

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

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

**YEAR ENDED JUNE 30, 2014**

# BARDSTOWN INDEPENDENT SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2014

	<u>Page</u>
<b>Report of Independent Auditors</b> .....	1 - 3
<b>Management’s Discussion and Analysis</b> .....	4 - 10
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position.....	11
Statement of Activities.....	12
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds.....	13
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position .....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Net Position – Proprietary Funds .....	17
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	18
Statement of Cash Flows – Proprietary Funds.....	19
Statement of Fiduciary Net Position – Fiduciary Funds .....	20
<b>Notes to the Basic Financial Statements</b> .....	21 - 43
<b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual - General Fund.....	44
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – Special Revenue Fund .....	45

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

TABLE OF CONTENTS

JUNE 30, 2014

**Supplementary Information**

**Combining Statements – Non-Major Funds**

Combining Balance Sheet – Non-Major Governmental Funds ..... 46

Combining Statement of Revenues, Expenditures and Changes in Fund  
Balances – Non-Major Governmental Funds ..... 47

Combining Statement of Fiduciary Net Position – Agency Funds ..... 48

**Schools**

Schedule of Assets, Receipts, Disbursements and Liabilities – All Schools ..... 49

Schedule of Assets, Receipts, Disbursements and Liabilities –  
Bardstown High School ..... 50 – 52

**Schedule of Expenditures of Federal Awards** ..... 53 – 54

**Notes to the Schedule of Expenditures of Federal Awards** ..... 55

**Schedule of Findings and Questioned Costs** ..... 56 – 61

**Schedule of Prior Year Audit Findings** ..... 62

**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*** ..... 63 – 64

**Independent Auditor’s Report on Compliance for Each Major Program and on  
Internal Control Over Compliance Required by OMB Circular A-133** ..... 65 – 67

**Management Letter Comments** ..... 68 – 70

# SMITH & COMPANY CPA's, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

FRANCIS X. SMITH, CPA  
FRANCIS X. SMITH II, CPA  
JASON O. STRANGE, CPA

207 NORTH THIRD STREET  
BARDSTOWN, KENTUCKY 40004  
TEL 502-348-7576  
FAX 502-348-7320  
[www.smithandcocpa.com](http://www.smithandcocpa.com)

CLARA N. GUNNING, CPA

MEMBERSHIPS:  
AMERICAN INSTITUTE OF CPA's  
KENTUCKY SOCIETY OF CPA's

## REPORT OF INDEPENDENT AUDITORS

Members of the Board of Education  
Bardstown Independent School District  
Bardstown, Kentucky 40004

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bardstown Independent School District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of *Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirement, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Auditor's Contract – Audit Extension Request, and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bardstown Independent School District, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 – 10 and 43 – 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards* and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirement*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Auditor's Contract – Audit Extension Request*, and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*, we have also issued our report dated October 29, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Bardstown, Kentucky  
October 29, 2014

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2014

As management of the Bardstown Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit. The reporting model is a combination of both government-wide financial statements and fund financial statements.

**FINANCIAL HIGHLIGHTS**

- The ending cash and cash equivalents balance for the District was \$1.906 million.
- Construction in process of approximately \$250,000 toward the completion of the new roof project at Bardstown High School
- Local tax levied at the four percent rate increase of 72.7 cents per \$100 for real estate and tangible property. No change in the motor vehicle tax at 53.1 cents per \$100 of assessed property.
- From fiscal year 2013 to 2014, total revenues from governmental activities increased approximately \$779,000 primarily due to increased tax revenues and increases in state grant revenues.
- The district adopted a \$22 million budget in May 2014 for the upcoming year with 4% of the budgeted expenses for contingency.
- The District saw one new School Board member appointed in September 2013.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets as well as long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

expenses are recognized in the period in which the liability incurred. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

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

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by approximately \$3.9 million as of June 30, 2014.

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

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

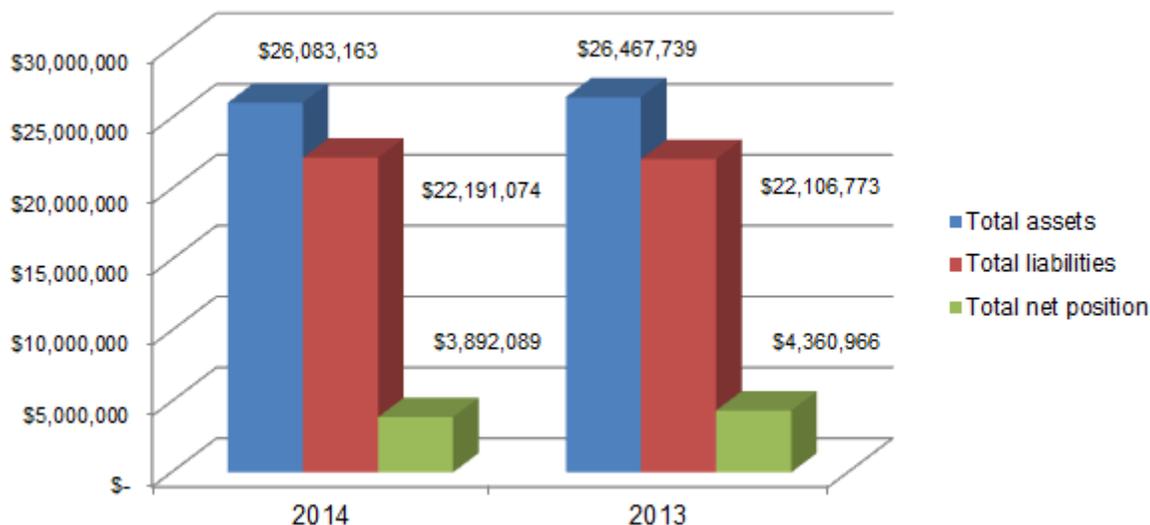
**BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Net Position**

The 2014 Government-wide net position compared to 2013 is as follows:

**Net Position  
(Table 1)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 2,404,890	\$ 2,117,286	\$ 724,936	\$ 695,304	\$ 3,129,826	\$ 2,812,590
Capital assets	22,763,408	23,469,960	189,929	185,189	22,953,337	23,655,149
<b>Total assets</b>	<b>25,168,298</b>	<b>25,587,246</b>	<b>914,865</b>	<b>880,493</b>	<b>26,083,163</b>	<b>26,467,739</b>
Noncurrent liabilities	19,975,961	20,285,968	-	-	19,975,961	20,285,968
Other liabilities	2,214,990	1,814,771	123	6,034	2,215,113	1,820,805
<b>Total liabilities</b>	<b>22,190,951</b>	<b>22,100,739</b>	<b>123</b>	<b>6,034</b>	<b>22,191,074</b>	<b>22,106,773</b>
<b>Net position:</b>						
Net investment in capital assets	1,470,944	1,835,565	189,929	185,189	1,660,873	2,020,754
Restricted	641,030	-	97,740	104,438	738,770	104,438
Unrestricted	865,373	1,650,942	627,073	584,832	1,492,446	2,235,774
<b>Total net position</b>	<b>\$ 2,977,347</b>	<b>\$ 3,486,507</b>	<b>\$ 914,742</b>	<b>\$ 874,459</b>	<b>\$ 3,892,089</b>	<b>\$ 4,360,966</b>



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

- Capital assets decreased approximately \$707,000 due to current year depreciation of \$1.3 million exceeding FY2014 additions of approximately \$616,000.
- Long-term debt primarily decreased as a result of new bonds issued in fiscal year 2014 for \$925,000 offset by scheduled bond principal reduction of approximately \$1.3 million. Also for FY2014, new capital lease obligations issued for approximately \$189,000, were offset by schedule capital lease payments of approximately \$113,000.
- Other liabilities increased due to approximately \$276,000 included in accounts payable for construction in process outstanding at June 30, 2014 and additional equipment of approximately \$26,000 received prior to fiscal year-end, but invoiced subsequent to June 30, 2014.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Change in Net Position**

The following Table 2 presents the summary of changes in net position for the fiscal years ending June 30, 2014 and 2013.

