30, 2016.

Debt

At June 30, 2016, the School District had \$136.3 million in bonds outstanding, of this amount \$7.8 million is to be paid from KSFCC funding provided by the State of Kentucky. A total of \$7.6 million is due within one year. The District issued the 2016 refunding bonds during the fiscal year.

District Challenges for the Future

The primary challenges for Hardin County Schools are to continue to increase the level of achievement of our students, continue to maintain and improve the average daily attendance of our students, and continue to provide modern facilities for continuous growth in student enrollment.

The most important challenge is to increase the academic achievement of our students. The District is continuing programs such as IRead, APEX, and Compass Learning in many schools as measures to improve learning and data quality. In addition, a data consultant has been hired to review the data within the District to measure program success. Technology is being funded at higher levels to increase student development with hand held devices. The District is striving to be a one for one, bring your own device, District. Cecilia Valley Elementary will continue to be under construction and hopes to be open in 17-18 school year.

The second District challenge is maintaining and improving average daily attendance. The District receives funding through the SEEK formula based on this count. Growth within the District has steadily increased over the last year and is remaining constant. As a result of continued growth in average daily attendance the District was able to levy a BRAC nickel in FY11. This has enabled the District to add additional classroom space and improve overall building culture. Adhering to the facilities plan is essential in providing excellent learning environments to meet the needs of all students. It is important to note good attendance correlates to student achievement. Maintaining excellence and emphasizing service the public are the main factors influencing this District challenge.

The District is facing financial concerns with no additional state funding in SEEK through 2017-2018. A key challenge will be to maintain the level of student achievement with current funding sources.

Adhering to the facilities plan is essential in providing excellent learning environments to meet the needs of all our students. The District currently has one new school in construction and two being renovated.

Future Budgetary Implications

In Kentucky, the public schools fiscal year is July 1 - June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2016-2017 with a 5% contingency. Significant Board action that impacts the finances includes pay increases for all employees including KTRS and issuing a COLA raises, additional spending for facility repairs outside of bonded building and renovation projects, and continued funding of Board initiatives.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. Questions about this report or additional information needed should be directed to John Stith, Chief Operations Officer (270) 769-8800, 65 W. A. Jenkins Road, Elizabethtown, Kentucky, 42701.

BASIC FINANCIAL STATEMENTS

HARDIN COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2016

Assets	Governmental Activities	Business- Type Activities	Total
<u>Current Assets</u>			
Cash, cash equivalents and investments	\$ 33,784,311	\$ 1,160,363	\$ 34,944,674
Inventory		269,776	269,776
Receivables:			
Taxes-current	672,571		672,571
Taxes-delinquent	71,405		71,405
Other receivables	189,433	7,541	196,974
Intergovernmental-State	223,333		223,333
Intergovernmental-Indirect Federal	1,898,250	50,539	1,948,789
Intergovernmental-Direct Federal	126,983		126,983
Total Current Assets	36,966,286	1,488,219	38,454,505
<u>Noncurrent Assets</u>			
Non-depreciable capital assets	42,035,625	16,790	42,052,415
Depreciable capital assets, net of accumulated depreciation	179,200,186	1,062,771	180,262,957
Total Noncurrent Assets	221,235,811	1,079,561	222,315,372
Total Assets	258,202,097	2,567,780	260,769,877
<u>Deferred Outflows of Resources</u>			
Deferred amount on debt refundings	4,348,351		4,348,351
CERS	4,495,147	868,090	5,363,237
Total Deferred Outflows of Resources	8,843,498	868,090	9,711,588
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable	2,447,197	17,758	2,464,955
Unearned revenue	890,333		890,333
Bond obligations	7,565,000		7,565,000
Compensated absences	349,187		349,187
Interest payable	1,343,530		1,343,530
Total Current Liabilities	12,595,247	17,758	12,613,005
<u>Noncurrent Liabilities</u>			
Bond obligations	130,500,094		130,500,094
Net pension liability - CERS	28,538,439	5,511,267	34,049,706
Compensated absences	3,142,679		3,142,679
Total Noncurrent Liabilities	162,181,212	5,511,267	167,692,479
Total Liabilities	174,776,459	5,529,025	180,305,484
<u>Deferred Inflows of Resources</u>			
CERS	1,432,718	276,682	1,709,400
Total Deferred Inflows of Resources	1,432,718	276,682	1,709,400
<u>Net Position</u>			
Net investment in capital assets	87,519,068	1,079,561	88,598,629
Restricted	9,352,813		9,352,813
Unrestricted	(6,035,463)	(3,449,398)	(9,484,861)
Total Net Position	\$ 90,836,418	\$ (2,369,837)	\$ 88,466,581

The notes to the financial statements are an integral part of this statement.

HARDIN COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
Instruction	\$ 100,420,486	\$ 59,647	\$ 40,875,602	\$ -	\$ (59,485,237)	\$ -	\$ (59,485,237)
Support services:							
Student	9,103,361		1,907,721		(7,195,640)		(7,195,640)
Instruction staff	8,204,019		2,913,775		(5,290,244)		(5,290,244)
District administrative	1,258,637		90,559		(1,168,078)		(1,168,078)
School administrative	7,763,016		1,621,863		(6,141,153)		(6,141,153)
Business	2,213,823		330,657		(1,883,166)		(1,883,166)
Plant operation and maintenance	11,889,579		1,028,608		(10,860,971)		(10,860,971)
Student transportation	11,129,387	17,145	1,773,252		(9,338,990)		(9,338,990)
Community service activities	1,266,083	79,700	1,109,644		(76,739)		(76,739)
Facilities acquisition and construction				4,649,556	4,649,556		4,649,556
Other	456,511		61,972		(394,539)		(394,539)
Interest on long-term debt	4,954,158			1,108,033	(3,846,125)		(3,846,125)
Total Governmental Activities	158,659,060	156,492	51,713,653	5,757,589	(101,031,326)	-	(101,031,326)
Business-Type Activities:							
Food service	9,311,520	1,694,030	7,502,480			(115,010)	(115,010)
School Age Child Care	1,284,739	612,053	150,272			(522,414)	(522,414)
Early College and Career Center	34,846	39,200				4,354	4,354
Educational television	119,783	88,965	10,133			(20,685)	(20,685)
Total Business-Type Activities	10,750,888	2,434,248	7,662,885	-	-	(653,755)	(653,755)
Total Primary Government	\$ 169,409,948	\$ 2,590,740	\$ 59,376,538	\$ 5,757,589	(101,031,326)	(653,755)	(101,685,081)
General Revenues:							
Taxes:							
Property taxes					35,312,617		35,312,617
Motor vehicle taxes					3,287,923		3,287,923
Utility taxes					5,723,594		5,723,594
Other taxes					10,498		10,498
Investment earnings					17,135	393	17,528
State and formula grants					54,668,081		54,668,081
Miscellaneous					738,832		738,832
Transfers of capital assets					(170,580)	170,580	-
Total general revenues, transfers and extraordinary item					99,588,100	170,973	99,759,073
Change in net position					(1,443,226)	(482,782)	(1,926,008)
Net position - beginning,					92,279,644	(1,887,055)	90,392,589
Net position - ending					\$ 90,836,418	\$ (2,369,837)	\$ 88,466,581

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

HARDIN COUNTY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2016

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash, cash equivalents and investments	\$ 24,701,261	\$ -	\$ 9,031,111	\$ 818,331	\$ 34,550,703
Receivables:					
Taxes - current	672,571				672,571
Taxes - delinquent	71,405				71,405
Other receivables	189,418	15			189,433
Intergovernmental - State		223,333			223,333
Intergovernmental - Indirect Federal		1,898,250			1,898,250
Intergovernmental - Direct Federal		126,983			126,983
Total Assets	\$ 25,634,655	\$ 2,248,581	\$ 9,031,111	\$ 818,331	\$ 37,732,678
Liabilities and Fund Balances:					
Liabilities					
Accounts payable	\$ 780,984	\$ 248,019	\$ 1,401,981	\$ 16,213	\$ 2,447,197
Cash overdraft		766,392			766,392
Unearned revenue		890,333			890,333
Total Liabilities	780,984	1,904,744	1,401,981	16,213	4,103,922
Fund Balances					
Restricted	1,000,000	106,295	7,629,130	567,388	9,302,813
Committed	4,941,504			221,526	5,163,030
Assigned	878,147	237,542		13,204	1,128,893
Unassigned	18,034,020				18,034,020
Total Fund Balances	24,853,671	343,837	7,629,130	802,118	33,628,756
Total Liabilities and Fund Balances	\$ 25,634,655	\$ 2,248,581	\$ 9,031,111	\$ 818,331	\$ 37,732,678

The notes to the financial statements are an integral part of this statement.

HARDIN COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2016

Total fund balance per fund financial statements	\$ 33,628,756
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.	221,235,811
Governmental funds record debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are reported on the statement of net position as deferred outflows of resources.	4,348,351
Governmental funds do not record deferred outflows of resources for pension contributions after the measurement date but those are reported on the statement of net position as deferred outflows of resources.	4,495,147
Governmental funds do not record deferred inflows of resources for changes in the net investment difference but those are reported on the statement of net position as deferred inflows of resources.	(1,432,718)
Certain liabilities are not reported in this fund financial statement because because they are not due and payable, but they are presented in the statement of net position:	
Bonds payable (net of discounts and premiums)	(138,065,094)
Interest payable	(1,343,530)
Compensated absences	(3,491,866)
Net pension liability - CERS	<u>(28,538,439)</u>
Net position for governmental activities	<u>\$ 90,836,418</u>

The notes to the financial statements are an integral part of this statement.

HARDIN COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2016

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes:					
Property	\$ 25,902,010	\$ -	\$ -	\$ 9,410,607	\$ 35,312,617
Motor vehicle	3,287,923				3,287,923
Utilities	5,723,594				5,723,594
Other taxes	10,498				10,498
Earnings on investments	12,817	135	4,090	93	17,135
Other local revenues	451,138	102,207		341,979	895,324
Intergovernmental - State	77,153,618	5,128,846		5,757,589	88,040,053
Intergovernmental - Indirect Federal	336,510	6,636,104			6,972,614
Intergovernmental - Direct Federal	106,472	209,763			316,235
Total Revenues	112,984,580	12,077,055	4,090	15,510,268	140,575,993
Expenditures:					
Instruction	66,896,061	9,274,576		116,421	76,287,058
Support services:					
Student	8,810,507	29,378			8,839,885
Instruction staff	5,878,706	1,811,185		94,857	7,784,748
District administrative	1,324,485				1,324,485
School administrative	7,418,535	211			7,418,746
Business	2,066,422				2,066,422
Plant operation and maintenance	10,690,373	5,022		69,063	10,764,458
Student transportation	9,592,920	371,581		1,598	9,966,099
Facilities acquisition and construction	31,336		14,662,869		14,694,205
Community service activities	124,809	1,109,644			1,234,453
Other		61,972			61,972
Bond issue costs				151,600	151,600
Debt service:					
Principal				7,230,000	7,230,000
Interest				4,949,962	4,949,962
Total Expenditures	112,834,154	12,663,569	14,662,869	12,613,501	152,774,093
Excess (Deficit) of Revenues over Expenditures	150,426	(586,514)	(14,658,779)	2,896,767	(12,198,100)
Other Financing Sources (Uses):					
Refunding bond proceeds				25,925,000	25,925,000
Bond premium				1,837,124	1,837,124
Payment to refunded bond escrow agent				(27,610,372)	(27,610,372)
Insurance proceeds	41,126				41,126
Proceeds from disposal of capital assets	20,831				20,831
Transfers in	631,999	306,689	4,565,635	11,071,675	16,575,998
Transfers out	(2,515,820)			(14,060,178)	(16,575,998)
Total Other Financing Sources (Uses)	(1,821,864)	306,689	4,565,635	(2,836,751)	213,709
Net Change in Fund Balances	(1,671,438)	(279,825)	(10,093,144)	60,016	(11,984,391)
Fund Balance, July 1, 2015	26,525,109	623,662	17,722,274	742,102	45,613,147
Fund Balance, June 30, 2016	\$ 24,853,671	\$ 343,837	\$ 7,629,130	\$ 802,118	\$ 33,628,756

The notes to the financial statements are an integral part of this statement.

HARDIN COUNTY SCHOOL DISTRICT

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

Year Ended June 30, 2016

Net change in total fund balances per fund financial statements	\$ (11,984,391)
Amounts reported for governmental activities in the statement of activities are different because:	
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 exceeds depreciation expense for the year.	8,434,382
The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position.	(151,752)
Bond payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	7,230,000
In the statement of activities, only the gain (loss) on sale of capital assets is reported, whereas in the governmental funds, the proceeds for the sale increased financial resources.	(302,238)
The difference between actuarial pension contributions to CERS and actual contributions made are recorded as adjustments in the statement of activities.	(4,793,095)
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.	<u>123,868</u>
Change in net position of governmental activities	<u>\$ (1,443,226)</u>

The notes to the financial statements are an integral part of this statement.

