

**JESSAMINE COUNTY  
SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES**

**For the year ended June 30, 2014**

**Jessamine County School District  
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Year Ended June 30, 2014**

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**SUMMERS, MCCRARY & SPARKS, P.S.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Jessamine County Board of Education and  
State Committee for School District Audits  
Nicholasville, Kentucky

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jessamine County 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; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. 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 Jessamine County School District as of June 30, 2014 and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Special Revenue Fund 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 information on pages 4 through 14 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 Jessamine County School District's basic financial statements. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates 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 non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2014, on our consideration of Jessamine County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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.

*Summers, McCrary & Sparks, PSC*

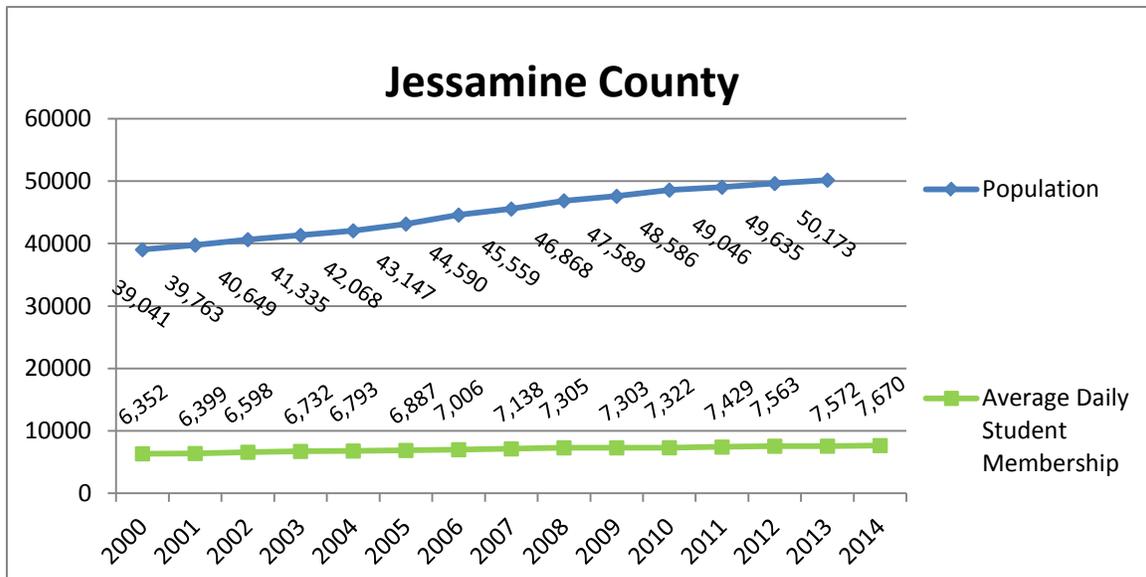
Summers, McCrary & Sparks, PSC  
Lexington, Kentucky  
November 10, 2014

**JESSAMINE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

Management of the Jessamine County Board of Education (Jessamine County Schools) has prepared this section as a narrative overview and analysis of the financial activities of the Jessamine County Schools. This section is to be considered with the information found in the body of the audited financial report. This perspective is provided for the benefit of the financial report readers pursuant to rules of the Governmental Accounting Standards Board.

**Jessamine County**

Jessamine County is located within the Bluegrass Region of Kentucky sharing, to the north, a boundary with Lexington, Fayette County, Kentucky. As the Bluegrass Region continues to grow and much of Lexington's urban services area has been developed, neighboring counties, including Jessamine County, are experiencing both overall population growth and growth of average daily membership in public schools.



With an area of about 173 square miles, Jessamine County has an average population density of about 290 persons per square mile. Two highways come into Jessamine County from Lexington. U.S. Route 27 is a four-lane highway crossing the county from north to south. U.S. Route 68 is a four-lane highway from Lexington to Wilmore that continues south and then west.

Jessamine County Schools seeks to cultivate caring learning environments that motivate and challenge all students to think, learn, and perform at high levels. Great by Choice!

**Financial Highlights**

As the economic recovery continues to be modest, at best, the management of the Jessamine County Schools has kept expenditures under control. Some measures of financial condition improved while other measures were diminished during Fiscal Year 2013-2014 (FY2014). Overall, Jessamine County Schools continues to enjoy a good financial condition:

**JESSAMINE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

- ❖ Governmental Fund revenues exceeded \$77 million (+2.65% over FY 2013).
- ❖ Total Net Position increased from \$39.9 million to \$42.0 million (+5.31%).
- ❖ Total Fund Balance for the district's General Fund decreased \$199,971 (-2.17%) to \$9,021,953 (as of June 30, 2014) from \$9,221,924 (as of June 30, 2013).
- ❖ Support Education Excellence in Kentucky (SEEK) funding from the state increased:

<b>SEEK</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>+/- %</b>
General Fund	\$21,879,131	\$22,438,688	\$24,581,023	\$24,991,045	\$25,747,001	+3.02%
State Fiscal Stabilization Funds (SFSF) (Federal)	<u>2,321,311</u>	<u>\$1,891,595</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	0.00%
General Fund plus SFSF	\$24,200,442	\$24,330,283	\$24,581,023	\$24,991,045	\$25,747,001	+3.02%
Capital Outlay Fund	666,628	680,579	680,468	694,556	705,359	+1.56%
FSPK Building Fund	<u>901,650</u>	<u>1,016,291</u>	<u>995,112</u>	<u>1,088,124</u>	<u>1,167,964</u>	+7.34%
<b>Totals</b>	<b>\$25,768,720</b>	<b>\$26,027,153</b>	<b>\$26,256,603</b>	<b>\$26,773,725</b>	<b>\$27,620,324</b>	<b>+3.16%</b>