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

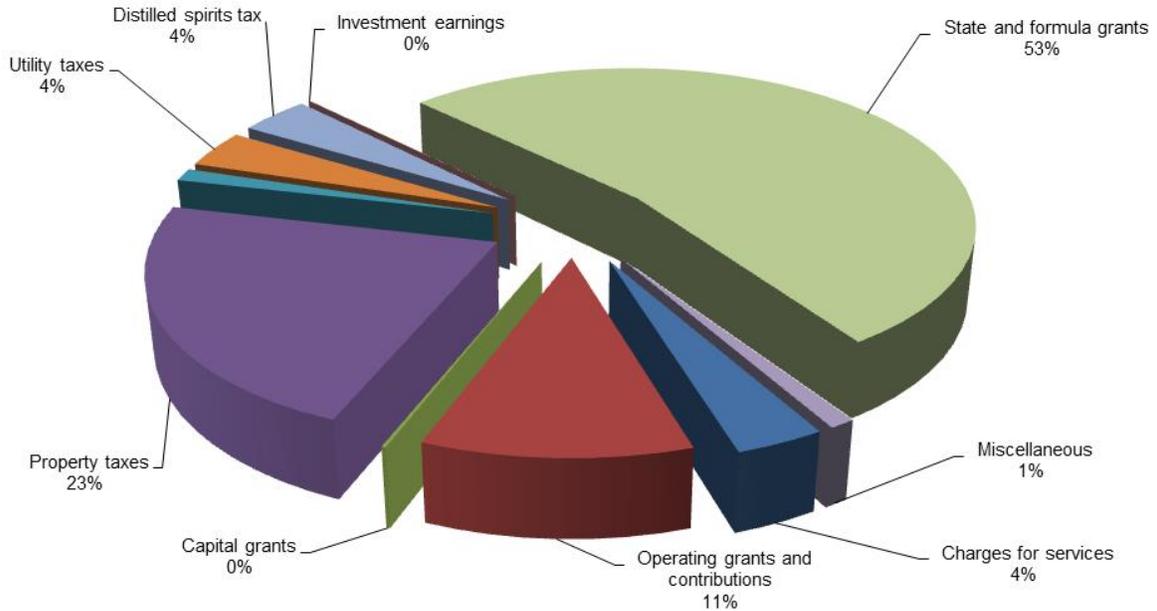
	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
<b>REVENUES</b>						
<b>Program Revenues</b>						
Charges for services	\$ 153,605	\$ 140,106	\$ 848,235	\$ 841,372	\$ 1,001,840	\$ 981,478
Operating grants and contributions	1,347,542	1,499,250	1,663,921	1,422,032	3,011,463	2,921,282
Capital grants and contributions	48,916	-	-	-	48,916	-
<b>General Revenues</b>						
Property taxes	6,334,421	6,102,971	-	-	6,334,421	6,102,971
Motor vehicle taxes	352,376	361,042	-	-	352,376	361,042
Utility taxes	1,059,562	1,038,482	-	-	1,059,562	1,038,482
Distilled spirits tax	1,097,213	1,032,079	-	-	1,097,213	1,032,079
Investment earnings	11,381	14,255	2,383	2,886	13,764	17,141
State and formula grants	14,967,247	14,561,033	-	-	14,967,247	14,561,033
Gain (loss) on sale of equipment	(3,399)	-	-	-	(3,399)	-
Miscellaneous	295,504	136,491	-	950	295,504	137,441
<b>Total revenues</b>	<b>25,664,368</b>	<b>24,885,709</b>	<b>2,514,539</b>	<b>2,267,240</b>	<b>28,178,907</b>	<b>27,152,949</b>
<b>EXPENSES</b>						
<b>Program Activities</b>						
Instruction	15,659,047	14,690,849	-	-	15,659,047	14,690,849
Student support	1,505,428	1,445,530	-	-	1,505,428	1,445,530
Instruction staff support	766,165	777,754	-	-	766,165	777,754
District administration support	952,370	775,854	-	-	952,370	775,854
School administrative support	1,422,423	1,410,749	-	-	1,422,423	1,410,749
Business support	583,367	718,967	-	-	583,367	718,967
Plant operation and maintenance	2,778,536	1,809,969	-	-	2,778,536	1,809,969
Student transportation	915,975	837,401	-	-	915,975	837,401
Community service activities	361,627	243,278	-	-	361,627	243,278
Other	-	140,578	-	-	-	140,578
Interest on long-term debt	570,253	687,320	-	-	570,253	687,320
Depreciation - unallocated	-	1,320,295	-	-	-	1,320,295
<b>Business-type Activities</b>						
Food service	-	-	1,688,032	1,579,957	1,688,032	1,579,957
Child care	-	-	531,563	432,264	531,563	432,264
Adult education	-	-	229,337	280,343	229,337	280,343
<b>Total expenses</b>	<b>25,515,191</b>	<b>24,858,544</b>	<b>2,448,932</b>	<b>2,292,564</b>	<b>27,964,123</b>	<b>27,151,108</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 149,177</b>	<b>\$ 27,165</b>	<b>\$ 65,607</b>	<b>\$ (25,324)</b>	<b>\$ 214,784</b>	<b>\$ 1,841</b>

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

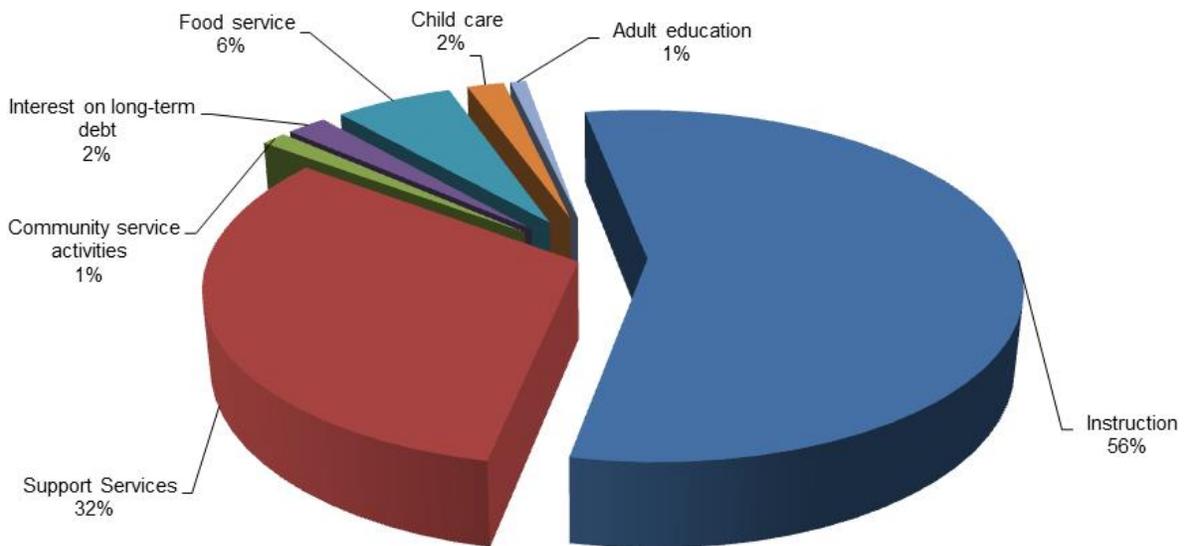
- Property taxes increased approximately \$231,000 with the corresponding increase in the property tax rate and increased property assessments.
- State and formula grants increased approximately \$406,000 primarily related to increases in SEEK funding.
- Total expenses increased approximately \$657,000 as a result of increases in wages and benefits across all functions as well as increase in repairs and maintenance.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

The following provides a breakdown of total primary government revenues for the year ending June 30, 2014:



The following provides a breakdown of total primary government expenses for the year ending June 30, 2014:



**BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Capital Assets**

At the end of fiscal year 2014, the School District had approximately \$22.953 million invested in land, building and improvements, vehicles, equipment, and construction in process. Table 3 shows fiscal year 2014 and 2013 balances.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land	\$ 741,001	\$ 741,001	\$ -	\$ -	\$ 741,001	\$ 741,001
Buildings and improvements	20,797,699	21,861,036	-	-	20,797,699	21,861,036
Technology equipment	314,444	308,570	32,451	32,451	346,895	341,021
Vehicles	551,551	482,442	10,718	-	562,269	482,442
General equipment	108,603	76,910	146,760	134,540	255,363	211,450
<b>Total</b>	<b>22,513,298</b>	<b>23,469,959</b>	<b>189,929</b>	<b>166,991</b>	<b>22,703,227</b>	<b>23,636,950</b>
Construction in process	250,110	-	-	-	250,110	-
<b>Total</b>	<b>\$ 22,763,408</b>	<b>\$ 23,469,959</b>	<b>\$ 189,929</b>	<b>\$ 166,991</b>	<b>\$ 22,953,337</b>	<b>\$ 23,636,950</b>

The following were major additions and capital assets placed in service during fiscal year 2014:

Construction in process for Bardstown High roof project	\$ <u>250,110</u>
Computer and Network Peripherals	\$ <u>81,708</u>
Two school buses	\$ <u>182,823</u>

**Debt**

At June 30, 2014, the School District had \$20,600,150 in bonds outstanding. Of this amount, \$734,457 is to be paid by the Kentucky School Facility Construction Commission. A total of \$1,369,175 is due within one year.

**General Fund – Budget Highlights**

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

For the General Fund, revenues were budgeted at approximately \$20.7 million with actual amounts of approximately \$20.9 million. Budgeted expenditures of approximately \$21.4 million compare with actual expenditures of approximately \$21.7 million. The most significant fluctuation is for debt service where the actual exceeded the budgeted amount by approximately \$131,000.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 - 43 of this report.

**BUDGETARY IMPLICATIONS**

In Kentucky the public school fiscal year is July 1 – June 30; other programs, i.e. some federal, operate on a different fiscal year, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget for 2013-2014 with contingency that exceeded the 2% requirement. The District has adopted a budget for 2014-2015 with a contingency that exceeds the 2% requirement.

**ADDITIONAL CONTACT INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. Questions regarding this report or requests for additional information should be directed to Pat Hagan, Director of Finance, 308 North Fifth Street, Bardstown, Kentucky, 40004, (502) 331-8800.

# BARDSTOWN INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF NET POSITION

JUNE 30, 2014

<b>Assets</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 1,219,647	\$ 686,735	\$ 1,906,382
Inventory	-	24,435	24,435
Accounts receivable:			
Taxes - current	2,873	-	2,873
Taxes - delinquent	145,570	-	145,570
Other	91,933	13,766	105,699
Intergovernmental - State	-	-	-
Intergovernmental - Indirect Federal	53,727	-	53,727
Bonds proceeds	891,140	-	891,140
Total current assets	<u>2,404,890</u>	<u>724,936</u>	<u>3,129,826</u>
<b><u>Capital Assets, Net</u></b>			
Capital assets, net	<u>22,763,408</u>	<u>189,929</u>	<u>22,953,337</u>
Total assets	<u><u>\$ 25,168,298</u></u>	<u><u>\$ 914,865</u></u>	<u><u>\$ 26,083,163</u></u>
<b>Liabilities &amp; Net Position</b>			
<b><u>Current Liabilities</u></b>			
Accounts payable	\$ 402,305	\$ 123	\$ 402,428
Accrued salaries and benefits payable	14,130	-	14,130
Deferred revenue	81,865	-	81,865
Interest payable	142,285	-	142,285
Current portion of bond obligations	1,369,175	-	1,369,175
Current portion of capital lease obligations	129,873	-	129,873
Current portion of claims payable - KSBIT	20,089	-	20,089
Current portion of accrued sick leave	55,268	-	55,268
Total Current Liabilities	<u>2,214,990</u>	<u>123</u>	<u>2,215,113</u>
<b><u>Noncurrent Liabilities</u></b>			
Noncurrent portion of bond obligations	19,230,975	-	19,230,975
Less: bond discount	(18,500)	-	(18,500)
Capital lease obligations	580,941	-	580,941
Noncurrent portion of claims payable - KSBIT	60,264	-	60,264
Noncurrent portion of accrued sick leave	122,281	-	122,281
Total Noncurrent Liabilities	<u>19,975,961</u>	<u>-</u>	<u>19,975,961</u>
Total Liabilities	<u><u>22,190,951</u></u>	<u><u>123</u></u>	<u><u>22,191,074</u></u>
<b><u>Net Position</u></b>			
Net investment in capital assets	1,470,944	189,929	1,660,873
Restricted for:			
Construction	641,030	-	641,030
Adult education	-	97,740	97,740
Unrestricted	865,373	627,073	1,492,446
Total Net Position	<u><u>\$ 2,977,347</u></u>	<u><u>\$ 914,742</u></u>	<u><u>\$ 3,892,089</u></u>