HARDIN COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2016

	Food Service Fund	School Age Child Care	Other Enterprise Funds	Total Enterprise Funds
Assets				
<u>Current Assets</u>				
Cash, cash equivalents and investments	\$ 936,463	\$ 203,831	\$ 20,069	\$ 1,160,363
Accounts receivable			7,541	7,541
Inventory	269,776			269,776
Intergovernmental receivable - Indirect Federal	50,539			50,539
Total Current Assets	1,256,778	203,831	27,610	1,488,219
<u>Noncurrent Assets</u>				
Non-depreciable capital assets				
Capital assets, net of accumulated depreciation	16,790 1,062,771			16,790 1,062,771
Total Noncurrent Assets	1,079,561	-	-	1,079,561
Total Assets	2,336,339	203,831	27,610	2,567,780
Deferred Outflows of Resources				
CERS	729,582	131,338	7,170	868,090
Total Deferred Outflows of Resources	729,582	131,338	7,170	868,090
Liabilities				
<u>Current Liabilities</u>				
Accounts payable	10,952	4,813	1,993	17,758
Total Current Liabilities	10,952	4,813	1,993	17,758
<u>Noncurrent Liabilities</u>				
Net pension liability - CERS	4,631,917	833,828	45,522	5,511,267
Total Noncurrent Liabilities	4,631,917	833,828	45,522	5,511,267
Total Liabilities	4,642,869	838,641	47,515	5,529,025
Deferred Inflows of Resources				
CERS	232,536	41,861	2,285	276,682
Total Deferred Inflows of Resources	232,536	41,861	2,285	276,682
<u>Net Position</u>				
Net investment in capital assets	1,079,561			1,079,561
Unrestricted	(2,889,045)	(545,333)	(15,020)	(3,449,398)
Total Net Position	\$ (1,809,484)	\$ (545,333)	\$ (15,020)	\$ (2,369,837)

The notes to the financial statements are an integral part of this statement.

HARDIN COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended June 30, 2016

	Food Service Fund	School Age Child Care	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues				
Lunchroom sales	\$ 1,667,784	\$ -	\$ -	\$ 1,667,784
Other	26,246	612,053		638,299
Tuition and fees			128,165	128,165
Total Operating Revenues	1,694,030	612,053	128,165	2,434,248
Operating Expenses				
Salaries and wages	4,314,781	1,221,473	48,841	5,585,095
Materials and supplies	4,736,424	52,865	50,861	4,840,150
Depreciation	196,534			196,534
Other operating expenses	62,055	10,401	54,927	127,383
Total Operating Expenses	9,309,794	1,284,739	154,629	10,749,162
Operating (loss)	(7,615,764)	(672,686)	(26,464)	(8,314,914)
Non-Operating Revenues (Expenses)				
Federal grants	6,007,710			6,007,710
Donated commodities	575,040			575,040
State grants	79,441			79,441
State on-behalf payments	840,289	150,272	10,133	1,000,694
Loss on disposal of capital assets	(1,726)			(1,726)
Interest income	393			393
Total Non-Operating Revenues (Expenses)	7,501,147	150,272	10,133	7,661,552
Capital contributions	170,580			170,580
Changes in net position	55,963	(522,414)	(16,331)	(482,782)
Net Position, July 1, 2015	(1,865,447)	(22,919)	1,311	(1,887,055)
Net Position, June 30, 2016	\$ (1,809,484)	\$ (545,333)	\$ (15,020)	\$ (2,369,837)

The notes to the financial statements are an integral part of this statement.

HARDIN COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2016

	Food Service Fund	School Age Child Care	Other Enterprise Funds	Total Enterprise Funds
Cash Flows from Operating Activities				
Cash received from:				
Lunchroom sales	\$ 1,667,784	\$ -	\$ -	\$ 1,667,784
Other	26,246			26,246
Tuition and fees		617,807	126,378	744,185
Cash paid to/for:				
Employees	(3,410,954)	(588,917)	(29,848)	(4,029,719)
Supplies	(4,263,126)	(54,287)	(51,172)	(4,368,585)
Other activities	(62,055)	(10,400)	(44,794)	(117,249)
Net Cash Provided (Used) by Operating Activities	(6,042,105)	(35,797)	564	(6,077,338)
Cash flows from Non-Capital Financing Activities				
Federal grants	6,022,769			6,022,769
State grants	79,441			79,441
Net Cash Provided by Non-Capital Financing Activities	6,102,210	-	-	6,102,210
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(19,077)	-	-	(19,077)
Cash Flows from Investing Activities				
Sale of investments	(41,421)	35,797	2,198	(3,426)
Purchase of investments			(2,762)	(2,762)
Receipt of interest income	393			393
Net Cash Provided (Used) by Investing Activities	(41,028)	35,797	(564)	(5,795)
Net change in cash and cash equivalents	-	-	-	-
Balances, beginning of year	-	-	-	-
Balances, end of year	\$ -	\$ -	\$ -	\$ -
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating loss	\$ (7,615,764)	\$ (672,686)	\$ (16,331)	\$ (8,304,781)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation	196,534			196,534
Donated commodities	575,040			575,040
State on-behalf payments	840,289	150,272	10,133	1,000,694
GASB 68 pension expense	63,538	482,284	8,860	554,682
Change in assets and liabilities:				
Accounts receivable		5,754	(1,787)	3,967
Inventory	23,643			23,643
Accounts payable	(125,385)	(1,421)	(311)	(127,117)
Net Cash Provided (Used) by Operating Activities	\$ (6,042,105)	\$ (35,797)	\$ 564	\$ (6,077,338)
Schedule of Non-cash Transactions				
Donated commodities received from federal government	\$ 575,040	\$ -	\$ -	\$ 575,040
State on-behalf payments	\$ 840,289	\$ 150,272	\$ 10,133	\$ 1,000,694
CERS Pensions	\$ 63,538	\$ 482,284	\$ 8,860	\$ 554,682

The notes to the financial statements are an integral part of this statement.

HARDIN COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2016

	Private Purpose Trust Funds	Agency Fund
Assets		
Cash, cash equivalents and investments	\$ 185,675	\$ 1,241,307
Receivables		27,643
Total Assets	\$ 185,675	\$ 1,268,950
Liabilities		
Accounts payable	\$ -	\$ 74,233
Due to student groups		1,194,717
Total Liabilities	\$ -	\$ 1,268,950
Net Position Held in Trust	\$ 185,675	\$ -

The notes to the financial statements are an integral part of this statement.

HARDIN COUNTY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

Year Ended June 30, 2016

	Private Purpose Trust Funds
Additions	
Net interest and investment gains	\$ 68
Other additions	1,402
Deductions	
Expenses paid	<u>(1,300)</u>
Change in net position	170
Net Position, beginning of year	<u>185,505</u>
Net Position, end of year	<u><u>\$ 185,675</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hardin County School District (the "District") have been prepared to conform with Accounting Principles Generally Accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

The Hardin 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 Hardin County School District. 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.

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

Blended Component Unit – Hardin County School District Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Hardin 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. Therefore, the financial activities of the Corporation have been blended (reported as if it were part of the District) with those of the District. The Corporation does not publish individual component unit financial statements.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

Fund Financial Statements

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

The Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The Proprietary Funds are accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Funds reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

Governmental Funds

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Fund and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income. The following are the District's major Governmental Funds:

- (A) The General Fund is the main operating fund of the District. 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.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of 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. This is a major fund of the District.
- (C) The District Activity Fund is a Special Revenue Fund type and is used to account for funds received at the school level.
- (D) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (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.
- (E) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs; and for the payment of interest on notes payable, as required by Kentucky Law.

Proprietary Funds

Proprietary Funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses include salaries, benefits, supplies and other items. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has three Proprietary Funds.

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch and Breakfast Programs, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. The Food Service Fund is a major fund of the District.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- (B) The School Age Child Care program is used to account for funds received from tuition fees charges for after school care of students. This is a major fund of the District.
- (C) The Early College and Career Center program is used to account for funds received from activities held at the Early College and Career Center.
- (D) The Educational Television program is used to account for funds received from production services and the sale of recorded media.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District.

- 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.
- B. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments. Revenues consist of donations and interest income. Expenditures represent scholarships.

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.

Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty (60) days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Property tax revenue is recognized when taxes are received, except at year end when revenue is recognized for taxes received by the District within sixty (60) days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, claims and judgments and certain prepaids which are recognized when due/paid.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In all cases, monies received before the revenue recognition criteria have been met are reported as unearned revenue.

Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

Revenue Recognition

State Revenue Sources – Revenues from State sources for current operations are primarily from the Support Education Excellence in Kentucky ("SEEK"), administered by the Kentucky Department of Education ("KDE"). The District files reports on average daily attendance ("ADA") student membership with the KDE. The KDE accumulates information from these reports and calculates the allocation of SEEK funds to the District. After review and verification of ADA reports and supporting documentation, the KDE may adjust subsequent fiscal period allocations of SEEK funding. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made, as amounts are not significant.

Property Taxes – On an accrual basis, property tax revenue anticipated to be collected is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

C. BUDGETARY POLICIES

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).

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. All budget appropriations lapse at year-end.

D. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

E. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash equivalents are considered to be demand deposits, money market funds, and other investments with an original maturity of 90 days or less.

F. INVENTORIES

Inventories are valued at cost, which approximates market. The food service fund uses the specific identification method and the general fund uses the first-in, first-out method. Inventory. The District's inventories include various items consisting of school supplies, paper, books, maintenance items, transportation items, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method.

G. PREPAID ITEMS

Payments made that will benefit periods beyond June 30, 2014, 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.

H. 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 greater than \$5,000 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 does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an 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:

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	5-15 years
Food service equipment	5-12 years

I. LONG-TERM DEBT

In the fund-level financial statements, governmental funds report the face amount of debt issued, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums/discounts are amortized over the life of the bonds while deferred loss on advance refundings are amortized over the shorter of the remaining life of the refunded bonds or the life of the new bonds both in a systematic and rational method, which approximates the effective-interest method.

J. COMPENSATED ABSENCES

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

K. ACCOUNTING 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 financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

Recently Issued And Adopted Accounting Principles

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. GASB 69 establishes accounting and financial reporting standards related to fair value measurements. This statement is effective for periods beginning after June 15, 2015. This statement was adopted during the fiscal year ended June 30, 2016 and did not have an impact on the District's financial statements.

In December 2015, the GASB issued Statement 79, *Certain External Investment Pools and Pool Participants*. This statement is effective for periods beginning after June 15, 2015. This statement was adopted during the fiscal year ended June 30, 2016 and did not have an impact on the District's financial statements.

Recently Issued Accounting Pronouncements

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. 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.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. 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.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement is effective for periods beginning after June 15, 2017. 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 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. 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 August 2015, the GASB issued Statement 77, *Tax Abatement Disclosures*. This statement is effective for periods beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In December 2015, the GASB issued Statement 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement is effective for periods beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In January 2016, the GASB issued Statement 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement 14*. 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.

In March 2016, the GASB issued Statement 81, *Irrevocable Split-Interest Agreements*. This statement is effective for periods beginning after December 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In March 2016, the GASB issued Statement 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 72*. This statement is effective for periods beginning after June 15, 2016 except for the requirements of the Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

NOTE 2 – PROPERTY TAXES

Property Tax Revenues – Property taxes are normally 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 usual collection date is the period from November 1 through December 31. Property tax bills paid prior to December 1 receive a two percent discount. Property taxes received after December 31, are considered to be delinquent and the County Attorney can file a lien against the property.

The property tax rates assessed for the year ended June 30, 2016, to finance operations were \$.623 per \$100 valuation for real property, \$.623 per \$100 valuation for business personal property and \$.540 per \$100 valuation for motor vehicles.

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

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. At June 30, 2016, \$17,357,225 of the District's bank balance of \$18,543,126 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

Investments

As of June 30, 2016, the District had the following investments and maturities:

	Fair Value	Maturity Less Than 1 Year
Repurchase agreement	\$ 29,583,434	\$ 29,583,434

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the District's investing activities are under the custody of the District Finance Director. Investing policies comply with State Statutes. Kentucky Revised Statute 66.480 defines the following items as permissible investments:

- Obligations of the United States and of its agencies and instrumentalities;
- Obligations of any corporation of the United States Government;
- Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency;
- Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4)
- Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;
- Commercial paper rated in the highest category by a nationally recognized rating agency;
- Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency; and
- Shares of mutual funds, each of which shall have the following characteristics:
 1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 2. The management company of the investment company shall have been in operation for at least five (5) years; and
 3. All of the securities in the mutual fund shall be eligible investments pursuant to this section.