- ❖ Generally, local tax revenues continued to increase. Property tax revenue increased \$259,004 (+1.14%), motor vehicle tax revenue increased \$139,311 (+8.00%), and distilled spirits tax revenue increased \$64,235 (+47.81%). Utility tax revenue decreased \$143,755 (-4.31%):

<b>Local</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>+/- %</b>
Property	\$21,548,883	\$21,243,927	\$22,694,508	\$22,638,685	\$22,897,689	+1.14%
Distilled Spirits	116,360	101,235	115,832	134,359	198,594	+47.81%
Unmined Minerals	2,286	2,167	2,020	1,571	1,367	-13.02%
Motor Vehicles	1,594,241	1,613,381	1,658,835	1,741,274	1,880,585	+8.00%
Utility	2,896,057	2,992,572	2,967,767	3,334,283	3,190,528	-4.31%
<b>Totals</b>	<b>\$26,157,827</b>	<b>25,953,282</b>	<b>27,438,962</b>	<b>27,850,172</b>	<b>28,168,763</b>	<b>+1.14%</b>

- ❖ Total assessment (including motor vehicles) increased \$75,113,363 (+1.90%):

<b>Assessment</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
Date	1/1/08	1/1/09	1/1/10	1/1/11	1/1/12	1/1/13	1/1/14
Assessment (billions)	\$3.792	\$3.851	\$3.916	\$3.888	\$3.947	\$3.946	\$4.021
% change		1.56%	1.69%	-0.72%	1.53%	-0.04%	1.90%

**JESSAMINE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Financial Highlights (continued)**

- ❖ The Unassigned Fund Balance of the General Fund at the end of FY2014 was \$7,591,712, or 12.41% of the total General Fund expenditure. Compare this to the FY2013 Unassigned Fund Balance of \$8,375,578 or 13.98% of total General Fund expenditure. The Unassigned Fund Balance for FY2014 is 9.29% of the total expenditure of the General, Special Revenue, Capital Outlay, FSPK Building and School Food Service Funds combined (compared to 10.38% for FY2013).
- ❖ Committed Fund balance includes \$1,018,420 for ten buses that have been ordered for delivery during FY2015.
- ❖ As a growth district, Jessamine County Schools has levied additional property taxes to provide funding for facilities. The Commonwealth provides additional equalizing funds:

Active construction and renovation projects during FY2014:

- New Red Oak Elementary School
- Renovation of Nicholasville Elementary
- Energy Conservation Projects

Construction and renovation continuing into FY2015:

- Renovation of Warner Elementary

The Local Planning Committee's District Facility Plan provides additional information.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the Jessamine County Schools. The statements have 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 Jessamine County Schools' finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the assets, liabilities and deferred inflows (if any) and outflows of resources of the Jessamine County Schools, with the bottom line reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

**JESSAMINE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Overview of the Financial Statements (continued)**

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

The government-wide financial statements can be found on pages 15 - 16 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. The Jessamine County Schools, like other school districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund reporting is the type of presentation that has been found in past financial reports and continues to be required reporting. All of the funds of the Jessamine County Schools can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a school district's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Jessamine County Schools maintains several individual governmental funds. Information is presented separately for the General Fund, Special Revenue Fund, Construction Fund and Debt Service on pages 17 and 19. The Capital Outlay Fund and FSPK Building Fund are nonmajor funds reported in Other Governmental Funds on pages 46 and 47 and are combined as Other Governmental Funds on pages 17 and 19.

The Jessamine County Schools adopts an annual appropriated (working) budget for its governmental funds. A budgetary comparison schedule may be found for the district's governmental funds to demonstrate compliance on pages 21 and 22.

The basic governmental fund financial statements can be found on pages 17 - 22 of this report.

**JESSAMINE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Overview of the Financial Statements (continued)**

**Proprietary funds.** Proprietary fund reporting focuses on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. Proprietary funds are presented as business-type activities in the government-wide financial statements. Proprietary funds come in two types: 1) Enterprise Funds which are used to report activity for which a fee is charged to external users for goods or services; and 2) Internal Service Funds are used to report any activity that provides goods or services to other funds or departments of the school district. Jessamine County Schools has two proprietary funds: 1) the School Foods Service Fund, and 2) the Day Care Fund. Both are Enterprise Funds. There are no internal Service Funds.

The basic proprietary fund financial statements can be found on pages 23 – 25 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of others – not the school district. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the directives of the Jessamine County Board of Education. The fiduciary funds of the Jessamine County Schools are the Internal (Activity Fund) accounts of the individual schools.

The basic fiduciary fund financial statements can be found on page 26 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 - 45 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the Jessamine County Schools, net position was \$42,036,519 at the end of FY2014 (see pages 15 and 16 – Total Net Position). Invested in Capital Assets, Net of Related Debt is \$28,194,907; Restricted Net Position is \$5,816,449; and the remaining \$8,025,163 is unrestricted within the respective funds. Asset values are recorded based on historic cost principles. This is the accepted financial reporting measure used primarily because it can be objectively determined. Long-held assets such as land or buildings may have current values that differ significantly from asset values reported at historic cost. It should also be noted that the Jessamine County Schools uses its capital assets to provide educational and related services primarily to the children of the county (there are adult programs and some other programs); consequently, these assets are not available for future spending, and the resources needed to repay the related debt must be provided from other sources for the capital assets themselves are not to be used to liquidate these liabilities.

**JESSAMINE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Government-wide Financial Analysis (continued)**

**Governmental activities.** Governmental Activities' net position increased \$2.24 million compared to the end of the previous fiscal year. Current Assets decreased and Capital Assets increased as construction progressed in the Construction Fund. Total Assets decreased \$4.05 million to \$140.24 million; Deferred Outflows increased \$98,776 to \$363,253; Total Liabilities decreased \$5.80 million to \$100.32 million; and Deferred Inflows decreased \$402,950 to \$414,965.