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Expenses	Program Revenues			Net (Expense) Revenue And Changes In Net Position		
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
<b>FUNCTIONS / PROGRAMS</b>							
<b>Governmental Activities:</b>							
Instruction	\$ 15,659,047	\$ 149,628	\$ 1,342,257	\$ -	\$ (14,167,162)	\$ -	\$ (14,167,162)
Support Services:							
Student	1,505,428	-	-	-	(1,505,428)	-	(1,505,428)
Instruction staff	766,165	-	-	-	(766,165)	-	(766,165)
District administration	952,370	-	-	-	(952,370)	-	(952,370)
School administrative	1,422,423	-	-	-	(1,422,423)	-	(1,422,423)
Business	583,367	-	-	-	(583,367)	-	(583,367)
Plant operation and maintenance	2,778,536	-	-	-	(2,778,536)	-	(2,778,536)
Student transportation	915,975	3,977	5,285	-	(906,713)	-	(906,713)
Community service activities	361,627	-	-	-	(361,627)	-	(361,627)
Interest on long-term debt	570,253	-	-	48,916	(521,337)	-	(521,337)
Total Governmental Activities	25,515,191	153,605	1,347,542	48,916	(23,965,128)	-	(23,965,128)
<b>Business-Type Activities:</b>							
Food service	1,688,032	395,741	1,385,014	-	-	92,723	92,723
Child care	531,563	449,216	59,546	-	-	(22,801)	(22,801)
Adult education	229,337	3,278	219,361	-	-	(6,698)	(6,698)
Total Business-Type Activities	2,448,932	848,235	1,663,921	-	-	63,224	63,224
Total Primary Government	\$ 27,964,123	\$ 1,001,840	\$ 3,011,463	\$ 48,916	(23,965,128)	63,224	(23,901,904)
<b>General revenues:</b>							
Taxes:							
Property taxes					6,334,421	-	6,334,421
Motor vehicles taxes					352,376	-	352,376
Utility taxes					1,059,562	-	1,059,562
Distilled spirits tax					1,097,213	-	1,097,213
Investment earnings					11,381	2,383	13,764
State aid formula grants					14,967,247	-	14,967,247
Gain (loss) on sale of equipment					(3,399)	-	(3,399)
Miscellaneous					295,504	-	295,504
Total general revenues					24,114,305	2,383	24,116,688
Transfers					-	-	-
Change In Net Position					149,177	65,607	214,784
Net Position - Beginning (as previously reported)					3,486,507	849,135	4,335,642
Prior period adjustment					(658,337)	-	(658,337)
Net Position - Beginning (as restated)					2,828,170	849,135	3,677,305
Net Position - Ending					\$ 2,977,347	\$ 914,742	\$ 3,892,089

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2014

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,164,089	\$ 55,558	\$ -	\$ 1,219,647
Accounts receivable	240,376	53,727	891,140	1,185,243
Investments	-	-	-	-
<b>Total assets</b>	<u>\$ 1,404,465</u>	<u>\$ 109,285</u>	<u>\$ 891,140</u>	<u>\$ 2,404,890</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 124,775	\$ 27,419	\$ 250,110	\$ 402,304
Accrued liabilities	14,130	-	-	14,130
Current portion of claims payable - KSBIT	20,089	-	-	20,089
Deferred revenue	-	81,866	-	81,866
<b>Total liabilities</b>	<u>158,994</u>	<u>109,285</u>	<u>250,110</u>	<u>518,389</u>
<b>Fund Balances:</b>				
Restricted	-	-	641,030	641,030
Committed	136,135	-	-	136,135
Assigned	12,549	-	-	12,549
Unassigned	1,096,787	-	-	1,096,787
<b>Total Fund Balances</b>	<u>1,245,471</u>	<u>-</u>	<u>641,030</u>	<u>1,886,501</u>
<b>Total liabilities and fund balances</b>	<u>1,404,465</u>	<u>\$ 109,285</u>	<u>\$ 891,140</u>	<u>\$ 2,404,890</u>

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

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

JUNE 30, 2014

Total fund balance per fund financial statements	\$ 1,886,501
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.	22,763,408
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.	
Bonds payable	(20,600,150)
Bond discount	18,500
Capital lease obligation	(710,814)
Interest payable	(142,285)
Non-current portion claims payable - KSBIT	(60,264)
Accrued sick leave	<u>(177,549)</u>
Net position for governmental activities	<u><u>\$ 2,977,347</u></u>

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

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

**GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes:				
Property	\$ 4,678,460	\$ -	\$ 1,655,961	\$ 6,334,421
Motor vehicle	352,376	-	-	352,376
Utilities	1,059,562	-	-	1,059,562
Distilled spirits tax	1,097,213	-	-	1,097,213
Tuition and fees	149,628	-	-	149,628
Earnings on investments	11,062	319	-	11,381
Other local revenues	268,320	51,714	-	320,034
Intergovernmental - state	13,313,923	907,563	802,398	15,023,884
Intergovernmental - indirect federal	-	1,269,293	-	1,269,293
Total revenues	<u>20,930,544</u>	<u>2,228,889</u>	<u>2,458,359</u>	<u>25,617,792</u>
<b>Expenditures:</b>				
Instruction	13,610,734	1,749,684	-	15,360,418
Support services:				
Student	1,235,309	265,629	-	1,500,938
Instruction staff	694,775	70,679	-	765,454
District administration	972,459	-	-	972,459
School administrative	1,422,097	-	-	1,422,097
Business	581,797	-	-	581,797
Plant operation and maintenance	1,919,234	-	-	1,919,234
Student transportation	962,468	3,609	-	966,077
Facilities acquisition and maintenance	-	-	312,436	312,436
Community service activities	186,736	174,891	-	361,627
Debt service	130,978	-	1,897,473	2,028,451
Total Expenditures	<u>21,716,587</u>	<u>2,264,492</u>	<u>2,209,909</u>	<u>26,190,988</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>(786,043)</u>	<u>(35,603)</u>	<u>248,450</u>	<u>(573,196)</u>
<b>Other financing sources (uses)</b>				
Proceeds from sale of bonds	-	-	925,000	925,000
Bond discount and fees	-	-	(18,500)	(18,500)
Capital lease financing	189,120	-	-	189,120
Proceeds from sale of fixed assets	7,364	-	-	7,364
Operating transfers in	576,246	35,603	1,895,523	2,507,372
Operating transfers out	(97,929)	-	(2,409,443)	(2,507,372)
Total other financing sources (uses)	<u>674,801</u>	<u>35,603</u>	<u>392,580</u>	<u>1,102,984</u>
<b>Net change in fund balances</b>	<u>(111,242)</u>	<u>-</u>	<u>641,030</u>	<u>529,788</u>
<b>Fund balance, July 1, 2013 (as previously reported)</b>	1,025,831	-	-	1,025,831
<b>Prior period adjustment</b>	330,882	-	-	330,882
<b>Fund balance, July 1, 2013 (restated)</b>	<u>1,356,713</u>	<u>-</u>	<u>-</u>	<u>1,356,713</u>
<b>Fund balance, June 30, 2014</b>	<u>\$ 1,245,471</u>	<u>\$ -</u>	<u>\$ 641,030</u>	<u>\$ 1,886,501</u>

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

## BARDSTOWN INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2014

Net change in total fund balances per fund financial statements		\$	529,788
Amounts reported for governmental activities in the statement of activities are different because of the following:			
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlays for the year.			(695,788)
Bond proceeds are reported as revenues in this fund statement because it creates current financial resources, but they are separated and shown as long-term debt on the statement of net assets.			(925,000)
Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. However, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net position.			(189,120)
Debt service payments are reported as expenditures in this fund financial statement because they use current financial resources, but they are separated and shown as payments of long-term debt on the statement of net position and interest expense on the statement of activities. The difference is the amount of principal payment made for the year:			
Bond principal payments	\$	1,324,850	
Discount on bonds		18,500	
Capital lease principal payments		<u>112,701</u>	1,456,051
In the statement of activities, only the gain (loss) on sale of fixed assets is reported, whereas in the governmental funds, the proceeds for the sale increased financial resources.			(10,763)
Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental funds:			
Change in compensated absences		(88,425)	
Change in non-current claims payable - KSBIT		70,064	
Change in accrued interest payable		<u>2,370</u>	<u>(15,991)</u>
Change in net position of governmental activities		\$	<u><u>149,177</u></u>

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2014

	<b>Food Service Fund</b>	<b>Child Care Fund</b>	<b>Adult Education Fund</b>	<b>Total</b>
<b>Assets</b>				
<b><u>Current Assets</u></b>				
Cash and cash equivalents	\$ 574,345	\$ 28,416	\$ 83,974	\$ 686,735
Inventory	24,435	-	-	24,435
Accounts receivable	-	-	13,766	13,766
Intergovernmental - indirect federal	-	-	-	-
Investments	-	-	-	-
Total current assets	<u>598,780</u>	<u>28,416</u>	<u>97,740</u>	<u>724,936</u>
<b><u>Capital Assets, Net</u></b>				
Capital assets, net	<u>189,929</u>	<u>-</u>	<u>-</u>	<u>189,929</u>
Total assets	<u>\$ 788,709</u>	<u>\$ 28,416</u>	<u>\$ 97,740</u>	<u>\$ 914,865</u>
<b>Liabilities &amp; Net Position</b>				
<b><u>Current Liabilities</u></b>				
Accounts payable	\$ 123	\$ -	\$ -	\$ 123
Accrued expenses	-	-	-	-
Deferred revenue	-	-	-	-
Total current liabilities	<u>123</u>	<u>-</u>	<u>-</u>	<u>123</u>
<b><u>Net Position</u></b>				
Net investment in capital assets	189,929	-	-	189,929
Restricted	-	-	97,740	97,740
Unrestricted	<u>598,657</u>	<u>28,416</u>	<u>-</u>	<u>627,073</u>
Total net position	<u>\$ 788,586</u>	<u>\$ 28,416</u>	<u>\$ 97,740</u>	<u>\$ 914,742</u>