HARDIN COUNTY SCHOOL DISTRICT**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

June 30, 2016

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. **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. The District's repurchase agreement is held by the counterparty in the District's name. The repurchase agreement is collateralized at 102%. No investments are reported at amortized cost. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment is a level 2 input.

NOTE 4 – INTERFUND ACTIVITIES

The following transfers were made during the year:

Fund Financial Statements

From Fund	To Fund	Purpose	Amount
General	Special Revenue	Technology Match	\$ 306,689
General	Construction	Construction	1,821,793
General	Nonmajor Governmental	Debt Service	387,338
Nonmajor Governmental	General	COFT	91,680
Nonmajor Governmental	Construction	Construction	2,743,841
Nonmajor Governmental	General	BFFT	540,319
Nonmajor Governmental	Nonmajor Governmental	Debt Service	10,684,338
			<u>\$ 16,575,998</u>

Government-Wide Financial Statements

Construction	Food Service	Capital Assets	\$ 170,580
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HARDIN COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
June 30, 2016

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

Governmental Activities	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Capital Assets Not Being Depreciated:				
Land	\$ 7,539,317	\$ -	\$ -	\$ 7,539,317
Construction in progress	29,552,294	14,554,016	(9,610,002)	34,496,308
Total Capital Assets Not Being Depreciated	37,091,611	14,554,016	(9,610,002)	42,035,625
Capital Assets Being Depreciated:				
Land improvements	5,896,889	1,024,163	(129,986)	6,791,066
Buildings and improvements	229,059,809	8,329,953	(1,183,190)	236,206,572
Technology equipment	10,851,966	848,553	(1,055,977)	10,644,542
Vehicles	16,534,873	1,176,249	(1,441,373)	16,269,749
General equipment	9,606,550	215,918	(164,356)	9,658,112
Total Capital Assets Being Depreciated at Historical Cost	271,950,087	11,594,836	(3,974,882)	279,570,041
Less Accumulated Depreciation For:				
Land improvements	4,035,496	184,373	(129,986)	4,089,883
Buildings and improvements	66,401,990	5,031,920	(911,350)	70,522,560
Technology equipment	6,680,385	1,574,107	(1,048,893)	7,205,599
Vehicles	11,266,717	985,077	(1,441,373)	10,810,421
General equipment	7,553,443	328,991	(141,042)	7,741,392
Total accumulated depreciation	95,938,031	8,104,468	(3,672,644)	100,369,855
Total Other Capital Assets, net	176,012,056	3,490,368	(302,238)	179,200,186
Governmental Activities Capital Assets - Net	\$ 213,103,667	\$ 18,044,384	\$ (9,912,240)	\$ 221,235,811
Business-Type Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 16,790	\$ -	\$ -	\$ 16,790
Total Capital Assets Not Being Depreciated	16,790	-	-	16,790
Land improvements	14,407			14,407
Buildings and improvements	326,981			326,981
Technology equipment	24,219			24,219
Vehicles	109,421			109,421
General equipment	3,722,338	189,657	(57,605)	3,854,390
Totals at historical cost	4,197,366	189,657	(57,605)	4,329,418
Less Accumulated Depreciation For:				
Land improvements	14,407			14,407
Buildings and improvements	297,961	4,204		302,165
Technology equipment	23,449	356		23,805
Vehicles	91,984	5,978		97,962
General equipment	2,698,191	185,996	(55,879)	2,828,308
Total accumulated depreciation	3,125,992	196,534	(55,879)	3,266,647
Total Other Capital Assets, net	1,071,374	(6,877)	(1,726)	1,062,771
Business-Type Activities Capital Assets - Net	\$ 1,088,164	\$ (6,877)	\$ (1,726)	\$ 1,079,561

Depreciation was charged to governmental functions as follows:

Instruction	\$ 6,854,674
Student support	733
Instructional staff	75
District administration	40,029
School administration	6,926
Business support	12,751
Plant	241,007
Transportation	948,273
	<u>\$ 8,104,468</u>

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions and general liability coverage, the District purchases commercial insurance.

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

NOTE 7 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2016, is as follows:

Revenue bonds	\$ 142,865,000	\$ 25,925,000	\$ 32,460,000	\$ 136,330,000	\$ 7,565,000
Add: Premium	1,460,098	1,837,124	(190,130)	3,107,092	
Less: (Discount)	<u>(1,491,485)</u>		<u>119,487</u>	<u>(1,371,998)</u>	
Total Bonds Payable	142,833,613	27,762,124	32,389,357	138,065,094	7,565,000
Other Liabilities:					
Compensated absences	<u>3,619,929</u>	<u>631,753</u>	<u>759,816</u>	<u>3,491,866</u>	<u>349,187</u>
Total Other Liabilities	<u>3,619,929</u>	<u>631,753</u>	<u>759,816</u>	<u>3,491,866</u>	<u>349,187</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 146,453,542</u>	<u>\$ 28,393,877</u>	<u>\$ 33,149,173</u>	<u>\$ 141,556,960</u>	<u>\$ 7,914,187</u>

The debt service fund is primarily responsible for paying the bond obligations through funding from the general, capital outlay and FSPK funds. The general fund is primarily responsible for paying compensated absences.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

Bond Liabilities

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

Issue Date	Original Proceeds	Rates	Issue Date	Original Proceeds	Rates
February 2005	2,910,000	2.50% - 3.70%	July 2013 Refunding	14,585,000	2.00% - 2.75%
June 2005 Energy	5,455,000	3.30% - 4.20%	August 2013	16,610,000	0.50% - 4.25%
June 2006	14,145,000	4.00% - 4.375%	May 2014	21,230,000	2.00% - 3.50%
June 2007	17,430,000	4.00% - 4.75%	May 2014 Refunding	2,875,000	2.00% - 3.00%
July 2008	30,385,000	3.50% - 4.625%	November 2014 Refunding	7,300,000	2.00% - 3.00%
June 2009	1,980,000	2.00% - 4.00%	March 2015	14,510,000	2.00% - 3.25%
July 2010 Refunding	5,580,000	1.00% - 3.00%	March 2015 Refunding A	9,705,000	3.00% - 4.00%
February 2011	3,750,000	1.00% - 4.85%	March 2015 Refunding B	10,000,000	2.00% - 3.00%
May 2011	8,725,000	2.00% - 5.00%	March 2016 Refunding	25,925,000	2.00% - 3.00%

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 Hardin County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

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

On March 22, 2016, the District issued \$25,925,000 in Refunding Revenue Bonds with an average interest rate of 2.95 percent to advance refund \$25,230,000 of outstanding 2008 Series Bonds. The refunding was a partial advance refunding. The net proceeds of \$27,610,372 (after \$151,600 in cost of issuance, \$1,837,124 in bond premium and \$152 in excess cash which was deposited in the bond payment fund) were used to purchase U.S. Government securities. These securities were deposited in an irrevocable trust to call the bonds.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,380,372. This difference, reported in the accompanying government-wide financial statements as a deduction from bonds payable, is being charged to operations through the year 2029 using the straight-line method.

The District completed the refunding to reduce its total debt service payments over the next 13 years by \$1,600,636 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,350,616. The 2008 bonds will be called on August 1, 2018. Therefore they are considered defeased.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2016, for debt service (principal and interest) are as follows:

Year	Principal	Interest	Participation	District's Portion
2017	\$ 7,565,000	\$ 4,468,407	\$ 1,067,052	\$ 10,966,355
2018	5,975,000	4,300,891	786,631	9,489,260
2019	7,800,000	4,115,239	953,986	10,961,253
2020	8,465,000	3,884,538	953,986	11,395,552
2021	7,865,000	3,653,604	799,864	10,718,740
2022-2026	43,050,000	14,584,948	3,578,305	54,056,643
2027-2031	37,860,000	6,754,839	1,369,815	43,245,024
2032-2035	17,750,000	1,253,055	-	19,003,055
	<u>\$ 136,330,000</u>	<u>\$ 43,015,521</u>	<u>\$ 9,509,639</u>	<u>\$ 169,835,882</u>

NOTE 8 – PENSION PLANS

Plan Descriptions

The Hardin County School District participates in the Teachers' Retirement System of the State of Kentucky (KTRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. KTRS, which qualifies as a special funding situation under GASB 68, and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. KTRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The KTRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. KTRS' report may be obtained at www.ktrs.ky.gov. CERS' report may be obtained at www.kyret.ky.gov.

KTRS

Benefits Provided

For Members Before July 1, 2008:

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

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

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 8 – PENSION PLANS – CONTINUED

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members receive monthly payments equal to two percent (2%) (service prior to July 1, 1983) and two and one-half percent (2.5%) (service after July 1, 1983) of their final average salaries for each year of credited service. Non-university members who became members on or after July 1, 2002 will receive monthly benefits equal to two percent (2%) of their final average salary for each year of service if, upon retirement, their total service is less than ten (10) years. New members after July 1, 2002 who retire with ten (10) or more years of total service will receive monthly benefits equal to two and one-half percent (2.5%) of their final average salary for each year of service, including the first ten (10) years. In addition, non-university members who retire July 1, 2004 and later with more than thirty (30) years of service will have their multiplier increased for all years over thirty (30) from two and one-half percent (2.5%) to three percent (3%) to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

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

For Members On or After July 1, 2008:

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

- 1.) Attain age sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service, or
- 3.) Attain age fifty-five (55) and complete ten (10) years of Kentucky service.

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

The annual retirement allowance for university members is equal to: (a) one and one-half percent (1.5%) of final average salary for each year of credited service if their service is 10 years or less; (b) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) one and eighty five hundredths percent (1.85%) of final average salary for each year of credited service if their service is greater than 20 years but less than 27 years; (d) two percent (2.0%) of final average salary for each year of credited service if their service is greater than or equal to 27 years.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 8 – PENSION PLANS – CONTINUED

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

Other Benefits:

The System provides post-employment medical benefits to retirees. The System also provides disability benefits for vested members at the rate of sixty percent (60%) of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members. Cost of living increases are one and one-half percent (1.5%) annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions

Contribution rates are established by Kentucky Revised Statutes. The State contributes 100 percent of school districts' contractually required contributions, which are actuarially determined. Employees are required to contribute 12.855 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2016, was 13.105 percent of salaries for members in the plan before July 1, 2008 and 14.105 percent of salaries for members who started their account after June 30, 2008. The District made no contributions to the pension plan for the year ended June 30, 2016.

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

At June 30, 2016, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. There was no amount recognized by the District as its proportionate share of the net pension liability. The related State share of the net pension liability was \$464,602,978.

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$26,377,921 and revenue of \$26,377,921 (\$9,308,624 in the governmental funds and an additional \$16,769,297 in government-wide activities) for support provided by the State. At June 30, 2016, the District reported no deferred outflows of resources and no deferred inflows of resources related to KTRS.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 8 – PENSION PLANS – CONTINUED

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50 percent
Salary increases	4.00 – 8.20 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

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 set back of 1 year for females.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	45%	6.4%
Non U.S. Equity	17%	6.5%
Fixed Income	24%	1.6%
High Yield Bonds	4%	3.1%
Real Estate	4%	5.8%
Alternatives	4%	6.8%
Cash	2%	1.5%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 4.88%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the 2039 plan year and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent interest rate (SEIR). Therefore, the long-term expected rate of return of 7.50% on Plan investments was applied to periods before 2038 and the Municipal Bond Index Rate of 3.82% was applied to periods on or after 2038, resulting in an SEIR of 4.88%. There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement Date, so as required under GASB 68, the SEIR at the Measurement Date of 5.23% was

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 8 – PENSION PLANS – CONTINUED

calculated using the Municipal Bond Index Rate as of the Measurement Date (3.82%). This change in the discount rate is considered a change in actuarial assumptions under GASB 68.

Sensitivity Of The Net Pension Liability To Changes In The Discount Rate

The District has no proportional share of the net pension liability. The following presents the sensitivity of the System's net pension liability calculated using the discount rate of 4.88 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.88 percent) or 1-percentage-point higher (5.88 percent) than the current rate:

	1% Decrease (3.88%)	Current Discount Rate (4.88%)	1% Increase (5.88%)
System's net pension liability (in thousands)	30,402,796	24,427,568	19,482,972

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued KTRS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

CERS

Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. On July 1, 2013, the COLA was not granted. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2015, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 8 – PENSION PLANS – CONTINUED

Contributions

For the fiscal year ended June 30, 2016, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2016, was 12.42 percent of annual creditable compensation. Contributions to the pension plan from the District were \$2,368,473.