<b>Governmental Activities - Net Position Summary</b>				
As of June 30th:	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u>	<u>FY14 % Change</u>
<b>Assets:</b>				
Current and Other	\$33,022,908	\$26,760,587	\$19,925,280	-25.54%
Capital Assets	<u>105,840,161</u>	<u>117,526,468</u>	<u>120,559,390</u>	+2.58%
<b>Total Assets</b>	<b><u>138,863,068</u></b>	<b><u>144,287,055</u></b>	<b><u>140,237,911</u></b>	-2.81%
Deferred Outflow	=	<u>264,477</u>	<u>363,253</u>	+37.35%
Current Liabilities	\$8,245,984	\$12,121,246	\$11,325,942	-6.56%
Non-Current	<u>91,403,766</u>	<u>93,994,334</u>	<u>88,990,320</u>	-5.32%
<b>Total Liabilities</b>	<b><u>99,649,750</u></b>	<b><u>106,115,580</u></b>	<b><u>100,316,262</u></b>	-5.47%
Deferred Inflow	=	<u>817,915</u>	<u>414,965</u>	-49.27%
<b>Total Net Position</b>	<b>\$39,213,319</b>	<b>\$37,618,037</b>	<b>\$39,869,937</b>	<b>+5.99%</b>

Salary costs totaled \$42.51 million for FY2014 compared to \$41.83 million for FY2013, an increase of \$681,742 (+1.63%). This reflects, within all functions, both staffing changes and pay increases (only step increases for most employees for FY2014).

Governmental Activities expenditure increased \$1.23 million (+1.65%) in FY2014:

<b>Government Activities Expenditure by Function</b>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY13-FY14 % Change</u>
Instruction	40,735,020	38,296,689	38,258,981	39,547,769	40,092,598	+1.38%
<b>Support Services:</b>						
Student	2,622,483	2,773,229	2,999,594	3,025,910	3,299,888	+9.05%
Instructional Staff	3,148,813	2,833,526	2,690,360	3,047,989	3,179,964	+4.33%
District Administration	446,189	476,495	483,540	743,164	635,877	-14.44%
School Administration	4,838,820	4,945,840	5,195,763	5,554,436	5,610,031	+1.00%
Business	2,466,930	2,423,706	3,044,075	2,574,884	2,601,508	+1.03%
Plant Operations/Maintenance	5,866,174	5,963,338	5,965,348	6,203,904	6,417,494	+3.44%
Student Transportation	4,532,800	4,283,327	4,873,552	5,386,631	5,533,210	+2.72%
Community Service Operations	587,759	561,287	576,682	556,970	566,051	+1.63%
Other activities	0	265,836	120,281	105,716	36,810	-65.18%
Depreciation/amortization	3,663,991	4,470,557	4,690,549	4,441,901	4,324,362	-2.65%
Interest on Debt	<u>3,493,672</u>	<u>3,290,820</u>	<u>3,382,285</u>	<u>3,669,528</u>	<u>3,768,428</u>	<u>+2.70%</u>
<b>Total Governmental Activities</b>	<b>72,402,651</b>	<b>70,584,650</b>	<b>72,281,009</b>	<b>74,858,802</b>	<b>76,066,220</b>	<b>+1.61%</b>

**JESSAMINE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Government-wide Financial Analysis (continued)**

Student Support Services expenditure increased 9.05%. Most of this increase can be linked to additional General Fund expenditure for 1) Guidance Counseling and Psychological Counseling for the new elementary school (\$80,474); 2) increased state employee benefit on-behalf costs (\$62,656); and, 3) increased health services expenditure (\$49,505 including \$21,308 for the new elementary school).

Most of the 4.33% increase to Instructional Staff support can be attributed to library and media services at the new elementary school (\$76,144 of the \$131,975 increase).

District Administration decreased 14.44% as the estimate for Kentucky School Boards Insurance Trust (KSBIT) assessment estimate of \$144, 956 included in last year's financial report was more than the \$78,531 assessed. District Administration does reflect some additional costs for current sick leave payable for employees retiring shortly after June 30, 2014.

Plant Operations/Maintenance increased 3.44%, including an increase of \$91,598 (+6.79%) for utilities from \$1.35 million (FY2013) to \$1.44 million (FY2014).

The Other activities category was limited to a controls retrofit in the Jessamine Early Learning Village building at a cost of \$36,810. This retrofit will benefit students at the adjacent Warner Elementary School while their building is being renovated

Some employer benefits are paid by the state on-behalf of the school district. These costs are included in the Governmental Activities Expenditure, even though the local district does not make direct payment for them. Included in the "on-behalf" expense are charges for payments to Kentucky Teachers' Retirement System, and expenses related to employee health insurance, the state-provided life insurance and related administrative costs.

<b>State-paid Employee Benefit</b>						
<b>On-Behalf Costs</b>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY13-FY14: % Change</u>
Instruction	7,552,320	7,353,039	7,385,439	7,773,911	7,978,858	2.64%
Support Services:						
Student	494,095	558,214	490,554	476,914	539,570	13.14%
Instructional Staff	360,202	394,343	322,664	327,869	337,143	2.83%
District Administration	60,478	76,674	74,605	118,060	117,188	-0.74%
School Administration	934,217	1,079,039	1,064,756	1,116,225	1,193,339	6.91%
Business	263,422	285,783	339,062	304,272	326,424	7.28%
Plant Operations/Maintenance	403,114	406,398	594,707	615,527	649,310	5.49%
Student Transportation	485,393	453,323	692,946	709,553	738,275	4.05%
Community Service Activities	8,455	8,392	12,697	13,041	13,616	4.41%
Total On-Behalf Costs	10,561,696	10,615,205	10,977,430	11,455,372	11,893,723	3.83%