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	<b>Food Service Fund</b>	<b>Child Care Fund</b>	<b>Adult Education Fund</b>	<b>Total</b>
<b>Operating revenues:</b>				
Lunchroom sales	\$ 394,681	\$ -	\$ -	\$ 394,681
Tuition and fees	-	449,216	-	449,216
Other operating revenues	1,060	-	3,278	4,338
	<u>395,741</u>	<u>449,216</u>	<u>3,278</u>	<u>848,235</u>
Total operating revenues				
<b>Operating expenses:</b>				
Salaries and wages	875,478	470,315	184,431	1,530,224
Materials and supplies	745,246	34,756	44,906	824,908
Depreciation	26,464	-	-	26,464
Other operating expenses	40,844	26,492	-	67,336
	<u>1,688,032</u>	<u>531,563</u>	<u>229,337</u>	<u>2,448,932</u>
Total operating expenses				
Income (loss) from operations	<u>(1,292,291)</u>	<u>(82,347)</u>	<u>(226,059)</u>	<u>(1,600,697)</u>
<b>Non-operating revenues (expenses):</b>				
Federal grants	1,169,343	-	72,934	1,242,277
State grants - matching	15,666	-	146,427	162,093
State grants - on-behalf	106,885	59,546	-	166,431
Donated commodities	93,120	-	-	93,120
Interest income	2,383	-	-	2,383
	<u>1,387,397</u>	<u>59,546</u>	<u>219,361</u>	<u>1,666,304</u>
Total non-operating revenues				
Change in net position	95,106	(22,801)	(6,698)	65,607
<b>Net position, July 1, 2013</b>	<u>693,480</u>	<u>51,217</u>	<u>104,438</u>	<u>849,135</u>
<b>Net position, June 30, 2014</b>	<u>\$ 788,586</u>	<u>\$ 28,416</u>	<u>\$ 97,740</u>	<u>\$ 914,742</u>

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

# BARDSTOWN INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	Food Service Fund	Child Care Fund	Adult Education Fund	Total
<b>Cash Flows From Operating Activities</b>				
Cash received from:				
Lunchroom sales	\$ 394,681	\$ -	\$ -	\$ 394,681
Tuition and fees	-	449,216	3,278	452,494
Other activities	1,060	-	-	1,060
Cash paid to / for:				
Employees	(768,593)	(410,769)	(184,431)	(1,363,793)
Supplies	(647,778)	(34,756)	(44,906)	(727,440)
Other activities	(40,844)	(26,492)	-	(67,336)
<b>Net cash provided by (used in) operating activities</b>	<u>(1,061,474)</u>	<u>(22,801)</u>	<u>(226,059)</u>	<u>(1,310,334)</u>
<b>Cash Flows From Non-Capital Financing Activities</b>				
Federal grants	1,169,342	-	101,604	1,270,946
State grants	15,666	-	146,427	162,093
Transfers from (to) other funds	-	23,157	100,441	123,598
<b>Net cash provided by (used in) non-capital financing activities</b>	<u>1,185,008</u>	<u>23,157</u>	<u>348,472</u>	<u>1,556,637</u>
<b>Cash Flows From Capital &amp; Related Financing Activities</b>				
Purchases of capital assets	(49,402)	-	-	(49,402)
<b>Cash Flows From Investing Activities</b>				
Receipt of interest income	2,383	-	-	2,383
<b>Net cash provided by investing activities</b>	<u>2,383</u>	<u>-</u>	<u>-</u>	<u>2,383</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>76,515</u>	<u>356</u>	<u>122,413</u>	<u>199,284</u>
<b>Balances, beginning of year</b>	<u>497,830</u>	<u>28,060</u>	<u>(38,439)</u>	<u>487,451</u>
<b>Balances, end of year</b>	<u>\$ 574,345</u>	<u>\$ 28,416</u>	<u>\$ 83,974</u>	<u>\$ 686,735</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income	\$ (1,292,291)	\$ (82,347)	\$ (226,059)	\$ (1,600,697)
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation	26,464	-	-	26,464
Donated commodities	93,120	-	-	93,120
State on-behalf payments	106,885	59,546	-	166,431
Change in assets and liabilities:				
Accounts payable	123	-	-	123
Inventory	4,225	-	-	4,225
<b>Net cash provided by (used in) operating activities</b>	<u>\$ (1,061,474)</u>	<u>\$ (22,801)</u>	<u>\$ (226,059)</u>	<u>\$ (1,310,334)</u>

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2014

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 35,212
Accounts receivable	-
	<hr/>
<b>Total Assets</b>	<b>\$ 35,212</b>
	<hr/> <hr/>
<b>Liabilities</b>	
Accounts payable	\$ -
Due to student groups	35,212
	<hr/>
<b>Total Liabilities</b>	<b>\$ 35,212</b>
	<hr/> <hr/>

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

# **BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2014

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

#### Reporting Entity

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

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

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

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

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

#### Basis of Presentation

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

# **BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2014

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

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

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

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

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

Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

# **BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2014

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

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

The District has the following funds:

I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 53 - 54. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
  1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
  2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.

# **BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2014

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

3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
  - D. The Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.
- II. Proprietary Fund Types (Enterprise Fund)
- A. The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.
  - B. The Child Care Fund is used to account for after school revenues and programs where a fee is charged for participating.
  - C. The Adult Education Fund is used to account for adult education activities, including the Department of Education's Adult Education grant funds.
- III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)
- A. The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

#### Basis of Accounting

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

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

# **BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2014

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

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

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

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

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

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

#### Property Taxes

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

The property tax rates assessed for the year ended June 30, 2014, to finance the General Fund operations were \$0.727 per \$100 valuation for real property, \$0.727 per \$100 valuation for business personal property and \$0.531 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 district, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

# BARDSTOWN INDEPENDENT SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

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

#### Capital Assets

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

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

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

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

#### Interfund Balances

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

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

# **BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2014

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

#### Budgetary Process

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

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

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

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end in accordance with state law.

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

#### Cash and Cash Equivalents

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

#### Inventories

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

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

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

#### Prepaid Assets

Payments made that will benefit periods beyond June 30, 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.

# BARDSTOWN INDEPENDENT SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

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

#### Accrued Liabilities and Long-Term Obligations

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

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

#### Fund Balances

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

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

# **BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2014

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

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

#### Net Position

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

#### Operating Revenues

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

#### Contributions of Capital

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

#### Interfund Activity

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

# BARDSTOWN INDEPENDENT SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

### NOTE B – ESTIMATES

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

### NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's cash and cash equivalents was \$1,906,382. \$250,000 of bank account balances per separate banks is covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Breakdown per financial statements:

Governmental Funds	\$	1,219,647
Proprietary Funds		<u>686,735</u>
	\$	<u>1,906,382</u>

In addition to the cash and cash equivalents listed above, the district has agency funds that are not included in the governmental funds or the proprietary fund balances. The agency funds (school activity funds) at year end were \$35,212.

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

### NOTE D – DEPOSITS AND INVESTMENTS

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

# **BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2014

### **NOTE D – DEPOSITS AND INVESTMENTS - CONTINUED**

#### Investments

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

**Concentration of Credit Risk** – The District, in accordance with KRS 66.480, limits the amount that may be invested at any time in uncollateralized certificates of deposit, bankers acceptances, commercial paper and securities issued by a state or local government or any instrumentality or agency thereof, to 20% of the total amount of funds invested by the District. At June 30, 2014, the District did not hold any investments in excess of this limit.

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

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

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2014

**NOTE E – CAPITAL ASSETS**

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

<u>Governmental Activities</u>	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Non-depreciable assets:				
Land	\$ 741,001	\$ -	\$ -	\$ 741,001
Construction in process	-	250,110	-	250,110
Depreciable assets:				
Buildings and improvements	35,580,242	-	-	35,580,242
Technology equipment	1,280,448	95,116	68,519	1,307,045
Vehicles	1,633,857	182,823	138,404	1,678,276
General equipment	<u>875,274</u>	<u>39,000</u>	<u>-</u>	<u>914,274</u>
Totals at historical cost	<u>40,110,822</u>	<u>567,049</u>	<u>206,923</u>	<u>40,470,948</u>
Accumulated depreciation:				
Buildings and improvements	13,719,205	1,063,338	-	14,782,543
Technology equipment	971,878	84,527	63,804	992,601
Vehicles	1,151,415	113,714	138,404	1,126,725
General equipment	<u>798,365</u>	<u>7,306</u>	<u>-</u>	<u>805,671</u>
Total accumulated depreciation	<u>16,640,863</u>	<u>1,268,885</u>	<u>202,208</u>	<u>17,707,540</u>
Governmental activities capital assets, net	<u>\$ 23,469,959</u>	<u>\$ (701,836)</u>	<u>\$ 4,715</u>	<u>\$ 22,763,408</u>

Depreciation was charged to government functions as follows:

Instruction	\$ 355,568
District administration	327
Business support	1,570
Plant	796,976
Transportation	<u>114,444</u>
Total	<u>\$ 1,268,885</u>

Construction in process totaling \$250,110 related to a new roof project for Bardstown High School. As of June 30, 2014, the remaining commitment for the project budget was approximately \$519,790.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2014

**NOTE E – CAPITAL ASSETS – CONTINUED**

Business-Type Activities	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Depreciable assets:				
Technology equipment	\$ 33,668	\$ -	\$ -	\$ 33,668
Vehicles	-	10,808	-	10,808
General equipment	567,954	38,594	14,700	591,848
Totals at historical cost	601,622	49,402	14,700	636,324
Accumulated depreciation:				
Technology equipment	1,217	-	-	1,217
Vehicles	-	90	-	90
General equipment	433,414	26,374	14,700	445,088
Total accumulated depreciation	434,631	26,464	14,700	446,395
Business-type activities capital assets, net	\$ 166,991	\$ 22,938	\$ -	\$ 189,929

**NOTE F – LONG-TERM OBLIGATIONS**

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

Issue Date	Original Proceeds	Interest Rates
2004A	\$ 1,345,000	2.05% - 4.25%
2005	3,110,000	3.25% - 4.35%
2006	1,625,000	4.00% - 4.25%
2007 RF	940,000	3.25% - 3.90%
2008	1,620,000	2.30% - 4.00%
2009 RF	2,875,000	1.35% - 2.875%
2010 BAB	2,170,000	3.50% - 5.40%
2010 RF	6,380,000	0.60% - 3.10%
2012	4,650,000	1.75% - 2.625%
2013 RF	2,750,000	0.75% - 2.00%
2014	925,000	2.00% - 3.75%

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 Bardstown Independent School District to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. The District entered into “participation agreements” with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs.