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

At June 30, 2016, the District reported a liability of \$34,049,706 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.791941 percent which was an increase of .005208 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$5,347,774. At June 30, 2016, the District reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 202,118	\$ 1,709,400
Changes in actuarial assumptions	2,452,529	-
Difference between projected and actual investment earnings	244,182	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	95,935	-
Contributions paid to CERS subsequent to the measurement date	2,368,473	-
	<u>\$ 5,363,237</u>	<u>\$ 1,709,400</u>

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 8 – PENSION PLANS – CONTINUED

The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$2,368,473 will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense Amount
2017	\$ 591,479
2018	591,479
2019	41,362
2020	61,046
	<u>\$ 1,285,366</u>

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increases	4.0 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 8 – PENSION PLANS – CONTINUED

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the Systems. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Combined Equity	44%	5.40%
Combined Fixed Income	19%	1.50%
Real Return (Diversified Inflation Strategies)	10%	3.50%
Real Estate	5%	4.50%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.50%
Cash	2%	-0.25%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.5%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

Sensitivity Of The District's Proportionate Share Of The Net Pension Liability To Changes In The Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 8 – PENSION PLANS – CONTINUED

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	43,468,675	34,049,706	25,983,188

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued CERS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	10	0%
15-19	7	25%
10-14	5	50%
4-9	2	75%
Less than 4	0	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, 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 these financial statements.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 9 – FUND BALANCES

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2016, there were no nonspendable 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, 2016, the District had \$1,000,000 restricted for sick leave in the general fund, \$106,295 restricted for grants in the special revenue fund, \$78,138 restricted for capital projects in the FSPK fund, \$7,629,130 restricted for capital projects in the Construction Fund and \$489,250 restricted for debt service in the debt service fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following general fund commitments at June 30, 2016: \$289,413 for roofing, \$216,069 for land, \$330,646 for KSBIT, \$161,250 for Map Assessment, \$498,827 for technology, \$823,979 for construction, \$140,000 for textbooks, \$450,000 for nurses, \$21,000 for SACS fees, \$885,320 for EC3 equipment and costs, \$125,000 for band, \$500,000 for student resources and \$500,000 for sick leave. Also, there was \$221,526 committed for school activities in the district activity fund.

Amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2016, was \$878,147 in the general fund, \$237,542 in the special revenue fund and \$13,204 in the district activity fund. 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.

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.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if 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.

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 basic financial statements as a result of the cases presently in progress.

The District has construction commitments for ongoing facilities projects.

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

NOTE 11 – DEFICIT OPERATING BALANCES

The Food Service Fund, School Age Child Care Fund and the Education Television Fund had a deficit net position at June 30, 2016 in the amounts of \$1,416,396, \$474,629 and \$21,671. The deficit net position is a result of the recording of the net pension liability for CERS as part of GASB Statement 68.

The following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance/net position:

General Fund	\$ 1,671,438
Special Revenue Fund	279,825
Construction Fund	10,093,144
Debt Service Fund	13
School Age Child Care	522,414
Educational Television	20,685

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE 12 – ON-BEHALF PAYMENTS

The District receives on-behalf payments from the Commonwealth of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amounts received and funds where these items were recorded for the fiscal year ended June 30, 2016 were as follows:

Health	\$ 12,973,350
Life	23,778
Admin	174,138
HRA	1,060,606
KTRS	9,608,624
Technology	174,312
Debt Service	1,108,033
Less: Federal Reimbursement	<u>(528,576)</u>
Total on-behalf	<u>\$ 24,594,265</u>

Recorded as follows:

General Fund	\$ 22,485,538
Food Service Fund	840,289
Daycare Fund	150,272
Educational Television Fund	10,133
Debt Service Fund	<u>1,108,033</u>
	<u>\$ 24,594,265</u>

NOTE 13 – SUBSEQUENT EVENTS

On July 22, 2016, the District issued \$19,675,000 in School Building Revenue Bonds at an average interest rate of 2.67 percent.

REQUIRED SUPPLEMENTARY INFORMATION

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL

GENERAL FUND

Year Ended June 30, 2016

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues			
From local sources:			
Taxes:			
Property	\$ 23,050,000	\$ 23,650,000	\$ 25,902,010
Motor vehicle	2,500,000	3,000,000	3,287,923
Utilities	5,000,000	5,000,000	5,723,594
Other	6,000	6,000	10,498
Earnings on investments	20,000	20,000	12,817
Other local revenues	118,730	247,011	451,138
Intergovernmental - State	54,296,849	54,774,685	77,153,618
Intergovernmental - Indirect Federal			336,510
Intergovernmental - Direct Federal	200,000	200,000	106,472
Total Revenues	85,191,579	86,897,696	112,984,580
Expenditures			
Instruction	56,138,897	59,485,881	66,896,061
Support services:			
Student	7,034,578	6,937,174	8,810,507
Instruction staff	4,940,968	5,222,370	5,878,706
District administrative	1,203,413	1,221,460	1,324,485
School administrative	5,657,022	5,752,824	7,418,535
Business	1,735,488	1,755,142	2,066,422
Plant operation and maintenance	10,130,273	11,264,917	10,690,373
Student transportation	8,265,051	10,207,784	9,592,920
Facilities acquisition and construction	25,000	50,000	31,336
Community service activities	151,114	185,896	124,809
Other	4,386,068	4,886,068	
Total Expenditures	99,667,872	106,969,516	112,834,154
Excess (Deficit) of Revenues over Expenditures	(14,476,293)	(20,071,820)	150,426
Other Financing Sources (Uses)			
Insurance proceeds			41,126
Proceeds from disposal of capital assets	10,000	10,000	20,831
Transfers in	800,000	631,999	631,999
Transfers out	(606,852)	(2,515,820)	(2,515,820)
Total Other Financing Sources (Uses)	203,148	(1,873,821)	(1,821,864)
Net Change in Fund Balance	(14,273,145)	(21,945,641)	(1,671,438)
Fund Balance, July 1, 2015	14,273,145	21,945,641	26,525,109
Fund Balance, June 30, 2016	\$ -	\$ -	\$ 24,853,671

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES

Both inflows and outflows are equally different in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds by the amount of on-behalf payments of \$22,485,537.

HARDIN COUNTY SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL**

SPECIAL REVENUE FUND

Year Ended June 30, 2016

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues			
Earnings on investments	\$ 58	\$ 135	\$ 135
Other local revenues	111,000	87,833	102,207
Intergovernmental - State	5,763,794	5,129,898	5,128,846
Intergovernmental - Indirect Federal	7,146,283	5,517,169	6,636,104
Intergovernmental - Direct Federal	216,385	215,718	209,763
Total Revenues	13,237,520	10,950,753	12,077,055
Expenditures			
Instruction	9,474,177	8,328,037	9,274,576
Support services:			
Student		20,959	29,378
Instruction staff	2,135,171	1,139,879	1,811,185
School administrative			211
Plant operation and maintenance	20,017	5,022	5,022
Student transportation	704,177	359,599	371,581
Community service activities	1,065,946	1,091,155	1,109,644
Other	57,546	61,972	61,972
Total Expenditures	13,457,034	11,006,623	12,663,569
Excess (Deficit) of Revenues over Expenditures	(219,514)	(55,870)	(586,514)
Other Financing Sources (Uses)			
Transfers in	219,514	306,689	306,689
Total Other Financing Sources (Uses)	219,514	306,689	306,689
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	-	250,819	(279,825)
Fund Balance, July 1, 2015	-	-	623,662
Fund Balance, June 30, 2016	\$ -	\$ 250,819	\$ 343,837

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET PENSION LIABILITY

June 30, 2016

Last 10 Years *

	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.791941%	0.786733%
Proportionate share of the net pension liability	\$ 34,049,704	\$ 25,525,000
Covered - employee payroll	\$ 19,069,830	\$ 18,544,808
Proportionate share of the net pension liability as percentage of covered payroll	178.6%	137.6%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	66.80%

* Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE KTRS NET PENSION LIABILITY

June 30, 2016

Last 10 Years *

	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	1.996500%	1.9624%
District's proportionate share of the net pension liability	\$ -	\$ -
State proportionate share of the net pension liability associated with the District	<u>464,602,978</u>	<u>403,257,677</u>
Total	<u>\$ 464,602,978</u>	<u>\$ 403,257,677</u>
Covered - employee payroll	\$ 56,834,882	\$ 56,028,044
District's proportionate share of the net pension liability as percentage of covered payroll	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	42.50%	45.59%

* Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO CERS

June 30, 2016

Last 10 Years *

	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 2,368,473	\$ 2,364,463
Contribution in relation to the actuarially determined contributions	<u>2,368,473</u>	<u>2,364,463</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 19,069,830	\$ 18,544,808
Contributions as a percentage of covered employee payroll	12.42%	12.75%

* Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO KTRS

June 30, 2016

Last 10 Years *

	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 56,834,882	\$ 56,028,044
Contributions as a percentage of covered employee payroll	0.00%	0.00%

* Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2016

CERS

Changes of benefit terms. There were no changes in benefit terms.

Changes of assumptions. The following changes in assumptions were made:

- »»The assumed investment rate of return was decreased from 7.75% to 7.5%.
- »»The assumed rate of inflation was reduced from 3.5% to 3.25%.
- »»The assumed rate of wage inflation was reduced from 1% to .75%.
- »»Payroll growth assumption was reduced from 4.5% to 4%.
- »»The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- »»For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- »»Assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

KTRS

Changes of benefit terms. There were no changes in benefit terms.

Changes of assumptions. The following changes in assumptions were made:

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

SUPPLEMENTARY INFORMATION

HARDIN COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2016

	District Activity Fund	Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Assets:					
Cash, cash equivalents and investments	\$ 250,943	\$ -	\$ 78,138	\$ 489,250	\$ 818,331
Total Assets	<u>\$ 250,943</u>	<u>\$ -</u>	<u>\$ 78,138</u>	<u>\$ 489,250</u>	<u>\$ 818,331</u>
Liabilities and Fund Balances:					
Liabilities					
Accounts payable	\$ 16,213	-	-	-	\$ 16,213
Total Liabilities	16,213	-	-	-	16,213
Fund Balances					
Restricted			78,138	489,250	567,388
Committed	221,526				221,526
Assigned	13,204	-			13,204
Total Fund Balances	<u>234,730</u>	<u>-</u>	<u>78,138</u>	<u>489,250</u>	<u>802,118</u>
Total Liabilities and Fund Balances	<u>\$ 250,943</u>	<u>\$ -</u>	<u>\$ 78,138</u>	<u>\$ 489,250</u>	<u>\$ 818,331</u>

HARDIN COUNTY SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2016

	District Activity Fund	Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	\$ -	\$ -	\$ 9,410,607	\$ -	\$ 9,410,607
Earnings on investments			24	69	93
Other local revenue	341,979				341,979
Intergovernmental - State		1,291,680	3,357,876	1,108,033	5,757,589
Total Revenues	341,979	1,291,680	12,768,507	1,108,102	15,510,268
Expenditures					
Instruction	116,421				116,421
Support services:					
Instruction staff	94,857				94,857
Plant operation and maintenance	69,063				69,063
Student transportation	1,598				1,598
Bond issue costs				151,600	151,600
Debt service:					
Principal				7,230,000	7,230,000
Interest				4,949,962	4,949,962
Total Expenditures	281,939	-	-	12,331,562	12,613,501
Excess (Deficit) of Revenues over Expenditures	60,040	1,291,680	12,768,507	(11,223,460)	2,896,767
Other Financing Sources (Uses)					
Refunding bond proceeds				25,925,000	25,925,000
Bond premium				1,837,124	1,837,124
Payment to refunded bond escrow agent				(27,610,372)	(27,610,372)
Transfers in				11,071,675	11,071,675
Transfers out		(1,291,680)	(12,768,498)		(14,060,178)
Total Other Financing Sources (Uses)	-	(1,291,680)	(12,768,498)	11,223,427	(2,836,751)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	60,040	-	9	(33)	60,016
Fund balance, July 1, 2015	174,690	-	78,129	489,283	742,102
Fund balance, June 30, 2016	\$ 234,730	\$ -	\$ 78,138	\$ 489,250	\$ 802,118