**JESSAMINE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Government-wide Financial Analysis (continued)**

**Business-type activities.** The School Food Service program had a net loss of \$132,352 for FY2014. Sales decreased \$117,381 or 12.95% to \$789,154, due, in part, to snow days decreasing attendance days from 177 (FY2013) to 169 (FY2014). Federal revenue decreased 1.86% from \$2,472,662 (FY2013) to \$2,426,784, a decrease of \$45,878. Donated commodities increased from \$229,088 (FY2013) to \$266,345 (FY2014); state revenue, excluding on-behalf payments, decreased from \$39,525 (FY2013) to \$39,262 (FY2014) and interest income decreased from \$3,421 (FY2013) to \$2,614 (FY2014). Revenue from all sources of \$3,764,337, was out-paced by expenses of \$3,896,689 during FY2014, resulting in a decrease in net position of \$132,352.

Food Service program expenses increased \$441,699 (12.78%) with Salaries and Wages decreasing from \$1,560,470 (FY2013) to \$1,485,494 (FY2014), a decrease of \$74,976 (-4.80%). State on-behalf costs increased \$9,808 (+4.26%) to \$240,178. Supplies and materials, excluding donated commodities, increased \$38,700 (+2.13%) from \$1,816,980 to \$1,855,680. Depreciation increased from \$77,541 (FY2013) to \$99,410 (FY2014), or +28.20%. Contract Services increased from \$64,831 (FY2013) to \$215,927 (FY2014), including \$129,068 toward renovation at Nicholasville Elementary.

The School Food Service program net position decreased \$132,352 from the prior year, which is the amount of the net loss for FY2014.

The first year of the School Day Care program had a net operating loss of \$14,657 for FY2014. Sales were \$169,239 and interest income was \$29 during FY2014. Revenue from all sources of \$169,268, was out-paced by expenses of \$183,925. A transfer of \$14,657 was made from the General Fund to offset the operating loss in the Day Care program's initial start-up year.

Day Care program expenses include Salaries and Wages of \$173,233; Supplies and materials, of \$9,546; and Contract services of \$1,146 during FY2014.

The School Day Care program net position was \$0.00, which differs from the net loss of \$14,657 because a General Fund transfer was made to cover the deficit for FY2014.

<u>Business Activities - Net Position Summary</u>						FY13-14
As of June 30th:	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>% Change</u>
Assets:						
Current and Other	\$1,396,985	\$1,625,635	\$1,802,719	1,572,059	1,513,971	-3.70%
Capital Assets	<u>666,100</u>	<u>610,841</u>	<u>529,871</u>	<u>727,479</u>	<u>661,956</u>	-9.01%
Total Assets	\$2,063,085	\$2,236,476	\$2,332,590	\$2,299,538	\$2,175,927	-5.38%
Liabilities:						
Current Liabilities	\$2,136	\$2,704	\$808	\$604	\$9,345	1446.78%
Non-Current	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>
Total Liabilities	<u>2,136</u>	<u>2,704</u>	<u>808</u>	<u>604</u>	<u>9,345</u>	<u>1446.78%</u>
Total Net Position	\$2,060,949	\$2,233,772	\$2,331,782	\$2,298,934	\$2,166,582	-5.76%

**JESSAMINE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Financial Analysis of the Government's Funds**

**Governmental funds.** The focus of the Jessamine County Schools' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Jessamine County Schools' financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2014, the Jessamine County Schools governmental funds reported a combined fund balance of \$13.33 million, a decrease of \$6.51 million from the previous fiscal year. The Construction Fund had a fund balance decrease of \$6.01 million to \$3.90 million, as the construction of the new Red Oak Elementary School, renovation of Nicholasville Elementary and other construction and renovation projects were finalized in FY2014.

Other funds changes include: a decrease to the General Fund of \$0.19 million; the Capital Outlay Fund increased by \$0.20 million; and the Facilities Support Program of Kentucky (FSPK) Building Fund decreased by \$0.50 million.

Contrast this information to the Governmental Activities increase in net assets, presented earlier, to illustrate the difference in the two types of reporting. Fund accounting emphasizes available resources such as cash.

For the General Fund, the modest increase in Fund Balance can be attributed to Management holding down costs in the light of the possibility of more cuts and/or disappointing revenues. As to the Capital Outlay and FSPK Building Fund, projects are limited by available funding estimates.

**Proprietary Funds.** The Jessamine County Schools' Food Service Fund and Day Care Fund had a net loss of \$147,009 for FY2014. Together, Sales increased from \$906,535 to \$958,393 or \$51,858 (+5.72%). Non-operating revenues: Federal grants from \$2,472,662 to \$2,426,784 or -\$45,878 (-1.86%); State grants, excluding on-behalf payments, from \$39,525 to \$39,262 or -\$263 (-0.67%); Donated commodities increased from \$229,088 to \$266,345 or \$37,257 (+16.26%); and Interest Income decreased from \$3,421 to \$2,643 or -\$778 (-22.74%). Operating and non-operating revenues increased from \$3,881,601 (FY2013) to \$3,948,262 or by \$66,661 (+1.72%).

Program expenses increased \$385,445 (11.16%) from \$3,454,991 (FY2013) to \$3,840,436 (FY2014). Salaries and wages increased \$98,257 (+6.30%) from \$1,560,470 to \$1,658,727. State on-behalf payments increased from \$230,370 to \$240,178 (+4.26%). Supplies and Materials cost, which includes food, increased \$48,246 (+2.66%) from \$1,816,980 to \$1,865,226. Other expenses include an increasing Depreciation expense from \$77,541 (FY2013) to \$99,410 (+28.20%).