# BARDSTOWN INDEPENDENT SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

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

The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements. The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2014 for debt service (principal and interest) are as follows:

	Bardstown Independent School District		Kentucky School Facility Construction Commission		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,314,579	\$ 702,398	\$ 54,596	\$ 22,934	\$ 1,369,175	\$ 725,332
2016	1,343,712	641,275	54,788	21,509	1,398,500	662,784
2017	1,376,338	509,489	56,282	20,018	1,432,620	529,507
2018	1,408,667	478,317	57,853	18,445	1,466,520	496,762
2019	1,435,686	443,918	59,534	16,764	1,495,220	460,682
2020 - 2024	7,833,339	1,592,696	194,211	62,394	8,027,550	1,655,090
2025 - 2029	4,210,326	535,405	125,239	39,002	4,335,565	574,407
2030 - 2034	943,046	72,679	131,954	14,560	1,075,000	87,239
	<u>\$ 19,865,693</u>	<u>\$ 4,976,177</u>	<u>\$ 734,457</u>	<u>\$ 215,626</u>	<u>\$ 20,600,150</u>	<u>\$ 5,191,803</u>

### Capital Leases Payable

The District leases several buses under capital leases issued by the Kentucky Interlocal School Transportation Association (KISTA). Future minimum lease payments under the terms of the leases are as follows:

Year Ending June 30:	
2015	\$ 149,032
2016	127,959
2017	105,464
2018	103,754
2019	84,257
2020 - 2024	<u>217,409</u>
	787,875
Less: amount representing interest	<u>(77,061)</u>
Present value of minimum lease payments	<u>\$ 710,814</u>
Current maturities	129,873
Non-current maturities	<u>580,941</u>
	<u>\$ 710,814</u>

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

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

Property under capital leases at June 30, 2014 includes:

Vehicles	\$ 1,603,195
Accumulated depreciation	<u>(854,619)</u>
	<u>\$ 748,576</u>

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

Accumulated Unpaid Sick Leave Benefits

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

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

Changes in Long-term Obligations

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Amounts due in one year
Revenue bonds payable	\$ 21,000,000	\$ 925,000	\$ 1,324,850	\$ 20,600,150	\$ 1,369,175
Capital lease obligations	634,395	189,120	112,701	710,814	129,873
Claim - KSBIT	130,329	-	49,976	80,353	20,089
Accrued sick leave	<u>89,124</u>	<u>161,220</u>	<u>72,795</u>	<u>177,549</u>	<u>55,268</u>
	<u>\$ 21,853,848</u>	<u>\$ 1,275,340</u>	<u>\$ 1,560,322</u>	<u>\$ 21,568,866</u>	<u>\$ 1,574,405</u>

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

## **BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2014

#### **NOTE G – FUND BALANCES**

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2014, the District had \$641,030 restricted fund balance for future construction projects.

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. At June 30, 2014, the District had \$136,135 committed fund balance for school activity funds.

Assigned fund balances represent amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. The District had \$12,549 assigned related to encumbrances at June 30, 2014.

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

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

#### **NOTE H – RETIREMENT PLANS**

##### Kentucky Teachers' Retirement System

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

# BARDSTOWN INDEPENDENT SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

### NOTE H – RETIREMENT PLANS – CONTINUED

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS web site at <http://www.ktrs.ky.gov/>.

Participating employees hired before July 1, 2008 contribute 11.355% of creditable compensation. Participating employees hired on or after July 1, 2008 contribute 11.355% of creditable compensation as well. Matching contributions are made by the state. The District contributed 1.500% of the employee's compensation for the fiscal year ended June 30, 2014 for participating employees hired before July 1, 2008. The District contributed 14.605% of the employee's compensation paid by federal programs for the fiscal year ended June 30, 2014 for participating employees hired on or after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions. The Board of Trustees of the Kentucky Retirement Systems determines the contribution rates.

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's June 30, 2014 comprehensive annual financial report which is available from Kentucky Retirement Systems. A copy may be obtained from the Legislative Research Library in Frankfort, Kentucky.

#### Three-year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Amount Withheld from Employees</u>	<u>Annual Amount Contributed by the District</u>	<u>Total Amount Contributed</u>
6/30/2012	\$ 1,099,445	\$ 123,813	\$ 1,223,258
6/30/2013	\$ 1,228,816	\$ 167,042	\$ 1,395,858
6/30/2014	\$ 1,395,455	\$ 283,321	\$ 1,678,776

#### County Employees Retirement System

Employees who work on average of 80 hours per month over their contract participate in the County Employees Retirement System (CERS), which is a cost sharing, multiple-employer public employee's retirement system created by and operating under Kentucky law.

The CERS covers substantially all regular non-certified full-time employees of each county and school board, and any additional local agencies electing to participate. The plan provides for retirement, disability, and death benefits. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the CERS, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky 40601-6124.

# BARDSTOWN INDEPENDENT SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

### NOTE H – RETIREMENT PLANS – CONTINUED

Participating employees hired before September 1, 2008 contribute 5.00% of creditable compensation. Participating employees hired on or after September 1, 2008, contribute 6.00% of creditable compensation. The District contributed 18.89% of creditable compensation during the fiscal year ended June 30, 2014. The Board of Trustees of the Kentucky Retirement Systems determines the contribution rates.

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's June 30, 2014 comprehensive annual financial report which is available from Kentucky Retirement Systems. A copy may be obtained from the Legislative Research Library in Frankfort, Kentucky.

#### Three-year Trend Information

Fiscal Year Ended	Annual Amount Withheld from Employees	Annual Amount Contributed by the District	Total Amount Contributed
6/30/2012	\$ 174,662	\$ 650,540	\$ 825,202
6/30/2013	\$ 194,594	\$ 742,878	\$ 937,472
6/30/2014	\$ 207,344	\$ 760,773	\$ 968,117

The Kentucky Local School District total payroll for the year was approximately \$17,190,000. The payroll for employees covered under KTRS was approximately \$12,291,000 and the payroll for employees covered under CERS was approximately \$4,899,000 for the year ending June 30, 2014.

#### Deferred Compensation

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

### NOTE I – 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.

# BARDSTOWN INDEPENDENT SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

### NOTE I – COMMITMENTS AND CONTINGENCIES – CONTINUED

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

In fiscal year 2013, the District was notified that in order to settle outstanding claims and deficits of the Kentucky School Boards Insurance Trust (KSBIT), a non-profit self-insured pool, an assessment would be made to present and prior insurance trust members. The District recorded an estimated liability for \$130,329 as of June 30, 2013 on the government-wide statement of net position. This estimate was recorded because the payment was probable and reasonably estimable.

On July 15, 2014, the District was notified of the final assessment of \$80,353. The claim is to be paid over a seven-year period. Accordingly, the District recorded miscellaneous revenue of \$49,976 in the governmental activities in the statement of activities for the year ending June 30, 2014. Payments due under the claim at June 30, 2014 are as follows:

Year Ending June 30:	
2015	\$ 20,089
2016	10,044
2017	10,044
2018	10,044
2019	10,044
2020 - 2024	<u>20,088</u>
	<u>\$ 80,353</u>

The estimate is not recorded in the Statement of Revenues, Expenditures and Changes in Fund Balances because the amount has not been billed and is not mature.

### NOTE J – LITIGATION

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

# **BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2014

### **NOTE K – INSURANCE AND RELATED ACTIVITIES**

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

### **NOTE L – RISK MANAGEMENT**

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

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

### **NOTE M – DEFICIT OPERATING BALANCES**

There are no funds of the District that currently have a deficit fund balance. However, the general fund 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	\$	111,242
Child Care Fund		22,801
Adult Education Fund		6,698

# BARDSTOWN INDEPENDENT SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

### NOTE N – COBRA

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

### NOTE O – TRANSFER OF FUNDS

The following transfers were made during the year ending June 30, 2014:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special Revenue	Technology Match	\$ 35,603
Building Fund	General	Facility	351,100
Capital Outlay Fund	General	Facility	225,146
General	Construction Fund	Facility	62,326
Building Fund	Debt Service Fund	Debt Service	1,833,197

### NOTE P – ON-BEHALF PAYMENTS

The District receives on-behalf payments from the State of Kentucky for items including retirement and insurance. The amount received for the fiscal year ended June 30, 2014 was \$4,322,496. These payments were recorded as follows:

General Fund	\$ 4,107,149
Debt Service Fund	48,916
Food Service Fund	106,885
Child Care Fund	59,546
	<u>4,322,496</u>

### NOTE Q – POST-EMPLOYMENT HEALTH CARE BENEFITS

Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advance funded on an actuarially determined basis through the CERS and KTRS plans.

# **BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2014

### **NOTE R – SUBSEQUENT EVENT**

Management has evaluated subsequent events through October 29, 2014, the date which the financial statements were available to be issued.

Subsequent to June 30, 2014, the District approved an increase in the property tax rate to 75.3 cents per \$100 in assessed value of real estate and personal property.

### **NOTE S – CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2012, the District implemented Governmental Accounting Standards Board (GASB) Statements Nos. 63 and 65. Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows and inflows of resources, originally introduced and defined in GASB Concepts Statement No. 4, Elements of Financial Statements, as a consumption of net position applicable to a future reporting period and an acquisition of net position applicable to a future reporting period, respectively. Further, Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position.

Statement No. 65, Items Previously Reported as Assets and Liabilities reclassifies and recognizes certain items that were formerly reported as assets and liabilities as one of four financial statement elements:

- Deferred outflows of resources
- Outflows of resources
- Deferred inflows of resources
- Inflows of resources

Concepts Statement No. 4 requires that deferred outflows and deferred inflows be recognized only in those instances specifically identified in GASB pronouncements. Statement No. 65 provides that guidance.

Due to the changes in accounting principles described above, beginning net position has been decreased by \$513,682 (See Note T). This represents a restatement for bond issue costs that were amortized under the prior standards but expensed in the period incurred under the new standards.

# BARDSTOWN INDEPENDENT SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

### NOTE T – PRIOR PERIOD ADJUSTMENTS

During the current year, it was determined that certain prior year assets and liabilities were not properly accounted for and, therefore, the prior period has been adjusted in the current year financial statements. Details of the adjustments are as follows:

Net position of governmental activities, as previously reported	\$ 3,486,507
Prior period adjustment:	
Accrued interest on bonds omitted June 30, 2013	(144,655)
Change in accounting principle to remove cost of issuance for bonds at June 30, 2013	<u>(513,682)</u>
Net position of governmental activities, as restated	2,828,170
Current year change in net position - governmental activities	<u>149,177</u>
Net position of governmental activities at June 30, 2014	<u>\$ 2,977,347</u>

The above prior period adjustments had no effect on the governmental fund balances in the fund financial statements. However, the general fund was restated as of June 30, 2013 to include District funds that were incorrectly reported as an other non-major governmental fund, "Trust Activity Funds." As a result, the beginning fund balance of the general fund has been increased \$330,882.