HARDIN COUNTY SCHOOL DISTRICT

**COMBINING STATEMENT OF NET POSITION - NONMAJOR PROPRIETARY FUNDS
- ENTERPRISE FUNDS**

June 30, 2016

	Early College and Career Center	Educational Television	Total Nonmajor Enterprise Funds
Assets			
<u>Current Assets</u>			
Cash, cash equivalents and investments	\$ 8,214	\$ 11,855	\$ 20,069
Accounts receivable	2,300	5,241	7,541
Total Current Assets	10,514	17,096	27,610
Deferred Outflows of Resources			
CERS		7,170	7,170
Total Deferred Outflows of Resources	-	7,170	7,170
Liabilities			
<u>Current Liabilities</u>			
Accounts payable		1,993	1,993
Total Current Liabilities	-	1,993	1,993
<u>Noncurrent Liabilities</u>			
Net pension liability - CERS		45,522	45,522
Total Noncurrent Liabilities	-	45,522	45,522
Total Liabilities	-	47,515	47,515
Deferred Inflows of Resources			
CERS		2,285	2,285
Total Deferred Inflows of Resources	-	2,285	2,285
<u>Net Position</u>			
Unrestricted	10,514	(25,534)	(15,020)
Total Net Position	\$ 10,514	\$ (25,534)	\$ (15,020)

HARDIN COUNTY SCHOOL DISTRICT**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
NONMAJOR ENTERPRISE FUNDS - PROPRIETARY FUNDS**

Year Ended June 30, 2016

	Early College and Career Center	Educational Television	Total Nonmajor Enterprise Funds
Operating Revenues			
Tuition and fees	\$ 39,200	\$ 88,965	\$ 128,165
Total Operating Revenues	39,200	88,965	128,165
Operating Expenses			
Salaries and wages	678	48,163	48,841
Materials and supplies	25,692	25,169	50,861
Other operating expenses	8,476	46,451	54,927
Total Operating Expenses	34,846	119,783	154,629
Operating income (loss)	4,354	(30,818)	(26,464)
Non-Operating Revenues (Expenses)			
State on-behalf payments		10,133	10,133
Total Non-Operating Revenues (Expenses)	-	10,133	10,133
Change in net position	4,354	(20,685)	(16,331)
Net Position, July 1, 2015	6,160	(4,849)	1,311
Net Position, June 30, 2016	\$ 10,514	\$ (25,534)	\$ (15,020)

HARDIN COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS - PROPRIETARY FUNDS

Year Ended June 30, 2016

	Early College and Career Center	Educational Television	Total Other Enterprise Funds
Cash Flows from Operating Activities			
Cash received from:			
Tuition and fees	\$ 37,708	\$ 88,670	\$ 126,378
Cash paid to/for:			
Employees	(678)	(29,170)	(29,848)
Supplies	(25,792)	(25,380)	(51,172)
Other activities	(8,476)	(36,318)	(44,794)
Net Cash Provided(Used) by Operating Activities	2,762	(2,198)	564
Cash Flows from Investing Activities			
Sale of investments		2,198	2,198
Purchase of investments	(2,762)		(2,762)
Net Cash Provided (Used) by Investing Activities	(2,762)	2,198	(564)
Net change in cash and cash equivalents	-	-	-
Balances, beginning of year	-	-	-
Balances, end of year	\$ -	\$ -	\$ -
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 4,354	\$ (20,685)	\$ (16,331)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
State on-behalf payments		10,133	10,133
GASB 68 pension expense		8,860	8,860
Change in assets and liabilities:			
Accounts receivable	(1,492)	(295)	(1,787)
Accounts payable	(100)	(211)	(311)
Net cash provided (used) by operating activities	\$ 2,762	\$ (2,198)	\$ 564
Schedule of non-cash transactions:			
State on-behalf payments	\$ -	\$ 10,087	\$ 10,087
CERS Pensions	\$ -	\$ 8,860	\$ 8,860

HARDIN COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUNDS

June 30, 2016

	Bluegrass Middle School	Brown Street Education Center	Central Hardin High School	Creekside Elementary	Early College & Career Center	East Hardin Middle School
Assets						
Cash and cash equivalents	\$ 20,329	\$ 3,831	\$ 181,370	\$ 18,812	\$ 8,232	\$ 77,876
Receivables	1,516	83	5,299			
Total Assets	\$ 21,845	\$ 3,914	\$ 186,669	\$ 18,812	\$ 8,232	\$ 77,876
Liabilities						
Accounts payable	\$ 8,658	\$ 36	\$ 20,634	\$ 154	\$ -	\$ 3,072
Due to student groups	13,187	3,878	166,035	18,658	8,232	74,804
Total Liabilities	\$ 21,845	\$ 3,914	\$ 186,669	\$ 18,812	\$ 8,232	\$ 77,876
	G.C. Burkhead Elementary	Heartland Elementary	Howe Valley Elementary	J.T. Alton Middle School	John Hardin High School	Lakewood Elementary
Assets						
Cash and cash equivalents	\$ 46,186	\$ 25,692	\$ 25,659	\$ 67,796	\$ 82,771	\$ 18,881
Receivables					15,468	
Total Assets	\$ 46,186	\$ 25,692	\$ 25,659	\$ 67,796	\$ 98,239	\$ 18,881
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 3,025	\$ 8,116	\$ -
Due to student groups	46,186	25,692	25,659	64,771	90,123	18,881
Total Liabilities	\$ 46,186	\$ 25,692	\$ 25,659	\$ 67,796	\$ 98,239	\$ 18,881
	Lincoln Trail Elementary	Meadowview Elementary	New Highland Elementary	North Hardin High School	North Middle School	North Park Elementary
Assets						
Cash and cash equivalents	\$ 180,107	\$ 17,117	\$ 30,806	\$ 227,531	\$ 27,385	\$ 1,771
Receivables				5,277		
Total Assets	\$ 180,107	\$ 17,117	\$ 30,806	\$ 232,808	\$ 27,385	\$ 1,771
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 7,779	\$ 18,727	\$ -
Due to student groups	180,107	17,117	30,806	225,029	8,658	1,771
Total Liabilities	\$ 180,107	\$ 17,117	\$ 30,806	\$ 232,808	\$ 27,385	\$ 1,771
	Radcliff Elementary	Rineyville Elementary	Vine Grove Elementary	West Hardin Middle School	Woodland Elementary	Agency Fund
Assets						
Cash and cash equivalents	\$ 27,949	\$ 42,784	\$ 36,915	\$ 50,972	\$ 20,535	\$ 1,241,307
Receivables						27,643
Total Assets	\$ 27,949	\$ 42,784	\$ 36,915	\$ 50,972	\$ 20,535	\$ 1,268,950
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 4,032	\$ -	\$ 74,233
Due to student groups	27,949	42,784	36,915	46,940	20,535	1,194,717
Total Liabilities	\$ 27,949	\$ 42,784	\$ 36,915	\$ 50,972	\$ 20,535	\$ 1,268,950

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

AGENCY FUNDS

June 30, 2016

SCHOOL	CASH BALANCES July 1, 2015	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2016	RECEIVABLES June 30, 2016	ACCOUNTS PAYABLE June 30, 2016	DUE TO STUDENT GROUPS June 30, 2016
Bluegrass Middle School	\$ 19,512	\$ 111,798	\$ 110,981	\$ 20,329	\$ 1,516	\$ 8,658	\$ 13,187
Brown Street Educ. Center	3,797	2,167	2,133	3,831	83	36	3,878
Central Hardin High	166,198	738,306	723,134	181,370	5,299	20,634	166,035
Creekside Elementary	24,879	32,608	38,675	18,812		154	18,658
Early College and Career Center	1,604	10,660	4,032	8,232			8,232
East Hardin Middle	77,650	252,117	251,891	77,876		3,072	74,804
G.C. Burkhead Elementary	22,343	95,234	71,391	46,186			46,186
Heartland Elementary	32,508	62,804	69,620	25,692			25,692
Howe Valley Elementary	23,494	31,098	28,933	25,659			25,659
J.T. Alton Middle	74,065	150,302	156,571	67,796		3,025	64,771
John Hardin High	80,579	355,640	353,448	82,771	15,468	8,116	90,123
Lakewood Elementary	26,115	29,004	36,238	18,881			18,881
Lincoln Trail Elementary	197,948	26,510	44,351	180,107			180,107
Meadowview Elementary	22,238	24,807	29,928	17,117			17,117
New Highland Elementary	36,643	39,504	45,341	30,806			30,806
North Hardin High	209,391	914,868	896,728	227,531	5,277	7,779	225,029
North Middle	33,992	87,855	94,462	27,385		18,727	8,658
North Park Elementary	3,128	5,002	6,359	1,771			1,771
Radcliff Elementary	19,858	45,256	37,165	27,949			27,949
Rineyville Elementary	44,684	14,586	16,486	42,784			42,784
Vine Grove Elementary	45,037	31,122	39,244	36,915			36,915
West Hardin Middle	54,738	58,764	62,530	50,972		4,032	46,940
Woodland Elementary	19,890	15,536	14,891	20,535			20,535
	<u>\$ 1,240,291</u>	<u>\$ 3,135,548</u>	<u>\$ 3,134,532</u>	<u>\$ 1,241,307</u>	<u>\$ 27,643</u>	<u>\$ 74,233</u>	<u>\$ 1,194,717</u>

HARDIN COUNTY SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
CENTRAL HARDIN HIGH SCHOOL
YEAR ENDED JUNE 30, 2016

NAME OF ACTIVITY	CASH BALANCES July 1, 2015	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2016	RECEIVABLES AND DUE FROM OTHER FUNDS June 30, 2016	ACCOUNTS PAYABLE AND DUE TO OTHER FUNDS June 30, 2016	DUE TO STUDENT GROUPS June 30, 2016
Academic Team	\$ 158	\$ 685	\$ 843	\$ -	\$ -	\$ -	\$ -
Agriculture Department	2,171	7,385	4,938	4,618	-	-	4,618
Archery Club	8,222	24,387	25,572	7,037	-	10	7,027
Art Club	-	-	-	-	-	-	-
Art Department	60	-	-	60	-	-	60
Earth Club	994	363	456	901	-	-	901
Athletic Concession	-	18,601	18,601	0	-	-	0
Athletic Fund	11,733	39,420	30,042	21,111	-	2,199	18,912
B A D Club	15	-	-	15	-	-	15
Band	-	4,654	4,654	-	-	-	-
Baseball	3,393	6,249	6,298	3,344	-	-	3,344
Basketball-Boys	3,352	32,503	30,892	4,963	2,017	4,203	2,777
Basketball-Girls	468	25,104	21,680	3,892	-	80	3,812
BETA Club	2,186	6,294	6,156	2,324	-	-	2,324
Bookstore	-	-	-	-	-	-	-
Bowling	-	3,127	3,117	10	-	-	-
Bruin Book Club	204	120	48	276	-	-	276
Bruins for Christ	500	100	600	-	-	-	-
Building rental	-	-	-	-	-	-	-
Business Education Dept.	848	50,519	49,574	1,793	-	-	1,793
Cheerleading	800	58,955	46,725	13,030	-	3,813	9,217
Chess Club	-	169	161	8	-	-	8
Choir	3,243	27,283	27,632	2,894	-	-	2,894
Cross Country	4,684	12,174	10,557	6,301	-	2,235	4,066
Program-Spring	-	-	-	-	-	-	-
Creative Arts Club	-	520	417	103	-	-	103
Drama Club	3,263	3,446	1,868	4,841	-	-	4,841
District Activity Account	-	-	-	-	-	-	-
English Department	629	2,095	2,512	212	-	-	212
Faculty Concessions	1,303	-	-	1,303	-	-	1,303
Faculty Flower Fund	598	-	-	598	-	-	598
FCS	(1)	1,201	935	265	-	-	265
FBLA	-	1,070	1,070	-	-	-	-
FCA	98	680	269	509	-	-	509
FCCLA	-	1,227	1,227	(0)	285	-	284.96
FEA	36	310	334	13	-	-	13
FFA	75	56,322	55,897	500	1,115	500	1,115
Football	10,887	49,157	54,152	5,893	-	2,353	3,540
Foreign Language Dept.	482	900	900	482	-	-	482
French Club	163	-	-	163	-	-	163
Golf	6	2,960	1,642	1,324	-	10	1,314
Golf Ball Drop	-	-	-	-	-	-	-
Grade 9	-	1,960	712	1,248	-	-	1,248
Grade 10	-	-	-	-	-	-	-
Grade 11	-	-	-	-	-	-	-
Grade 12	-	17,267	17,267	-	-	-	-
Guidance	1,251	15,240	15,966	525	-	-	525
H O S A	1,031	-	-	1,031	-	-	1,031
Journalism	489	4,173	4,432	230	-	-	230
JROTC	14,149	19,143	20,167	13,125	-	-	13,125
Library/Media Center	2,397	81	909	1,569	-	-	1,569