The Food Service Program and Day Care Fund had a net operating loss of \$147,009. Adding the operating transfer of \$14,657 to the net operating loss brings the Total Net Position at the end of FY2014 to \$2,166,582 for the Food Services and Day Care Program, the district's proprietary funds.

**JESSAMINE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Financial Analysis of the Government's Funds (continued)**

**Fund Transfers.** Transfers between governmental funds for FY2014 were as follows:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special Revenue	SFCC Tech Match	\$ 144,000
Building Fund	Construction	Warner Renovation	680,093
Capital Outlay	Construction	Warner Renovation	29,642
Capital Outlay	Construction	Red Oak Remote Security	30,478
Capital Outlay	General	Capital Outlay Transfer	118,714
Building Fund	Debt Service	Debt Payments	6,910,413
Capital Outlay	Debt Service	Debt Payments	289,492
General	Debt Service	Debt Payments	224,930
General	Day Care	Cover Day Care Deficit	14,657
			<u>\$ 8,442,420</u>

**Capital Assets**

The Jessamine County Schools' total investment in capital assets for its governmental and business type activities as of June 30, 2014, is \$121.22 million (net of accumulated depreciation), an increase of \$2.97 million from a year earlier. Construction Work-in-Progress decreased \$18.7 million, as construction of the new Red Oak Elementary School, renovation of Nicholasville Elementary, and other projects were completed.

A detailed schedule, including changes during FY2014, is available in the notes to the financial statements: Note D – Capital Assets. Investment in capital assets includes land, buildings, computers and other technology, school buses and other vehicles, and other equipment.

Ten new buses ordered during FY2014 will be delivered during FY2015. Recent bus purchases have not required KISTA financing, though bus purchases in past years (most recently FY2009) have been financed through the KISTA (Kentucky Interlocal School Transportation Association) Equipment Lease Program. More information about the KISTA program is found in notes to the financial statements, including Note F – Capital Lease Payable.

**Long-term Debt**

At the end of fiscal year 2014, the Jessamine County Schools had total bonded debt outstanding of \$92,055,287. A portion of this total debt, \$2,770,862, represents the amount of principal the Kentucky School Facility Construction Commission (KFSCC) has agreed to pay.

Jessamine County Schools had one bond issue during FY2014 of \$7,375,000. This series, dated February 5, 2014, refunded the Taxable Build America Bonds, series of 2009.

**JESSAMINE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Financial Analysis of the Government's Funds (continued)**

Additional information on the Jessamine County Schools' Capital Lease and Bonded Debt Obligations can be found in Note E – Bonded Debt and Lease Obligations.

**Budgetary Highlights**

Jessamine County Schools continues to enjoy a good financial condition. Though the Fund Balance in the General Fund decreased \$0.20 million to \$9.02 million, this is 14.75% of FY2014 General Fund expenditure.

The Capital Funds: Capital Outlay had an increase in Fund Balance of \$200,542 while FSPK Building Funds had a decrease to Fund Balance of \$500,878. The Construction Fund decreased \$6.01 million as construction and renovation expenditure exceeded additional Construction Fund revenue.

**Economic Factors**

The economy continues to gradually improve. The state has promised to improve funding in exchange for required minimum pay increases, at least 1.0% for FY2015; and, at least 2.0% for FY2016. The increased state funding is more than sufficient to pay for the FY2015 required increase, but it is not enough for the FY2016 increase (if all employees are provided these increases in addition to their annual step increases). Reports of state revenue budget shortfalls concern the local school districts.

**Budgetary Implications and Next Year's Budget**

Kentucky public schools are required by statute to operate on a July 1 through June 30 fiscal year. Historically, Kentucky public schools have been required to budget a contingency of two percent (2%) of the total budgeted expenditures of the General Fund, Special Revenue Fund, Capital Outlay Fund, Building Fund and School Food Service Fund for the Tentative Working Budget, which must be prepared and approved by the Board by the end of May for the upcoming year. This two percent requirement is also a minimum for the Working Budget that is prepared and approved by the Board by the end of September for the new fiscal year. For FY2015, the Jessamine County Board of Education approved a budget that exceeds the minimal contingency.

The FY2015 Working Budget includes a contingency of \$7,287,717. As a percentage of the budgeted expenditure of \$92,227,756 – the combined total of the General Fund, Special Revenue Fund, Capital Outlay and Building Fund, and the School Food Service Fund – the contingency budget is 7.90% of the total.

**Requests for Information**

This financial report is designed to provide a general overview of the Jessamine County Schools' finances for all those with an interest in the school district's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to Timothy L. Lemaster, Director of Finance, or Jason M. U'Wren, Internal Auditor, Jessamine County Schools, 871 Wilmore Road, Nicholasville, Kentucky 40356.