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

The Governmental Accounting Standards Board (GASB) has issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement is effective for periods beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements. Application of the standard may require restatement of portions of these financial statements in future years.

**REQUIRED SUPPLEMENTARY INFORMATION**

# BARDSTOWN INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes:				
Property	\$ 4,476,525	4,608,418	\$ 4,678,460	\$ 70,042
Motor vehicle	361,970	364,948	352,376	(12,572)
Utilities	1,004,000	1,088,511	1,059,562	(28,949)
Distilled spirits tax	1,089,391	1,097,212	1,097,213	1
Tuition and fees	34,000	52,873	149,628	96,755
Earnings on investments	24,000	14,500	11,062	(3,438)
Other local revenues	105,720	82,300	268,320	186,020
Intergovernmental - state	9,269,370	13,431,490	13,313,923	(117,567)
<b>Total Revenues</b>	<b>16,364,976</b>	<b>20,740,252</b>	<b>20,930,544</b>	<b>190,292</b>
<b>Expenditures:</b>				
Instruction	10,273,693	13,580,656	13,610,734	(30,078)
Support services:				-
Student	949,717	1,185,069	1,235,309	(50,240)
Instruction staff	539,008	655,005	694,775	(39,770)
District administration	836,062	1,046,514	972,459	74,055
School administrative	1,185,316	1,443,114	1,422,097	21,017
Business	446,977	533,169	581,797	(48,628)
Plant operation and maintenance	1,755,941	1,804,017	1,919,234	(115,217)
Student transportation	879,803	951,257	962,468	(11,211)
Community service activities	56,165	182,821	186,736	(3,915)
Debt service	136,650	-	130,978	(130,978)
<b>Total Expenditures</b>	<b>17,059,332</b>	<b>21,381,622</b>	<b>21,716,587</b>	<b>(334,965)</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>(694,356)</b>	<b>(641,370)</b>	<b>(786,043)</b>	<b>(144,673)</b>
<b>Other financing sources (uses)</b>				
Capital lease financing	-	-	189,120	189,120
Bond proceeds	26,000	-	-	-
Proceeds from sale of fixed assets	4,000	1,000	7,364	6,364
Contingency	(1,047,595)	(924,355)	-	924,355
Operating transfers in	547,255	576,246	576,246	-
Operating transfers out	-	(35,603)	(97,929)	(62,326)
<b>Total other financing sources (uses)</b>	<b>(470,340)</b>	<b>(382,712)</b>	<b>674,801</b>	<b>1,057,513</b>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ (1,164,696)</b>	<b>\$ (1,024,082)</b>	<b>\$ (111,242)</b>	<b>\$ 912,840</b>
<b>Fund balance, July 1, 2013 (restated)</b>	<b>1,164,696</b>	<b>1,024,082</b>	<b>1,356,713</b>	
<b>Fund balance, June 30, 2014</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,245,471</b>	

See accompanying report of independent auditors.

# BARDSTOWN INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2014

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Tuition and fees	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	319	319
Other local revenues	30,000	30,000	51,714	21,714
Intergovernmental - state	848,816	848,816	907,563	58,747
Intergovernmental - indirect federal	1,360,310	1,360,310	1,269,293	(91,017)
Total Revenues	<u>2,239,126</u>	<u>2,239,126</u>	<u>2,228,889</u>	<u>(10,237)</u>
<b>Expenditures:</b>				
Instruction	1,766,379	1,766,379	1,749,684	16,695
Support services:				
Student	283,533	283,533	265,629	17,904
Instruction staff	46,176	46,176	70,679	(24,503)
Student transportation	5,000	5,000	3,609	1,391
Community Service Activities	173,641	173,641	174,891	(1,250)
Total Expenditures	<u>2,274,729</u>	<u>2,274,729</u>	<u>2,264,492</u>	<u>10,237</u>
<b>Excess (Deficit) Of Revenues Over Expenditures</b>	<u>(35,603)</u>	<u>(35,603)</u>	<u>(35,603)</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	35,603	35,603	35,603	-
Operating transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>35,603</u>	<u>35,603</u>	<u>35,603</u>	<u>-</u>
<b>Excess (Deficit) Of Revenues &amp; Other Financing Sources Over Expenditures &amp; Other Financing Uses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance, July 1, 2013</b>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>Fund Balance, June 30, 2014</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

See accompanying report of independent auditors.

## **SUPPLEMENTARY INFORMATION**

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

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

JUNE 30, 2014

	<u>Debt Service Fund</u>	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Construction Fund</u>	<u>Total</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	891,140	891,140
Investments	-	-	-	-	-
Total Assets & Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 891,140</u>	<u>\$ 891,140</u>
<b>Liabilities &amp; Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 250,110	\$ 250,110
Total Liabilities	-	-	-	250,110	250,110
<b>Fund Balances:</b>					
Restricted	-	-	-	641,030	641,030
Total Fund Balances	-	-	-	641,030	641,030
Total Liabilities & Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 891,140</u>	<u>\$ 891,140</u>

See accompanying report of independent auditors.

# BARDSTOWN INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Debt Service Fund</u>	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Construction Fund</u>	<u>Total</u>
<b>Revenues:</b>					
From Local Sources:					
Taxes:					
Property	\$ -	\$ -	\$ 1,655,961	\$ -	\$ 1,655,961
Earnings On Investments	-	-	-	-	-
Other Local Revenues	-	-	-	-	-
Intergovernmental - State	48,916	225,146	528,336	-	802,398
Total Revenues	<u>48,916</u>	<u>225,146</u>	<u>2,184,297</u>	<u>-</u>	<u>2,458,359</u>
<b>Expenditures</b>					
Plant Operation & Maintenance	-	-	-	-	-
Facilities Acquisition & Maintenance	-	-	-	312,436	312,436
Debt Service	1,882,113	-	-	15,360	1,897,473
Total Expenditures	<u>1,882,113</u>	<u>-</u>	<u>-</u>	<u>327,796</u>	<u>2,209,909</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>(1,833,197)</u>	<u>225,146</u>	<u>2,184,297</u>	<u>(327,796)</u>	<u>248,450</u>
<b>Other financing sources (uses)</b>					
Proceeds from sale of bonds	-	-	-	925,000	925,000
Bond discount	-	-	-	(18,500)	(18,500)
Operating transfers in	1,833,197	-	-	62,326	1,895,523
Operating transfers out	<u>-</u>	<u>(225,146)</u>	<u>(2,184,297)</u>	<u>-</u>	<u>(2,409,443)</u>
Total other financing sources (uses)	<u>1,833,197</u>	<u>(225,146)</u>	<u>(2,184,297)</u>	<u>968,826</u>	<u>392,580</u>
<b>Change in fund balances</b>	-	-	-	641,030	641,030
<b>Fund balance, July 1, 2013</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, June 30, 2014</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 641,030</u>	<u>\$ 641,030</u>

See accompanying report of independent auditors.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF FIDUCIARY NET POSITION – AGENCY FUNDS

JUNE 30, 2014

	Bardstown Elementary School	Bardstown Middle School	Bardstown High School	Bardstown Primary School	Bardstown Early Childhood	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 1,793	\$ 7,945	\$ 19,840	\$ 2,201	\$ 3,433	\$ 35,212
Accounts receivable	-	-	-	-	-	-
<b>Total assets</b>	<u>\$ 1,793</u>	<u>\$ 7,945</u>	<u>\$ 19,840</u>	<u>\$ 2,201</u>	<u>\$ 3,433</u>	<u>\$ 35,212</u>
<b>Liabilities</b>						
Accounts payable	-	-	-	-	-	-
Due to student groups	1,793	7,945	19,840	2,201	3,433	35,212
<b>Total liabilities</b>	<u>\$ 1,793</u>	<u>\$ 7,945</u>	<u>\$ 19,840</u>	<u>\$ 2,201</u>	<u>\$ 3,433</u>	<u>\$ 35,212</u>

See accompanying report of independent auditors.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

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

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Cash Balance July 1, 2013</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Cash Balance June 30, 2014</b>	<b>Due to Student Groups June 30, 2014</b>
Bardstown Elementary School	\$ 22,911	\$ 61,484	\$ 82,602	\$ 1,793	\$ 1,793
Bardstown Middle School	26,622	155,506	174,183	7,945	7,945
Bardstown High School	83,976	538,909	603,045	19,840	19,840
Bardstown Primary School	55,921	75,952	129,672	2,201	2,201
Bardstown Early Childhood	<u>5,122</u>	<u>12,130</u>	<u>13,819</u>	<u>3,433</u>	<u>3,433</u>
Totals	<u>\$ 194,552</u>	<u>\$ 843,981</u>	<u>\$ 1,003,321</u>	<u>\$ 35,212</u>	<u>\$ 35,212</u>

See accompanying report of independent auditors.