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

CENTRAL HARDIN HIGH SCHOOL-CONCLUDED

YEAR ENDED JUNE 30, 2016

NAME OF ACTIVITY	CASH BALANCES July 1, 2015	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2016	ACCOUNTS RECEIVABLE AND DUE FROM OTHER FUNDS June 30, 2016	ACCOUNTS PAYABLE AND DUE TO OTHER FUNDS June 30, 2016	DUE TO STUDENT GROUPS June 30, 2016
Math Department	494	45	421	118	-	-	118
MMD Dept	-	-	-	-	-	-	-
International Club	63	-	-	63	-	-	63
Physical Education Dept.	-	-	-	-	-	-	-
Program - Winter	-	-	-	-	-	-	-
Project Graduation	-	-	-	-	-	1,524	(1,524)
Scholarship	2,757	-	-	2,757	-	3,000	(243)
Student Concessions	-	-	-	-	-	-	-
School Fund	38,024	73,039	82,802	28,261	-	-	28,261
Science Department	1,249	-	67	1,182	-	-	1,182
Science Honor Society	177	-	-	177	-	-	177
Soccer-Boys	-	7,849	4,756	3,093	-	20	3,073
Soccer-Girls	1,209	4,460	4,689	980	-	20	960
Social Studies Dept.	2,582	-	467	2,115	-	-	2,115
Softball	482	8,623	9,055	50	1,882	50	1,882
Spanish Club	645	-	-	645	-	-	645
Special Education Dept.	-	-	-	-	-	-	-
Speech	173	7,289	7,462	-	-	-	-
Student Council	5,236	-	-	5,236	-	-	5,236
Swimming	-	336	95	241	-	20	221
Tech Education Dept.	-	-	-	-	-	-	-
Teenage Republican Par	301	-	-	301	-	-	301
Tennis	31	1,246	1,257	20	-	20	-
Textbooks	4,618	-	-	4,618	-	-	4,618
FMD	1,954	341	615	1,680	-	-	1,680
Track	3,911	3,495	6,139	1,267	-	568	699
Athletic Equipment	-	-	-	-	-	-	-
TSA Club	-	-	-	-	-	-	-
Varsity Club	970	-	-	970	-	-	970
Volleyball	6,072	14,169	15,402	4,839	-	9	4,830
Wrestling	15	7,515	6,737	793	-	-	793
Y Club	121	-	-	121	-	-	121
Young Democrats	170	-	-	170	-	-	170
Yearbooks	13,732	26,156	25,094	14,794	-	-	14,794
Friends of Rachel	1,155	-	-	1,155	-	-	1,155
Charitable Gaming	170	-	-	170	-	-	170
Sub Total	166,198	650,408	634,279	182,327	5,299	20,634	166,982
Interfund Transfers	-	21,740	21,740	-	-	-	-
TOTAL	\$ 166,198	\$ 628,668	\$ 612,539	\$ 182,327	\$ 5,299	\$ 20,634	\$ 166,992

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

JOHN HARDIN HIGH SCHOOL

YEAR ENDED JUNE 30, 2016

NAME OF ACTIVITY	CASH BALANCES July 1, 2015	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2016	RECEIVABLES AND DUE FROM OTHER FUNDS June 30, 2016	ACCOUNTS PAYABLE AND DUE TO OTHER FUNDS June 30, 2016	DUE TO STUDENT GROUPS June 30, 2016
Academic Team	\$ 1,173	\$ 962	\$ 1,091	\$ 1,044	\$ -	\$ -	\$ 1,044
Agriculture Department	3,312	391	2,931	772	-	-	772
Archery	810	9,801	8,968	1,643	-	250	1,393
Art Club	-	-	-	-	-	-	-
Art Department	-	-	-	-	-	-	-
Athletic Concession	-	28,169	28,169	-	-	-	-
Athletic Fund	1,711	12,649	12,977	1,383	4,577	-	5,960
AVID	633	-	633	-	-	-	-
Beta	-	1,396	1,089	307	-	238	69
Band	-	9,206	9,206	-	-	-	-
Baseball	95	6,402	6,497	-	687	-	687
Basketball-Boy's	1,713	27,965	22,606	7,072	-	7,000	72
Basketball-Girl's	(1)	11,918	11,452	465	-	428	37
Bowling	2,725	4,343	3,788	3,280	-	-	-
Business Education Dept.	-	-	-	-	-	-	-
CATS Incentive	-	-	-	-	-	-	-
Cheerleading	-	1,574	375	1,199	-	-	1,199
Chemistry Club	82	-	-	82	-	-	82
Chess Club	-	-	-	-	-	-	-
Chorus	3,146	4,523	5,419	2,250	-	-	2,250
Guidance	528	10,100	9,397	1,231	-	-	1,231
Cross Country	2,137	13,211	11,638	3,710	-	-	3,710
Dance Team	-	-	-	-	-	-	-
Deca	1,604	11,846	11,505	1,945	-	-	1,945
Fund 22 Sweep	-	4,641	4,641	-	-	-	-
Drama Club	1,563	-	1,323	240	-	-	240
Dual Credit Courses	3,440	-	2,967	473	-	-	473
English Department	910	210	-	1,120	-	-	1,120
Excel Program	71	25	25	71	-	-	71
Facility Rentals	1,260	-	204	1,056	-	-	1,056
Faculty Awards	30	-	30	-	-	-	-
Faculty Fund	870	1,384	2,254	-	2,429	-	2,429
Faculty Flower Fund	-	175	175	-	-	-	-
Faculty Social Fund	-	-	-	-	-	-	-
Faculty Steward Fund	351	-	351	-	-	-	-
FCS	771	340	542	569	-	-	569
FBLA	-	-	-	-	-	-	-
FCA	166	-	43	123	-	-	123
FCCLA	178	22,489	22,667	-	666	-	666
FFA	5,630	7,822	9,808	3,644	-	-	3,644
Football	73	38,474	38,547	-	-	-	-
Football Fundraiser	339	-	339	-	-	-	-
Foreign Language Club	-	-	-	-	-	-	-
Foreign Language Dept.	-	336	176	160	-	-	160
French Club	-	-	-	-	-	-	-
General Funds	166	10,724	10,430	460	5,254	-	5,714
Girl Talk Club	-	-	-	-	-	-	-
Golf	1,474	4,675	3,693	2,456	-	-	2,456
Grade 10	167	1	154	14	-	-	14
Grade 11	97	497	227	367	-	-	367
Grade 12	236	21,678	21,717	197	26	-	223
Grade 12--Senior Trip	-	-	-	-	-	-	-
Grade 9	85	1,068	911	242	-	-	242
HOSA	-	4,185	4,185	-	-	-	-
International Club	-	-	-	-	-	-	-
Journalism	-	-	-	-	-	-	-
JROTC	7,632	18,722	17,732	8,622	-	-	8,622
Lady Dawg Club	208	-	208	-	-	-	-
Leukemia & Lymphoma	-	-	-	-	-	-	-
Library/Media Center	5,683	134	-	5,817	-	-	5,817
Math Department	290	-	-	290	-	-	290
Musicals	2,708	1,603	2,299	2,012	-	-	2,012
National Honor Society	141	-	141	-	-	-	-
Newspaper	-	-	-	-	-	-	-
Pep Club	-	232	75	157	-	-	157
Project Graduation	-	12,033	12,033	-	300	-	300
Relay For Life	-	-	-	-	-	-	-

HARDIN COUNTY SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
JOHN HARDIN HIGH SCHOOL-CONCLUDED
YEAR ENDED JUNE 30, 2016

NAME OF ACTIVITY	CASH BALANCES July 1, 2015	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2016	RECEIVABLES AND DUE FROM OTHER FUNDS June 30, 2016	ACCOUNTS PAYABLE AND DUE TO OTHER FUNDS June 30, 2016	DUE TO STUDENT GROUPS June 30, 2016
SADD Club	1,138	1,375	1,380	1,133	-	-	1,133
School Concessions	4,727	-	4,727	-	-	-	-
Science Department	3,180	329	457	3,052	-	-	3,052
Soccer-Boys	1,438	6,557	7,196	799	-	-	799
Soccer-Girls	2,471	7,997	5,644	4,824	-	-	4,824
Social Studies Dept.	-	47	47	-	-	-	-
Softball	-	7,008	7,008	-	1,295	-	1,295
Special Education Dept.	-	1,752	1,464	288	-	-	288
Speech	-	-	-	-	-	-	-
Student Council	1,102	33	112	1,023	-	-	1,023
Student School Fund	-	-	-	-	-	-	-
Charitable Causes	644	3,118	3,762	-	-	-	-
Swimming-CHHS	78	2,368	2,446	-	-	-	-
Swimming-JHHS	349	6,105	5,479	975	-	-	975
Swimming-NHHS	266	4,771	4,045	992	-	-	-
Tech Education Dept.	-	-	-	-	-	-	-
Tennis	194	4,294	4,488	-	236	-	236
Textbooks	290	-	290	-	-	-	-
Three-Point Club	3,239	-	3,239	-	-	-	-
Track	1,897	15,749	10,428	7,218	-	200	7,018
Track-Middle School	-	-	-	-	-	-	-
Ultimate Frisbee	-	-	-	-	-	-	-
Euro Trip	-	605	605	-	-	-	-
Volleyball	1,195	6,571	6,499	1,267	-	-	1,267
Winter Guard	4	-	-	4	-	-	4
Wrestling	400	5,031	5,431	-	-	-	-
Y Club	103	11,140	11,000	243	-	-	243
Young Republicans	-	-	-	-	-	-	-
HOSA	-	-	-	-	-	-	-
McCurry Classic	-	2,454	1,270	1,184	-	-	1,184
Yearbooks	3,657	3,870	2,230	5,297	-	-	5,297
Sub Total	80,579	397,078	394,885	82,772	15,470	8,116	85,854
Interfund Transfers	-	41,440	41,440	-	-	-	-
TOTAL	\$ 80,579	\$ 355,638	\$ 353,445	\$ 82,772	\$ 15,470	\$ 8,116	\$ 90,126

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

NORTH HARDIN HIGH SCHOOL

YEAR ENDED JUNE 30, 2016

NAME OF ACTIVITY	CASH BALANCES July 1, 2015	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2016	RECEIVABLES AND DUE FROM OTHER FUNDS June 30, 2016	ACCOUNTS PAYABLE AND DUE TO OTHER FUNDS June 30, 2016	DUE TO STUDENT GROUPS June 30, 2016
Academic Team	\$ 1,631	\$ 535.00	\$ 176.00	\$ 1,990	\$ -	\$ -	\$ 1,990
Agriculture Department	5,749	3,339	4,430	4,658	-	-	4,658
Archery	986	2,401	2,404	983	-	-	983
Art Club	165	288	260	193	-	-	193
Art Department	39	1	-	40	-	-	40
Athletic Fund	15,150	21,974	33,690	3,434	-	-	3,434
Athletic Uniforms	17,619	19,528	5,757	31,390	-	-	31,390
Band	3,794	10,700	10,438	4,056	-	-	4,056
Baseball	1,532	10,422	11,954	-	-	-	-
Beta Club	1,999	8,099	6,511	3,587	-	-	3,587
Bingo Fund	-	112,000	112,000	-	-	-	-
Boys Basketball	5,883	26,184	22,514	9,553	-	-	9,553
Bowling	150	2,660	1,203	1,607	-	-	1,607
Business Education Dept.	169	-	-	169	-	-	169
Cameron Irwin Scholars	1,000	1,085	963	1,122	-	-	1,122
CATS Incentives	44	-	44	-	-	-	-
Cheerleaders	4,332	29,305	31,181	2,456	-	-	2,456
Chorus	2,710	22,270	20,965	4,015	-	-	4,015
Class of Yesteryear	96	-	96	-	-	-	-
Climate Committee	283	35	283	35	-	-	35
Commitment Committee	618	-	448	170	-	-	170
Athletic Contingency	1,473	12,595	13,363	705	-	-	705
Counseling Department	3,580	6,811	7,290	3,101	-	-	3,101
Cross Country/Boys	2,982	12,102	9,277	5,807	-	-	5,807
Cross Country/Girls	1,016	9,772	9,449	1,339	-	-	1,339
Fund 22	-	5,121	-	5,121	-	-	5,121
Drama Club	1,657	2,052	1,544	2,165	-	-	2,165
Dual Credit Books	2	-	2	-	-	-	-
English Department	775	-	-	775	-	-	775
Faculty Concessions	889	5,077	3,631	2,335	-	-	2,335
Faculty Flower Fund	257	437	303	391	-	-	391
FCS	251	-	-	251	-	-	251
FBLA	739	730	1,007	462	-	-	462
FCA	177	-	-	177	-	-	177
FCCLA	1,605	11,298	9,600	3,303	-	-	3,303
FFA	3,205	16,161	18,716	650	-	-	650
Football	74	38,855	30,800	8,129	-	-	8,129
Foreign Language Department	33	-	-	33	-	-	33
FAC Contingency	1,838	-	1,838	-	-	-	-
French Travel	-	-	-	-	-	-	-
Future Educators of America	-	-	-	-	-	-	-
Gaming Club	373	125	76	422	-	-	422
German Club	1,275	268	-	1,543	-	-	1,543
Girls Basketball	4,202	7,935	11,440	697	-	-	697
Golf-Boys	3,302	2,860	3,788	2,374	-	-	2,374
Golf-Girls	1,569	1,291	1,983	877	-	-	877
Grade 10	2,492	535	541	2,486	-	-	2,486
Grade 11	1,321	645	1,113	853	-	-	853
Grade 12	4,816	17,728	18,667	3,877	-	-	3,877
Grade 9	2,217	631	592	2,256	-	-	2,256
Health Science Department	204	629	827	6	-	-	6
Instructional/Operations	2,237	891	892	2,236	-	-	2,236
Journalism	-	-	-	-	-	-	-
Journalism 2013	674	-	639	35	-	-	35
JROTC	2,023	25,450	20,743	6,730	-	-	6,730
JROTC Can Food Drive	688	1,170	912	946	-	-	946
Library/Media Center	538	1,875	1,161	1,252	-	-	1,252
Math Department	967	-	15	952	-	-	952
National Guards	-	500	-	500	-	-	500
National Honor Society	3,138	45	1,501	1,682	-	-	1,682
NHHS Bingo	36,884	303,053	312,413	27,524	5,277	7,779	25,022
North Hardin Athletic Nurse	-	-	-	-	-	-	-