Jessamine County School District  
**Statement of Net Position**  
June 30, 2014

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 17,103,894	\$ 1,320,895	\$ 18,424,789
Receivables (net)	1,518,927	80,504	1,599,431
Inventories	-	112,572	112,572
Prepaid expenses	201,209	-	201,209
Loan receivable	101,250	-	101,250
Total Current Assets	<u>18,925,280</u>	<u>1,513,971</u>	<u>20,439,251</u>
<b>Noncurrent Assets</b>			
Bond Discounts	753,241	-	753,241
Capital assets:			
Land and construction in progress	7,185,307	-	7,185,307
Other capital assets, net of depreciation	113,374,083	661,956	114,036,039
Total Noncurrent assets	<u>120,559,390</u>	<u>661,956</u>	<u>121,221,346</u>
Total assets	<u>140,237,911</u>	<u>2,175,927</u>	<u>142,413,838</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss for the difference in reacquisition and carrying value of refunding debt	<u>363,253</u>	-	<u>363,253</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	1,557,429	9,345	1,566,774
Accrued interest payable	1,168,184	-	1,168,184
Accrued salaries and benefit payable	3,512,643	-	3,512,643
Current Portion Bond obligations	4,497,827	-	4,497,827
Current Portion Capital lease obligations	453,084	-	453,084
Current Portion Sick leave	136,775	-	136,775
Total Current Liabilities	<u>11,325,942</u>	<u>9,345</u>	<u>11,335,287</u>
<b>Noncurrent Liabilities</b>			
Noncurrent Portion Bond obligations	87,557,460	-	87,557,460
Noncurrent Portion Capital lease obligations	881,321	-	881,321
Noncurrent Portion Sick leave	551,539	-	551,539
Total Noncurrent Liabilities	<u>88,990,320</u>	<u>-</u>	<u>88,990,320</u>
Total Liabilities	<u>100,316,262</u>	<u>9,345</u>	<u>100,325,607</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Grants received in advance	<u>414,965</u>	-	<u>414,965</u>
<b>NET POSITION</b>			
Net Investment in capital assets	27,532,951	661,956	28,194,907
Restricted for:			
Restricted for capital projects	4,311,823	-	4,311,823
Restricted for other purposes	-	1,504,626	1,504,626
Unrestricted	8,025,163	-	8,025,163
Total net position	<u>\$ 39,869,937</u>	<u>\$ 2,166,582</u>	<u>\$ 42,036,519</u>

See the accompanying notes to the financial statements.

Jessamine County School District  
**Statement of Activities**  
For the year ended June 30, 2014

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
Instruction	\$ 40,092,598	\$ 264,715	\$ 16,803,733	\$ -	\$ (23,024,150)	\$ -	\$ (23,024,150)
Support services:							
Student	3,299,888	144,867	539,570	-	(2,615,451)	-	(2,615,451)
Instructional staff	3,179,964	-	337,143	-	(2,842,821)	-	(2,842,821)
District administrative	635,877	-	117,188	-	(518,689)	-	(518,689)
School administrative	5,610,031	-	1,193,339	-	(4,416,692)	-	(4,416,692)
Business	2,601,508	-	326,424	-	(2,275,084)	-	(2,275,084)
Plant operation and maintenance	6,417,494	-	649,310	1,167,964	(4,600,220)	-	(4,600,220)
Student transportation	5,533,210	-	738,275	-	(4,794,935)	-	(4,794,935)
Community service operations	566,051	-	13,616	-	(552,435)	-	(552,435)
Facilities	36,810	-	-	-	(36,810)	-	(36,810)
Interest on long-term debt	3,768,428	-	-	352,266	(3,416,162)	-	(3,416,162)
Depreciation	4,324,361	-	-	-	(4,324,361)	-	(4,324,361)
<b>Total governmental activities</b>	<u>76,066,220</u>	<u>409,582</u>	<u>20,718,598</u>	<u>1,520,230</u>	<u>(53,417,810)</u>	<u>-</u>	<u>(53,417,810)</u>
<b>Business-type Activities</b>							
Food service	3,896,689	789,154	2,972,569	-	-	(134,966)	(134,966)
Day Care	183,925	169,239	-	-	-	(14,686)	(14,686)
<b>Total business-type activities</b>	<u>4,080,614</u>	<u>958,393</u>	<u>2,972,569</u>	<u>-</u>	<u>-</u>	<u>(149,652)</u>	<u>(149,652)</u>
<b>Total school district</b>	<u>\$ 80,146,834</u>	<u>\$ 1,367,975</u>	<u>\$ 23,691,167</u>	<u>\$ 1,520,230</u>	<u>\$ (53,417,810)</u>	<u>\$ (149,652)</u>	<u>\$ (53,567,462)</u>

**General Revenues**

Property taxes	\$ 22,897,689	\$ -	\$ 22,897,689
Distilled spirits taxes	198,594	-	198,594
Motor vehicle taxes	1,880,585	-	1,880,585
Utility taxes	3,190,528	-	3,190,528
Other taxes	118,593	-	118,593
Investment earnings	42,294	2,643	44,937
State aid formula grants	25,976,469	-	25,976,469
Miscellaneous	592,058	-	592,058
Transfers	(14,657)	14,657	-
<b>Total general revenues</b>	<u>54,882,153</u>	<u>17,300</u>	<u>54,899,453</u>
Change in net position	1,464,343	(132,352)	1,331,991
Net Position - beginning	37,618,037	2,298,934	39,916,971
Prior Period Adjustment	787,557	-	787,557
Restated Net Position - beginning	38,405,594	2,298,934	40,704,528
Net Position - ending	<u>\$ 39,869,937</u>	<u>\$ 2,166,582</u>	<u>\$ 42,036,519</u>

The accompanying notes are an integral part of the financial statements.

Jessamine County School District  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2014

	<b>Governmental Funds</b>					
	<b>General</b>	<b>Special Revenue</b>	<b>Construction</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 12,374,183	\$ -	\$ 4,491,641	\$ -	\$ 238,070	\$ 17,103,894
Receivables, net						
Taxes-current	633,011	-	-	-	-	633,011
Taxes-delinquent	28,866	-	-	-	-	28,866
Accounts	147,201	-	-	-	-	147,201
Intergovernmental-federal	-	709,849	-	-	-	709,849
Prepaid expenses	29,880	-	-	-	171,329	201,209
Due from other funds	203,752	-	-	-	-	203,752
Total assets	13,416,893	709,849	4,491,641	-	409,399	19,027,782
<b>LIABILITIES</b>						
Accounts payable	870,080	98,132	589,217	-	-	1,557,429
Accrued salaries and benefit payable	3,517,860	-	-	-	-	3,517,860
Due to other funds	-	203,752	-	-	-	203,752
Unearned revenue	7,000	407,965	-	-	-	414,965
Total liabilities	4,394,940	709,849	589,217	-	-	5,694,006
<b>FUND BALANCE</b>						
Nonspendable	6,080	-	-	-	-	6,080
Restricted	-	-	3,902,424	-	409,399	4,311,823
Committed	1,357,361	-	-	-	-	1,357,361
Assigned	66,800	-	-	-	-	66,800
Unassigned	7,591,712	-	-	-	-	7,591,712
Total fund balance	\$ 9,021,953	\$ -	\$ 3,902,424	\$ -	\$ 409,399	\$ 13,333,776

See the accompanying notes to the financial statements.