# BARDSTOWN INDEPENDENT SCHOOL DISTRICT

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	Cash Balance July 1, 2013	Receipts	Disbursements	Cash Balance June 30, 2014	Accounts Receivable and due from other funds	Due to Student Groups June 30, 2014
All A Classic	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Athletics-Game Expense	-	22,953	22,953	-	-	-
Athletics-General	3	33,783	33,786	-	-	-
Athletics-Gate Receipts	-	99,780	99,779	1	-	1
Athletics-Transportation	-	24,909	24,909	-	-	-
Banquets	-	8,732	8,732	-	-	-
Baseball	-	4,513	4,513	-	-	-
Basketball -Boys	-	12,647	12,647	-	-	-
Basketball -Girls	-	12,014	12,014	-	-	-
Century Club -Football	425	9,202	9,626	1	-	1
Cheerleaders	-	2,289	2,289	-	-	-
Cross Country	-	1,870	1,870	-	-	-
District Tournament	-	2,319	2,319	-	-	-
Fifth Region Coaches Assoc	-	-	-	-	-	-
Football	-	10,187	10,187	-	-	-
Football Playoffs	-	66	66	-	-	-
Friends Of Athletics	1,002	3,650	4,652	-	-	-
Friends Of Band	1,521	27,839	29,360	-	-	-
Friends Of Baseball	4,506	14,514	19,020	-	-	-
Friends Of Boys Basketball	9,702	11,780	21,482	-	-	-
Friends Of Cheerleading	4	3,752	3,756	-	-	-
Friends Of Chorus	-	829	829	-	-	-
Friends Of Cross Country	42	185	227	-	-	-
Friends Of Football	239	267	506	-	-	-
Friends Of Girls Basketball	538	8,096	8,634	-	-	-
Friends Of Boys Soccer	1,602	2,894	4,496	-	-	-
Friends Of Girls Soccer	4,943	10,391	15,334	-	-	-
Friends Of Golf	1,463	1,045	2,508	-	-	-
Friends Of Orchestra	817	71	888	-	-	-
Friends Of Softball	3,193	1,995	5,188	-	-	-
Friends Of Tennis	636	1,396	2,032	-	-	-
Friends Of Track	3,469	16,323	19,792	-	-	-
Friends Of Girls Track	-	-	-	-	-	-
Friends Of Volleyball	917	5,290	6,207	-	-	-
Gamers Club	-	-	-	-	-	-
Garnis Martin Bowl	-	-	-	-	-	-
Golf	-	1,278	1,278	-	-	-
Region Tournaments	2,593	9,442	12,035	-	-	-
Soccer-Boys	-	800	800	-	-	-
Soccer-Girls	-	1,780	1,780	-	-	-
Softball/ Fast Pitch	-	648	648	-	-	-
Special Acct -Sign	2,071	1,976	4,047	-	-	-
Sports Programs	-	-	-	-	-	-
Tennis	-	218	218	-	-	-
Track	-	-	-	-	-	-
Uniforms (Athletic)	-	9,840	9,840	-	-	-
Volleyball	-	1,450	1,450	-	-	-
Academic Club	-	4,268	4,268	-	-	-
Archery Team	259	9,364	9,623	-	-	-
Stride Club	804	200	-	1,004	-	1,004
Adventure Club	1,336	1,326	1,299	1,363	-	1,363
Annual Yearbook	3,502	5,306	8,808	-	-	-
Art Club	-	50	-	50	-	50
Blue Dot Books	177	853	827	203	-	203
Central Kentucky Academy	753	-	-	753	-	753
Chess Club	149	70	-	219	-	219

See accompanying report of independent auditors.

# BARDSTOWN INDEPENDENT SCHOOL DISTRICT

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	Cash Balance <u>July 1, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash Balance <u>June 30, 2014</u>	Accounts Receivable and due from other funds	Due to Student Groups <u>June 30, 2014</u>
(Continued)						
Chorus	-	2,437	2,437	-	-	-
Counselor -K. Martin	-	-	-	-	-	-
Diversity	-	-	-	-	-	-
Drama	-	1,445	1,445	-	-	-
FBLA Club	-	11,514	11,514	-	-	-
FCCLA	602	2,988	3,590	-	-	-
Fellowship Christian	411	687	1,063	35	-	35
4-H Club	-	-	-	-	-	-
Freshman Class	858	-	170	688	-	688
Friends Of Rachel	125	-	-	125	-	125
General Fund	2,452	2,235	2,798	1,889	-	1,889
Graduation Fees	59	-	-	59	-	59
Hardman Special Ed	37	-	37	-	-	-
Heart Of Kentucky	-	-	-	-	-	-
Health & P.E.	923	3,000	3,923	-	-	-
Home Ec Department	554	2,045	2,599	-	-	-
Industrial Technology	68	641	709	-	-	-
I -Class	1,095	500	1,595	-	-	-
Interest On Accounts	3,171	237	-	3,408	-	3,408
Jag -Belinda Hodges	250	-	246	4	-	4
Journalism / Tiger Newspaper	36	-	36	-	-	-
Junior Class	31	-	-	31	-	31
Junior / Senior Prom	6,652	8,713	15,365	-	-	-
Key Club	1,470	3,713	4,669	514	-	514
Lifeskills	122	-	122	-	-	-
Music Club	1,864	42,367	44,231	-	-	-
National Honor Society	423	1,542	1,818	147	-	147
Night School	314	-	314	-	-	-
Outdoor Classroom	139	-	139	-	-	-
Orchestra	-	3,901	3,901	-	-	-
Pep Club	472	2,180	2,100	552	-	552
Project Graduation	-	-	-	-	-	-
Science Club	49	1,526	1,309	266	-	266
Senior Class	2,376	7,861	4,674	5,563	-	5,563
Administrator Reward	500	1,534	2,034	-	-	-
A-School Reward	-	-	-	-	-	-
Group Home Reward	-	-	-	-	-	-
Math Reward	-	650	650	-	-	-
Science Reward	-	-	-	-	-	-
Social Studies Reward	-	-	-	-	-	-
French Reward	-	-	-	-	-	-
Spanish Reward	-	-	-	-	-	-
Vocational Reward	247	-	247	-	-	-
P.E. Reward	370	-	370	-	-	-
Art & Humanities Reward	280	-	280	-	-	-
Library Reward	5	-	5	-	-	-
Special Ed Reward	561	-	561	-	-	-
Sophomore Class	125	-	-	125	-	125
Spanish Club	-	210	198	12	-	12
Special Olympics	1,811	483	2,294	-	-	-
Speech and Drama Club	-	4,826	4,826	-	-	-
STEM	-	259	259	-	-	-
STLP Grant -Student	44	-	44	-	-	-
Student Council	103	1,385	1,488	-	-	-
Sunshine Fund	-	313	313	-	-	-
Testing	3,962	13,094	17,056	-	-	-

See accompanying report of independent auditors.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Cash Balance July 1, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash Balance June 30, 2014</u>	<u>Accounts Receivable and due from other funds</u>	<u>Due to Student Groups June 30, 2014</u>
(Continued)						
Textbooks	2,332	120	2,452	-	-	-
Tiger Mentoring	-	-	-	-	-	-
Team Teacher Cadet Program	-	335	335	-	-	-
Tiger Pause Newsletter	-	-	-	-	-	-
Tiger Town	-	-	-	-	-	-
TMH-Dorsey	73	-	-	73	-	73
TSA Club	308	1,602	1,910	-	-	-
Vending	1,000	762	1,017	745	-	745
Women In Science	315	1,017	798	534	-	534
Y Club	296	3,779	3,024	1,051	-	1,051
Young Leadership Club	-	70	70	-	-	-
Youth In Charge	425	-	-	425	-	425
	<u>83,976</u>	<u>534,421</u>	<u>598,557</u>	<u>19,840</u>	<u>-</u>	<u>19,840</u>
Sub Total	83,976	534,421	598,557	19,840	-	19,840
Transfers	-	(4,488)	(4,488)	-	-	-
	<u>-</u>	<u>(4,488)</u>	<u>(4,488)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 83,976</u>	<u>\$ 538,909</u>	<u>\$ 603,045</u>	<u>\$ 19,840</u>	<u>\$ -</u>	<u>\$ 19,840</u>

See accompanying report of independent auditors.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department Of Education</b>			
Passed through the Kentucky Department of Education			
<b>Title I Cluster</b>			
Title I - Part A Cluster	84.010	3103	\$ 72,761
		3103M	2,893
		3104	528,229
		3104M	14,204
TOTAL TITLE I CLUSTER			<u>618,087</u>
<b>Special Education Cluster (IDEA)</b>			
Special Education - Grants to State	84.027	3374	500,636
	84.027P	3374P	<u>15,788</u>
			<u>516,424</u>
Special Education - Preschool Grants	84.173	3433	2,894
		3433P	613
		3434	11,745
		3434P	<u>2,650</u>
			<u>17,902</u>
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)			<u>534,326</u>
<b>Vocational Education - Basic Grants to States</b>			
	84.048	3483	3,387
		3483A	1,441
		3484	<u>15,219</u>
			<u>20,047</u>
<b>Improving Teacher Quality - State Grants</b>			
	84.367	4013	7,649
		4014	<u>79,415</u>
			<u>87,064</u>
TOTAL EDUCATION TECHNOLOGY STATE GRANTS CLUSTER			<u>107,111</u>
<b>Limited English Proficiency - Immigrant</b>			
	84.410A	3453	1,755
		3454	<u>7,450</u>
			<u>9,205</u>
<b>Race to the Top</b>			
	84.413A	4521	<u>360</u>
Passed through the Council of Post Secondary Education			
<b>Adult Education</b>			
	84.002	3653	12,679
		3734	58,797
		3734S	<u>1,458</u>
			<u>72,934</u>
<b>Total U.S. Department Of Education</b>			<u>1,342,023</u>

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE YEAR ENDED JUNE 30, 2014

(Continued)

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department Of Health &amp; Human Services</u></b>			
Comprehensive School Health Program	93.938	4182	<u>206</u>
<b>Total U.S. Department Of Education</b>			<u>206</u>
<b><u>U.S. Department Of Agriculture</u></b>			
Child Nutrition Cluster:			
Cash Assistance			
Passed through the Kentucky Department of Education			
National School Lunch Program	10.555	090451999	1,153,281
Summer Food Service	10.559	090451999	16,062
Noncash Assistance (Commodities)			
National School Lunch Program	10.555	090451999	<u>93,120</u>
<b>Total U.S. Department Of Agriculture</b>			<u>1,262,463</u>
<b>Total Federal Program Expenditures</b>			<u><u>\$ 2,604,692</u></u>

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

## **BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

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

JUNE 30, 2014

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

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

#### **NOTE 2 – FOOD DISTRIBUTION**

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

#### **NOTE 3 – SUBRECIPIENTS**

There were no subrecipients during the year ending June 30, 2014.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2014

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

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**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?        yes   X   no

**Federal Awards**

Internal control over major programs:

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

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

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2014

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

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Identification of major programs:

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

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

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

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**Section II – Financial Statement Findings**

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**REFERENCE NUMBER 2014-01  
(Material Weakness)**

**Condition:** The District’s accounting department does not have a system of internal control over financial reporting that would allow it to prevent, detect, and correct a significant misstatement in its financial statements, including footnote disclosures.

**Criteria:** Internal controls should be in place in order for the District to be able to prevent, detect, and correct potential misstatements in its financial statements, as prescribed by Statement of Auditing Standards No. 115, AU Section 325.05. A system of internal control over financial reporting does not consist solely of controls over the proper recording of accounting transactions. Rather, it includes controls over financial statement preparation, including the footnote disclosures.