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

NORTH HARDIN HIGH SCHOOL-CONCLUDED

YEAR ENDED JUNE 30, 2016

NAME OF ACTIVITY	CASH BALANCES July 1, 2015	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2016	RECEIVABLES AND DUE FROM OTHER FUNDS June 30, 2016	ACCOUNTS PAYABLE AND DUE TO OTHER FUNDS June 30, 2016	DUE TO STUDENT GROUPS June 30, 2016
PBIS	77	3,503	2,813	767	-	-	767
Pep Club	2,948	6,514	6,562	2,900	-	-	2,900
Photography Club	1,086	448	2	1,532	-	-	1,532
P E Dept	366	-	-	366	-	-	366
Poster Maker	226	-	226	-	-	-	-
Project Graduation	4,615	11,255	12,142	3,728	-	-	3,728
Restitution (I pads)	-	-	-	-	-	-	-
SADD	-	-	-	-	-	-	-
School Concessions	1,968	-	1,741	227	-	-	227
General Student Fund	2,424	181,753	178,733	5,444	-	-	5,444
School Store	-	-	-	-	-	-	-
Science Club	1,358	825	1,396	787	-	-	787
Science Department	1,839	1,425	1,182	2,082	-	-	2,082
Soccer/Boys	2,761	12,216	10,905	4,072	-	-	4,072
Soccer/Girls	1,266	6,947	7,191	1,022	-	-	1,022
Social Studies Dept.	-	-	-	-	-	-	-
Softball	-	6,071	4,593	1,478	-	-	1,478
Spanish Club	1,636	269	1,072	833	-	-	833
Spanish Travel	-	-	-	-	-	-	-
Special Education Dept.	333	435	187	581	-	-	581
Spec Ed (Radford)	-	-	-	-	-	-	-
Speech/Debate	150	-	-	150	-	-	150
STLP	-	125	125	-	-	-	-
Student Council	1,010	1,070	1,227	853	-	-	853
Student Support Services	1,676	1,010	395	2,291	-	-	2,291
Swimming	2,967	1,070	120	3,917	-	-	3,917
Tech Ed Department	-	-	-	-	-	-	-
TSA Club	105	-	-	105	-	-	105
Tennis	2,919	2,042	3,368	1,593	-	-	1,593
Textbooks	1,519	558	-	2,077	-	-	2,077
Track/Boys	5,306	11,677	10,723	6,260	-	-	6,260
Track/Girls	536	6,937	5,186	2,287	-	-	2,287
Travel	12	-	12	-	-	-	-
Trojan Stichary	82	-	-	82	-	-	82
Volleyball	3,410	6,401	7,563	2,248	-	-	2,248
Will Yates Scholarship	-	1,000	-	1,000	-	-	1,000
Wrestling	34	4,277	4,311	-	-	-	-
Y Club	2,232	5,411	5,414	2,229	-	-	2,229
Yearbooks	-	-	-	-	-	-	-
Yearbook	10,040	5,919	2,001	13,958	-	-	13,958
Rachel's Challenge	863	268	-	1,131	-	-	1,131
District Swipe	-	-	-	-	-	-	-
HOSA	205	1,201	1,326	80	-	-	80
AVID	-	-	-	-	-	-	-
Sub Total	209,391	1,038,095	1,019,956	227,530	5,277	7,779	225,028
Interfund Transfers	-	123,154	123,154	-	-	-	-
TOTAL	\$ 209,391	\$ 914,941	\$ 896,802	\$ 227,530	\$ 5,277	\$ 7,779	\$ 225,028

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster - Cash Assistance Passed Through State Department of Education			
National School Lunch Program	10.555	7750002-15 7750002-16	\$ 936,636 3,165,819
School Breakfast Program	10.553	7760005-15 7760005-16	426,463 1,395,095
Summer Food Service Program for Children	10.559	7690024-15 7690024-15 7740023-16	3,138 30,020 50,539
Non-Cash Assistance (Commodities) National School Lunch Program	10.555	057502-02	575,040
TOTAL CHILD NUTRITION CLUSTER			6,582,750
Passed Through State Department of Education State Administrative Expenses for Child Nutrition	10.560	7700001-15	18,680
TOTAL U.S. DEPT. OF AGRICULTURE			6,601,430
<u>U.S. DEPARTMENT OF DEFENSE</u>			
U. S. Army JROTC	12.000	504A 504B	(5,955) 215,718
			209,763
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	3423	107,181
TOTAL U.S. DEPARTMENT OF DEFENSE			316,944
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education Special Education Cluster (IDEA) -			
Special Education - Grants to States	84.027	3374P 337A 337B	24,088 96,503 2,527,913
			2,648,504
Special Education - Preschool Grants	84.173	3434 3434P 343A 343B	2,142 671 11,373 65,448
			79,634
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)			2,728,138

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>			
Impact Aid	84.041	Direct	106,472
Passed Through Kentucky Council on Postsecondary Education	84.002	365B	36,259
Adult Education - State Grant Program		370B	10,500
		373B	96,280
			<u>143,039</u>
Passed Through State Department of Education	84.010	3104	34,819
Title I Grants to Local Educational Agencies		3104D	66
		3104M	925
		3104P	2,484
		310A	214,066
		310AD	826
		310AE	112,308
		310AL	1
		310AM	7,495
		310AP	2,728
		310B	2,044,092
		310BD	74,511
		310BE	78,767
		310BI	11,475
		310BL	50,261
		310BM	20,959
		310BP	194,297
		3144	68,812
		314A	50,386
		314B	3,596
			<u>2,972,874</u>
Migrant Education - State Grant Program	84.011	311A	31,840
		311B	36,738
			<u>68,578</u>
Title I State Agency Program for Neglected and Delinquent Children	84.013	3134C	1,985
		313A	4,365
		313AT	136
			<u>6,486</u>
Vocational Education - Basic Grants to States	84.048	348A	6,817
		348AA	3,804
		348B	126,861
		541B	7,000
			<u>144,482</u>
Tech Prep Education	84.243	363B	11,068
English Language Acquisition Grants	84.365	345A	21,401
		345B	25,300
			<u>46,701</u>

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
Improving Teacher Quality - State Grants	84.367	4014	51,332
		401A	297,492
		401B	<u>86,579</u>
			<u>435,403</u>
Race to the Top	84.413	4521	<u>14,213</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>6,677,454</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 13,595,828</u></u>

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Hardin County School District under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Hardin County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Hardin County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE C – FOOD DISTRIBUTION

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

NOTE D – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HARDIN COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued (unmodified):

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) 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 deficiency(ies) identified
that are not considered to be material
weakness(es)? ☒ yes ☐ none reported

Type of auditor's report issued on compliance for major programs (unmodified):

Any audit findings disclosed that are
required to be reported in accordance
with 2 CFR 200.516(a)?

☒ yes ☐ no

Section I-Summary of Auditor's Results – Continued

Identification of major programs:

<u>CFDA Number</u>	<u>Federal Program or Cluster</u>
DEPARTMENT OF AGRICULTURE	
Child Nutrition Cluster	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children

Dollar threshold used to distinguish
Between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

2016-001 – Child Nutrition Cluster – CFDA No. 10.553 (School Breakfast Program), 10.555 (National School Lunch Program) and 10.559 (Summer Food Service Program for Children) – Year Ended June 30, 2016 – U. S. Department of Agriculture, Passed Through State Department of Education

Significant Deficiency – Procurement

Criteria: Part 200 of Title 2 of the U.S. Code of Federal Regulations titled, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, lays out the basic procurement requirements that entities must comply with for the procurement of food, and other goods and services, when using federal funds.

Condition The District's policies and procedures were in accordance with state requirements but did not include the required federal requirements regarding procurement.

Questioned Costs: None

Context: This was noted during a review of purchasing procedures.

Effect The District could have purchased from vendors who did not meet federal procurement requirements.

Cause: The District was not aware of the additional requirements.

Recommendation: The District should adopt revised procurement procedures.

Views of Responsible Officials and Planned Corrective Actions: The District implemented revised procurement procedures effective July 1, 2016.

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2016

There were no prior audit findings.

**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**



**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
Hardin County School District
Elizabethtown, Kentucky

We have audited, in accordance with the 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 the requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Hardin County School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Hardin County School District's basic financial statements, and have issued our report thereon dated September 22, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hardin 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 District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 Hardin County School 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 the *Independent Auditor's Contract*.

We noted certain matters that we reported to management of Hardin County School District in a separate letter dated September 22, 2016.

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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Elizabethtown, Kentucky
September 22, 2016

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**



CHRIS R. CARTER, CPA
ANN M. FISHER, CPA
SCOTT KISSELBAUGH, CPA
BRIAN S. WOOSLEY, CPA

STILES, CARTER & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN INSTITUTE OF CPAS
KENTUCKY SOCIETY OF CPAS

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Members of the Board of Education
Hardin County School District
Elizabethtown, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Hardin County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hardin County School District's major federal programs for the year ended June 30, 2016. Hardin 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 Hardin 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the Independent Auditor's Contract. Those standards and the Uniform Guidance 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 Hardin County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Hardin County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Hardin 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 Hardin 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 in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Hardin County School District's internal control over compliance.

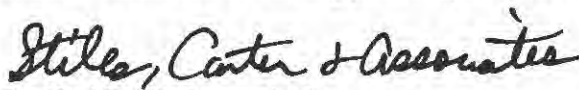
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

Hardin County School District's Response to Findings

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants
Elizabethtown, Kentucky
September 22, 2016

MANAGEMENT LETTER AND COMMENTS



CHRIS R. CARTER, CPA
ANN M. FISHER, CPA
SCOTT KISSELBAUGH, CPA
BRIAN S. WOOSLEY, CPA

STILES, CARTER & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN INSTITUTE OF CPAS
KENTUCKY SOCIETY OF CPAS

Members of the Board of Education of
Hardin County School District
Elizabethtown, Kentucky

In planning and performing our audit of the basic financial statements of Hardin County School District for the year ended June 30, 2016, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated September 22, 2016, contains our report on the District's internal control. This letter does not affect our report dated September 22, 2016, on the financial statements of the Hardin County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these 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, the members of the Hardin County Board of Education, others within the District, 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.

A handwritten signature in cursive script that reads "Stiles, Carter & Associates".

Certified Public Accountants
Elizabethtown, Kentucky
September 22, 2016

HARDIN COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2016

UNCORRECTED PRIOR YEAR COMMENTS

LINCOLN TRAIL ELEMENTARY SCHOOL

UNTIMELY DEPOSIT

We noted that the deposit dated 12/18/2015 included checks dated from 11/4/2015 through 12/3/2015. We also noted a deposit dated 6/13/2016 included checks dated from 4/27/2016 through 5/27/2016. Redbook indicates that deposits should be made in a timely manner.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

BLUEGRASS MIDDLE SCHOOL

UNTIMELY DEPOSIT

We noted that a deposit dated 12/3/2015 in the amount of \$880 for pre-ordered t-shirts paid by parents of boys' basketball players was accompanied by a Multiple Receipt Form F-SA-6 dated 12/1/2015 by the basketball coach. This deposit should have been made by the end of the next business day.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

NORTH MIDDLE SCHOOL

UNTIMELY DEPOSITS

We noted the deposit dated 9/17/2015 included cash collections of \$161.00 on 9/15/2015 that were held for deposit until 9/17/2015. Redbook says the cash should be deposited within one business day.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

TICKET SALES

We noted that the Requisition and Report of Ticket Sales Forms (form F-SA-1) that were completed for the football game held on 09/08/2015 had the same individual initial as the ticket seller and sign off as the ticket taker.