Jessamine County School District  
**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position**  
For the year ended June 30, 2014

<b>Total fund balance per fund financial statements</b>	\$	13,333,776
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
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.		120,559,390
Certain long-term receivables are not currently available and, therefore, are not reported in the funds.		101,250
Governmental funds record losses on debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are included on the government-wide financial statements as a deferred outflow.		363,253
Bond discounts are reported as expenditures in the governmental funds when first incurred, however, they are included as deferred charges in the statement of net position		753,241
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. Those liabilities are:		
Accrued interest payable		(1,168,184)
Bond obligations		(92,055,287)
Capital lease obligations		(1,334,405)
Sick leave payable		(683,097)
		(99,240,973)
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u><u>39,869,937</u></u></b>

The accompanying notes are an integral part of the financial statements.

Jessamine County School District  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
For the year ended June 30, 2014

Revenues	General Fund	Special Revenue	Construction Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
From local sources						
Property taxes	\$ 16,978,857	\$ -	\$ -	\$ -	\$ 5,918,832	\$ 22,897,689
Distilled spirits taxes	198,594	-	-	-	-	198,594
Motor vehicle taxes	1,880,585	-	-	-	-	1,880,585
Utility taxes	3,190,528	-	-	-	-	3,190,528
Unmined minerals taxes	1,367	-	-	-	-	1,367
Excise Taxes	117,226	-	-	-	-	117,226
Tuition and fees	84,238	-	-	-	-	84,238
Earnings on investments	27,553	96	11,494	-	3,151	42,294
Other local revenues	421,792	259,084	-	-	-	680,876
Intergovernmental-state	38,072,663	3,099,153	-	352,266	1,873,323	43,397,405
Intergovernmental-federal	130,296	4,536,848	-	150,747	-	4,817,891
<b>Total revenues</b>	<u>61,103,699</u>	<u>7,895,181</u>	<u>11,494</u>	<u>503,013</u>	<u>7,795,306</u>	<u>77,308,693</u>
<b>Expenditures</b>						
Instruction	35,049,261	5,043,337	-	-	-	40,092,598
Support services						
Student	2,463,052	844,799	-	-	-	3,307,851
Instruction staff	2,067,098	1,112,866	-	-	-	3,179,964
District administration	708,090	4,329	-	-	-	712,419
School administration	5,348,240	287,838	-	-	-	5,636,078
Business	2,423,274	219,733	-	-	-	2,643,007
Plant operation and maintenance	6,420,180	26,500	-	-	-	6,446,680
Student transportation	6,034,200	-	-	-	-	6,034,200
Facilities	-	-	6,762,931	-	36,810	6,799,741
Community services	66,272	499,779	-	-	-	566,051
Debt service	584,250	-	-	15,302,848	-	15,887,098
<b>Total expenditures</b>	<u>61,163,917</u>	<u>8,039,181</u>	<u>6,762,931</u>	<u>15,302,848</u>	<u>36,810</u>	<u>91,305,687</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>(60,218)</u>	<u>(144,000)</u>	<u>(6,751,437)</u>	<u>(14,799,835)</u>	<u>7,758,496</u>	<u>(13,996,994)</u>
<b>Other Financing Sources (Uses)</b>						
Sale of capital assets	54,911	-	-	-	-	54,911
Loss compensation	70,210	-	-	-	-	70,210
Debt proceeds	-	-	-	7,375,000	-	7,375,000
Operating transfers in	118,714	144,000	740,213	7,424,835	-	8,427,762
Operating transfers (out)	(383,588)	-	-	-	(8,058,832)	(8,442,420)
<b>Total other financing sources (uses)</b>	<u>(139,753)</u>	<u>144,000</u>	<u>740,213</u>	<u>14,799,835</u>	<u>(8,058,832)</u>	<u>7,485,463</u>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<u>(199,971)</u>	<u>-</u>	<u>(6,011,224)</u>	<u>-</u>	<u>(300,336)</u>	<u>(6,511,531)</u>
<b>Fund balance, beginning</b>	<u>9,221,924</u>	<u>-</u>	<u>9,913,648</u>	<u>-</u>	<u>709,735</u>	<u>19,845,307</u>
<b>Fund balance, ending</b>	<u>\$ 9,021,953</u>	<u>\$ -</u>	<u>\$ 3,902,424</u>	<u>\$ -</u>	<u>\$ 409,399</u>	<u>\$ 13,333,776</u>

The accompanying notes are an integral part of the financial statements.

Jessamine County School District  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of  
 Governmental Funds to the Statement of Activities**  
 For the year ended June 30, 2014

<b>Net change in total fund balances per fund financial statements</b>	<b>\$</b>	<b>(6,511,531)</b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.</p>		3,043,966
<p>The proceeds from the disposal of capital assets provide current financial resources and are reported in the fund financial statements. However, for governmental activities the proceeds are reported net of the cost less any accumulated depreciation.</p>		89,912
<p>The amortization of bond discounts and loss on refundings in the current year is reported on the fund financial statements when debt is issued but amortized in the statement of position</p>		64,756
<p>The issuance of long-term debt provides current financial resources to governmental funds but increases liabilities in the statement of net position</p>		(7,375,000)
<p>Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.</p>		12,122,226
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
<p>Accrued interest payable</p>		(46,528)
<p>KSBIT payable</p>		144,956
<p>Sick leave payable</p>		(68,414)
		(49,986)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u><u>1,464,343</u></u></b>

The accompanying notes are an integral part of the financial statements.