**Cause:** As is common in small organizations, the District has financial restraints that prevent the hiring of accounting personnel with the training required to prevent, detect, and correct a significant misstatement in its financial statements, including footnote disclosures.

**Effect:** The likelihood of the District’s financial statements containing significant misstatements is not reduced to a low level because the District’s internal controls over financial reporting are not effective.

# BARDSTOWN INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2014

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### Section II – Financial Statement Findings (Continued)

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**Recommendation:** In order to correct the circumstances described, the District may consider the employment of a highly trained accounting person, such as a CPA or consider engaging a second CPA firm. In this instance, one CPA firm would be engaged to prepare the District's financial statements in accordance with accounting principles generally accepted in the United States and the other firm engaged to conduct the audit of the District's financial statements.

**Management's Response:** Management will evaluate the costs versus the benefits of employing a trained accounting professional or another CPA firm to correct this deficiency. Management recognizes that the costs may exceed the benefits and understands, and is willing to accept the risk that its financial statements may contain misstatements that could go undetected. Management plans to consider this circumstance.

#### REFERENCE NUMBER 2014-02 (Material Weakness)

**Criteria:** Personnel with access to the MUNIS payroll module should limit access such that no one person can process payroll, set up new employees, and change employees' statuses without appropriate review and approval by District management.

**Condition:** As part of the audit we noted the Payroll Officer had access to the MUNIS payroll module and had the ability to process payroll checks, set up new employees without review or approval from District management.

**Cause:** The District did not sufficiently limit user access rights in the MUNIS payroll module. There was also no mitigating review of the payroll ledgers.

**Effect:** Potential exists for false employees to be established and/or pay rates to be manipulated.

**Recommendation:** We recommend the District restrict menu access within MUNIS to prevent Payroll Department staff from making any changes to payroll steps determined to be necessary by District management as specified in the written procedures. Such changes should only be performed by the Director of Finance, or other qualified executive management, who should document the required steps performed to complete payroll and the purpose of any necessary changes made to these steps. We recommend the District enable the alert system within MUNIS to notify the Director of Finance, or other qualified executive management, when a payroll process has begun and when payroll steps are completed, as well as when a new employee is set up or key employee information has been altered.

**Management Response:** Management will work with MUNIS to limit the rights of the Payroll Officer and to have the system alert the Director of Finance, or other qualified executive management, when a payroll process has begun and when payroll steps are completed, as well as when a new employee is set up or key employee information has been altered.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2014

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**Section II – Financial Statement Findings (Continued)**

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**REFERENCE NUMBER 2014-03  
(Material Weakness)**

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

**Condition:** As part of the audit we proposed material adjustments related to capital assets to the financial statements.

**Cause:** The District did not identify and record material transactions related to property and equipment and long-term debt in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

**Effect:** The design of the internal controls over fixed assets and long-term debt did not prevent material adjustments.

**Recommendation:** We recommend District's management and financial personnel review the procedures and processes involved in recording journal entries for capital assets and enhance its internal control policies to ensure proper recording of these items.

**Management Response:** Management will review its policies and procedures over recording journal entries for capital items, reconcile detailed records to the balance sheet, and provide the appropriate documentation to ensure capital asset disclosures are fair and accurate.

**REFERENCE NUMBER 2014-04  
(Significant Deficiency)**

**Criteria:** Personnel with access to the MUNIS accounts payable / vendor module should limit access such that no one person can process accounts payable, set up new vendors, and change vendor information without appropriate review and approval by District management.

**Condition:** During our audit, we noted the Accounts Payable Officer with access to the MUNIS accounts payable / vendor module had the ability to process payroll checks, set up new vendors, and change vendor information without review or approval from District management.

**Cause:** The District did not sufficiently limit user access rights in the MUNIS payroll module. There was mitigating review during the monthly Superintendent and Board review of "Claims Report."

**Effect:** Potential exists for false vendors to be established.

# BARDSTOWN INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2014

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### Section II – Financial Statement Findings (Continued)

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**Recommendation:** We recommend the District restrict access for the Accounts Payable Officer within MUNIS from setting up new vendors or to work with the MUNIS software provider to have the system notify District management when a new vendor is set up or altered.

**Management Response:** Management will work with MUNIS to limit the rights of the Accounts Payable Officer and to have the system alert the Director of Finance, or other qualified executive management, when a new vendor is set up in MUNIS.

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

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#### REFERENCE NUMBER 2014-05

#### (Non-compliance and Significant Deficiency)

#### Child Nutrition Cluster

#### CFDA 10.555, 10.559

**Criteria:** Title 7, Section 210.14(b), Code of Federal Regulations (CFR), provides that the District must limit its net cash resources to an amount that does not exceed three months' average expenditures for its food service program or another amount established by the U.S. Department of Agriculture (USDA) pursuant to Title 7, Section 210.19(a), CFR. Pursuant to Title 7, Section 210.19(a)(2), CFR, should the net cash resources exceed three months' average expenditures for the food service program or amount established by the USDA, the USDA may require the District to reduce the price charged to students for lunches, improve food quality, or take action designed to improve the food service program. Without such action, the USDA must make adjustments in the rate of reimbursement under the National School Lunch Program.

**Condition:** The District reported unaudited expenditures of \$1,518,349 for its food service program for the 2013-14 fiscal year, and the average three months' expenditures was \$379,587. However, the District's net cash resources at June 30, 2014, were \$574,345, exceeding the average three months' expenditures by \$194,758.

**Cause:** The District did not identify the excess cash resources and work with the program administrators to implement a plan to reduce the excess and / or receive a waiver.

**Effect:** The USDA may require the District to reduce the price charged to students for lunches, improve food quality, or take action designed to improve the food service program, or make adjustments in the rate of reimbursement under the National School Lunch Program.

**Recommendation:** We recommend the District ensure that net cash resources for its food service program are maintained within the level prescribed by Federal Regulations.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2014**

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**Section III – Federal Award Findings and Questioned Costs (Continued)**

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**Management Response:** Management will work with program administrators to ensure that net cash resources for its food service program are maintained within the level prescribed by Federal Regulations.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**JUNE 30, 2014**

**REFERENCE NUMBER 2013-01**

**No prior year findings noted in previously issued audit.**

# SMITH & COMPANY CPA's, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

FRANCIS X. SMITH, CPA  
FRANCIS X. SMITH II, CPA  
JASON O. STRANGE, CPA

207 NORTH THIRD STREET  
BARDSTOWN, KENTUCKY 40004  
TEL 502-348-7576  
FAX 502-348-7320  
[www.smithandcocpa.com](http://www.smithandcocpa.com)

CLARA N. GUNNING, CPA

MEMBERSHIPS:  
AMERICAN INSTITUTE OF CPA's  
KENTUCKY SOCIETY OF CPA's

## 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  
Bardstown Independent School District  
Bardstown, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I, II, III, and IV of the Independent Auditor's Contract, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bardstown Independent School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Bardstown Independent School District's basic financial statements and have issued our report thereon dated October 29, 2014.

### Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weaknesses and another deficiency we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2014-01, 2014-2, and 2014-3 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and questioned costs as item 2014-4 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2014-5. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We also noted certain other matters that we reported to management of Bardstown Independent School District in a separate letter dated October 29, 2014.

### **Bardstown Independent School District's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standard* and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I, II, III, and IV of the Independent Auditor's Contract in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bardstown, Kentucky  
October 29, 2014

# SMITH & COMPANY CPA's, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

FRANCIS X. SMITH, CPA  
FRANCIS X. SMITH II, CPA  
JASON O. STRANGE, CPA

207 NORTH THIRD STREET  
BARDSTOWN, KENTUCKY 40004  
TEL 502-348-7576  
FAX 502-348-7320  
[www.smithandcocpa.com](http://www.smithandcocpa.com)

CLARA N. GUNNING, CPA

MEMBERSHIPS:  
AMERICAN INSTITUTE OF CPA's  
KENTUCKY SOCIETY OF CPA's

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

Members of the Board of Education  
Bardstown Independent School District  
Bardstown, Kentucky

### Report on Compliance for Each Major Federal Program

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

### Management's Responsibility

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

### Auditor's Responsibility

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

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

### **Opinion on Each Major Federal Program**

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

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-5. Our opinion on each major federal program is not modified with respect to this matter.

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

### **Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal

control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified a deficiency in internal control over compliance, as described as item 2014-5 that we consider to be a significant deficiency.

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

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

*Smith & Company CPA's, PLLC*

Bardstown, Kentucky  
October 29, 2014

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CLARA N. GUNNING, CPA

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Members of the Board of Education  
Bardstown Independent School District  
Bardstown, Kentucky

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

However, during our audit we became aware of certain matters that are an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. A separate report dated October 29, 2014 contains our report on the District's internal control structure. This letter does not affect our report dated October 29, 2014 on the financial statements of the Bardstown Independent School District.

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

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

Respectfully,



Bardstown, Kentucky  
October 29, 2014

# BARDSTOWN INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT LETTER COMMENTS

JUNE 30, 2014

### CURRENT YEAR COMMENTS

#### School Activity Funds – Required Procedures

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

<b>Conditions:</b>	BEC	BPS	BMS	BHS
Multiple Receipt Fund not signed by students			√	√
Missing multiple receipt forms	√		√	√
Inventory control sheets not completed or incomplete				√
Sales tax paid on transaction		√		
No vendor invoice provided; P.O. and cancelled check provided (1 transaction)		√		
Receipts were not deposited timely		√		

**Legend:**

- BEC – Bardstown Early Childhood Development Center
- BPS – Bardstown Primary School
- BMS – Bardstown Middle School
- BHS – Bardstown High School

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

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

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

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

## **BARDSTOWN INDEPENDENT SCHOOL DISTRICT**

### **MANAGEMENT LETTER COMMENTS**

JUNE 30, 2014

### **STATUS OF PRIOR YEAR FINDINGS**

#### Bardstown High School

**Condition:** The following issues were noted at the Bardstown High School:

1. One check was noted to have only one signature
2. Four Ticket Reconciliation Reports were not completed
3. Several reimbursements were paid for items that were not adequately documented as allowable activity fund expenditures.

**Current Status:** The Principal and Treasurer for the above school have made progress toward eliminating the above conditions. Also, all school Treasurers attended a “Red Book” training course during the year ending June 30, 2014.

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