We noted that the Requisition and Report of Ticket Sales Forms (form F-SA-1) that were completed for the boys' basketball game held on 11/12/2015 had the same individual initial as the ticket seller and sign off as the ticket taker.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

CENTRAL HARDIN HIGH SCHOOL

UNTIMELY DEPOSITS

We noted the deposit dated 8/5/2015 included receipt number 36141, which included checks dated 5/28/2015 for \$34, 5/21/2015 for \$80, and 6/23/2015 for \$130. Redbook says that checks should be deposited daily if more than \$100 on hand and weekly if \$100 or less is on hand.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

NORTH HARDIN HIGH SCHOOL

INVENTORY CONTROL

We noted that there were no Inventory Control Worksheets (F-SA-5) on file for items held as inventory, including concessions and t-shirts. Per discussion with the Central Fund Treasurer, the school does not maintain inventory worksheets.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

EARLY COLLEGE AND CAREER CENTER

INVENTORY CONTROL

We noted that inventory control worksheets (F-SA-5) for EC3 shirts were not kept on a monthly basis. The shirts were sold from August to the end of April. Inventory control sheets were only completed for December, February, March and April. Redbook requires inventory control worksheets to be completed every month until there is no inventory. Also, we noted that a Fundraiser Worksheet (F-SA-2B) was not filled out for this fundraiser. Redbook requires Form F-SA-2B to be completed for fundraisers that sell purchased merchandise.

We noted that the inventory control worksheets (F-SA-5), for concessions at the VEX event, were not completed correctly. Beginning inventory did not match the ending inventory amount on the prior month's worksheet. Redbook requires inventory control worksheets to be filled out correctly.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

CURRENT YEAR COMMENTS

GC BURKHEAD ELEMENTARY SCHOOL

FUNDRAISING

We noted a Kona Ice fundraiser was held with the purpose to raise money for the fifth grade trip. The proceeds from the fundraiser were deposited into the General Student Fund. Redbook requires funds to be deposited into the fund for which the fundraiser was held. The funds should have been deposited into the 5th Grade Fund.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

HEARTLAND ELEMENTARY SCHOOL

INAPPROPRIATE FUND

We noted that the Fundraiser Approval Form (F-SA-2A) for the Kona Ice fundraiser stated the Field Trip Fund held the fundraiser, but the proceeds were deposited into the Girl Power Club on 09/21/2015 and the PAWS Fund on 11/06/2015.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

HOWEVALLEY ELEMENTARY SCHOOL

MULTIPLE RECEIPT FORMS

We noted during the review of deposits, that the deposit made on 09/02/2015 in the amount of \$473.40 included a Multiple Receipt Form (F-SA-6) where the sponsor signed on behalf of fifth grade students remitting the monies. Redbook requires that students in the third grade and above sign their names on the Multiple Receipt Forms.

HOWEVALLEY ELEMENTARY SCHOOL- CONTINUED

MULTIPLE RECEIPT FORMS

We noted during the review of deposits, that the deposit made on 11/05/2015 in the amount of \$2,074.00 included a Multiple Receipt Form (F-SA-6) where the sponsor signed on behalf of fourth and fifth Beta Club students. Redbook requires that students in the third grade and above sign their names on the Multiple Receipt Forms.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

DEPOSIT SLIPS

We noted that the deposit slips attached to the deposit made on 09/02/2015, in the amount of \$473.40 did not have the receipt number included on the deposit slip or a copy of the checks. Redbook requires that deposit slips note the receipt numbers or a copy of the checks that are included in each deposit.

We noted that the deposit slips attached to the deposit made on 11/05/2015, in the amount of \$2,074.00 did not have the receipt number included on the deposit slip or a copy of the checks. Redbook requires that deposit slips note the receipt numbers or a copy of the checks that are included in each deposit.

We noted that the deposit slips attached to the deposit made on 04/18/2016, in the amount of \$462.00 did not have the receipt number included on the deposit slip or a copy of the checks. Redbook requires that deposit slips note the receipt numbers or a copy of the checks that are included in each deposit.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

LINCOLN TRAIL ELEMENTARY SCHOOL

REQUISITION AND REPORT OF TICKET SALES

We noted that the Requisition and Report of Ticket Sales Form (F-SA-1) for the 5th Grade Play was improperly completed due to the absence of attached tickets. Redbook form indicates that the full unsold start and end tickets should be attached to the form after each event.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

MULTIPLE RECEIPT FORM

We noted that the deposit dated 6/13/2016 did not include a Multiple Receipt Form (F-SA-6) or pre-numbered receipt to be remitted to the person submitting payment. Redbook indicates that one of these must be used.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

SALES TAX

We noted that check #2919 dated 2/17/2016 included a receipt from Kroger in the amount of \$34.90, \$1.98 of which was sales tax. Redbook states that schools should not pay sales tax.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

MEADOW VIEW ELEMENTARY SCHOOL

MULTIPLE RECEIPT FORM

We noted the deposit dated 5/19/2016 included a Multiple Receipt Form (form F-SA-6) where the person remitting the money signed on behalf of fifth grade students. Redbook states that students in the third grade and above must sign the Multiple Receipt Forms.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

PURCHASE ORDER FORM

We noted that check number 1781 on 12/15/2015 in the amount of \$360.00 included a purchase order form that was dated 12/15/2015 attached to an invoice from the vendor dated 12/2/2015. Redbook requires that Purchase Order Forms be completed and submitted prior to purchase.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

RINEYVILLE ELEMENTARY SCHOOL

MULTIPLE RECEIPT FORM

We noted the deposit dated 04/14/2016, in the amount of \$50.00, had an attached a deposit slip that did not include the corresponding receipt number. Redbook requires that deposit slips note the receipt numbers or a copy of the checks included in the deposit.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

PURCHASE ORDER FORMS

We noted that check #3024, dated 01/15/2016, in the amount of \$500.00 and written to the Kentucky State Treasurer for the use of a mobile science lab from the General Student Fund included a Purchase Order Form (form F-SA-7) that was signed by the sponsor requesting the funds, but was not signed by the principal. Redbook requires both signatures on the Purchase Order Form before writing a check.

We noted that check #3041, dated 05/20/2016, in the amount of \$110.00 and written to Awards Center for retirement plaques from the Faculty Fund included a Purchase Order Form (form F-SA-7) that was dated 05/20/2016 and an invoice dated 05/19/2016. Redbook requires that the Purchase Order Form be completed before the purchase is made.

We noted that check #3043, dated 05/27/2016, in the amount of \$150.00 and written to Elizabethtown Laundry Company for linens from the Faculty Fund included a Purchase Order Form (form F-SA-7) that was dated 05/27/2016 and an invoice dated 05/26/2016. Redbook requires that the Purchase Order Form be completed before the purchase is made.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

WOODLAND ELEMENTARY SCHOOL

FUNDRAISER FORMS

We noted that a Fundraiser Worksheet (Form F-SA-2B) was not completed for the Book Fair fundraiser held in September-October 2015. Redbook requires this form to be completed within one week of the end of the fundraiser.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

MULTIPLE RECEIPT FORM

We noted that the Beta Club sponsor signed the Multiple Receipt Form (for receipt #7598) for all of the students who turned their dues in for Beta Club. Beta Club is only available for fourth and fifth grade students. Redbook requires students in the third grade and above to sign the form.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

EAST HARDIN MIDDLE SCHOOL

ANNUAL FINANCIAL REPORT

We noted that the Annual Financial Report was not signed by either the Central Fund Treasurer or the Principal. Redbook requires the Annual Financial Report to be signed by both the Central Fund Treasurer and the Principal.

We noted that the Faculty Fund had a negative balance at June 30, 2016. Redbook states that the Annual Financial Report should not have any funds with negative balances at year end.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

UNTIMELY DEPOSITS

We noted that during the review of receipts, checks collected for t-shirt sales at open house were held from 7/27/2015 for the deposit dated 7/30/2015. For another deposit, \$1,725.49 in checks (check dates ranging from 7/10/2015 to 7/23/2015) on Multiple Receipt Form (form F-SA-6) dated 7/30/2015 were held until deposited on 7/30/2015. Redbook states that cash should be deposited daily if over \$100.00.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

NORTH MIDDLE SCHOOL

DEPOSIT SLIPS

We noted that the deposits dated 12/4/2015 and 3/18/2016 included receipt numbers only for the deposit slips that included cash. Per discussion with the Central Fund Treasurer, checks are deposited remotely from the school. As a result, she does not list receipt numbers for checks on a deposit slip. Documentation of deposit of checks is received via a printout from the banking website, but lacks receipt numbers. Also, there were not images of the checks to support the deposit. Also, the deposit dated 3/18/2016 included a deposit ticket for cash in the amount of \$2,392.00, but incorrectly listed the prior day's receipt numbers rather than the corresponding receipts numbered 6691 and 6692.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

INVENTORY CONTROL WORKSHEET

We noted that the Inventory Control Worksheets (form F-SA-5) completed for the concession stand sales had a beginning inventory amount listed on the 10/02/2015 worksheet that did not match the ending inventory amount on the prior worksheet.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

PURCHASE ORDERS

We noted that check #7834, dated 10/05/2015, written to John Edwards for referee assigning fees, in the amount of \$50.00, had an attached Purchase Order Form (form F-SA-7) that was not dated.

We noted that check #7942, dated 02/22/2016, written to BSN Sports, LLC for BBK supplies, in the amount of \$413.70, had an attached Purchase Order Form (form F-SA-7) that was not dated.

We noted that the format of the Purchase Order Forms (form F-SA-7) used during the 2015-2016 school year did not include a line for the sponsor to indicate when the form was completed.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

CENTRAL HARDIN HIGH SCHOOL

MULTIPLE RECEIPT FORM

We noted the deposits dated 2/19/2016 and 4/15/2016 included Multiple Receipt Forms (form F-SA-6) where the person remitting the money signed on behalf of the students. Redbook states that students in the third grade and above must sign the Multiple Receipt Forms.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

JOHN HARDIN HIGH SCHOOL

CREDIT CARDS

We noted that the credit card sign in/out log (F-SA-13) included 33 instances where the school's credit cards were signed out and returned later than the next business day, including a Walmart credit card signed out from 1/4/2016 through 3/8/2016. Redbook states that credit cards should be returned within one business day.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

FUNDRAISER FORMS

We noted that the fundraiser involving the sale of concessions for FCCLA did not include the Sales from Concessions/Bookstore/Pencil Machine Form (F-SA-17). Redbook requires that this form be included with this type of fundraiser.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

INVENTORY CONTROL

We noted that the inventory for spirit items was discontinued in February 2016. The final inventory control worksheet (F-SA-5) included a note that \$160 in inventory remained and that sales would continue during the next school year. Redbook states that inventory control worksheets should be maintained until inventory balance is zero or until the end of the fiscal year, whichever comes first.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

NORTH HARDIN HIGH SCHOOL

MISSING INVOICE

We noted that check #34228, dated 09/23/2015 and written to Wal-Mart Community had an attached Purchase Order Form (F-SA-7) for the purchase of Food Items in the amount of \$67.52 from the Boys' Golf Fund, however there was no receipt on file.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

CREDIT CARDS

We noted that the credit card sign in/out log (F-SA-13) did not follow Redbook procedures. We noted four instances where the credit card was held longer than one business day. Redbook states that credit cards should be returned by the end of the next business day.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

FUNDRAISER FORMS

We noted that the fundraiser for concession for FCCLA only included a Fundraiser Worksheet (F-SA-2B). Redbook states that the sale of concessions should use Fundraiser Approval Form (F-SA-2A), Inventory Control Worksheet (F-SA-5), and Sales Collection Form (F-SA-17), none of which were present.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

UNTIMELY DEPOSIT

We noted that the receipt dated 9/10/2015 included two multiple receipt forms (F-SA-6) dated 9/4/2015, indicating that the funds were held longer than one business day before deposit. We also noted that the deposit dated 11/18/2015 included two multiple receipt forms (F-SA-6) dated 11/16/2015, and two additional forms with apparently altered dates. Redbook states that receipts should be deposited within one business day.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

BROWN STREET EDUCATIONAL CENTER

INTERNAL CONTROLS

We noted in the questionnaire that the treasurer, takes deposits to the bank. This is not proper segregation of duties. Redbook states that someone other than the person entered the deposit in the accounting system should take the deposit to the bank.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.

CREDIT CARDS

Upon review of form F-SA-13, We noted that the employee signs the form to check out the credit card; however, there is no signature indicating that another employee witnessed the return of the credit card.

MANAGEMENT RESPONSE

District finance personnel have discussed with school management to ensure the item is not repeated.