Jessamine County School District  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>		
From local sources				
Property taxes	\$ 16,700,000	\$ 17,167,500	\$ 16,978,857	\$ (188,643)
Distilled spirits taxes	100,000	135,000	198,594	63,594
Motor vehicle taxes	1,600,000	1,750,000	1,880,585	130,585
Utility taxes	2,975,000	3,125,000	3,190,528	65,528
Unmined minerals taxes	2,000	1,500	1,367	(133)
Excise Taxes	65,000	-	117,226	117,226
Tuition and fees	54,500	66,250	84,238	17,988
Earnings on investments	27,000	25,000	27,553	2,553
Other local revenues	204,685	236,094	421,792	185,698
Intergovernmental-state	36,508,758	37,358,751	38,072,663	713,912
Intergovernmental-federal	40,000	68,500	130,296	61,796
<b>Total revenues</b>	<u>58,276,943</u>	<u>59,933,595</u>	<u>61,103,699</u>	<u>1,170,104</u>
<b>Expenditures</b>				
Instruction	34,079,035	35,101,024	35,049,261	51,763
Support services				
Student	2,229,937	2,480,436	2,463,052	17,384
Instruction staff	2,041,512	2,242,667	2,067,098	175,569
District administration	674,201	746,933	708,090	38,843
School administration	5,129,925	5,458,063	5,348,240	109,823
Business	2,651,090	2,618,603	2,423,274	195,329
Plant operation and maintenance	6,626,123	6,619,213	6,420,180	199,033
Student transportation	6,325,915	6,017,159	6,034,200	(17,041)
Facilities	12,500	-	-	-
Community services	63,905	64,842	66,272	(1,430)
Debt service	613,181	584,250	584,250	-
<b>Total expenditures</b>	<u>60,447,324</u>	<u>61,933,190</u>	<u>61,163,917</u>	<u>769,273</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>(2,170,381)</u>	<u>(1,999,595)</u>	<u>(60,218)</u>	<u>1,939,377</u>
<b>Other Financing Sources (Uses)</b>				
Sale of land and equipment	22,167	-	54,911	54,911
Loss compensation	-	50,123	70,210	20,087
Debt proceeds	-	-	-	-
Operating transfers in	864,061	130,000	118,714	(11,286)
Operating transfers (out)	(809,061)	(380,331)	(383,588)	(3,257)
Contingency	(7,481,413)	(7,012,328)	-	7,012,328
<b>Total other financing sources (uses)</b>	<u>(7,404,246)</u>	<u>(7,212,536)</u>	<u>(139,753)</u>	<u>7,072,783</u>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<u>(9,574,627)</u>	<u>(9,212,131)</u>	<u>(199,971)</u>	<u>9,012,160</u>
<b>Fund balance, beginning</b>	<u>9,574,627</u>	<u>9,212,131</u>	<u>9,221,924</u>	<u>9,793</u>
<b>Fund balance, ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,021,953</u>	<u>\$ 9,021,953</u>

The accompanying notes are an integral part of the financial statements.

Jessamine County School District  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Special Revenue Fund**  
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
From local sources				
Earnings on investments	\$ 120	\$ 120	\$ 96	\$ (24)
Other local revenues	258,505	258,505	259,084	579
Intergovernmental-state	2,923,589	2,923,589	3,099,153	175,564
Intergovernmental-federal	6,046,011	6,043,510	4,536,848	(1,506,662)
<b>Total revenues</b>	<u>9,228,225</u>	<u>9,225,724</u>	<u>7,895,181</u>	<u>(1,330,543)</u>
<b>Expenditures</b>				
Instruction	5,925,630	5,925,630	5,043,337	882,293
Support services				
Student	1,062,672	1,062,672	844,799	217,873
Instruction staff	1,437,824	1,437,824	1,112,866	324,958
District administration	-	-	4,329	(4,329)
School administration	236,201	233,700	287,838	(54,138)
Business	182,809	182,809	219,733	(36,924)
Plant operation & maintenance	26,500	26,500	26,500	-
Student transportation	-	-	-	-
Community services	500,589	500,589	499,779	810
<b>Total expenditures</b>	<u>9,372,225</u>	<u>9,369,724</u>	<u>8,039,181</u>	<u>1,330,543</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>(144,000)</u>	<u>(144,000)</u>	<u>(144,000)</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	144,000	144,000	144,000	-
Operating transfers (out)	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>144,000</u>	<u>144,000</u>	<u>144,000</u>	<u>-</u>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	-	-	-	-
<b>Fund balance, beginning</b>	-	-	-	-
<b>Fund balance, ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

Jessamine County School District  
**Statement of Net Position**  
**Proprietary Funds**  
June 30, 2014

	<b>Food Services Fund</b>	<b>Day Care Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,316,117	\$ 4,778	\$ 1,320,895
Receivables	80,504	-	80,504
Inventories	112,572	-	112,572
Capital assets:			-
Other capital assets, net of depreciation	661,956	-	661,956
Total assets	2,171,149	4,778	2,175,927
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	4,567	4,778	9,345
Total liabilities	4,567	4,778	9,345
<b>NET POSITION</b>			
Net Investment in capital assets	661,956	-	661,956
Restricted	1,504,626	-	1,504,626
Total net position	\$ 2,166,582	\$ -	\$ 2,166,582

See the accompanying notes to the financial statements.

Jessamine County 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>Day Care Fund</b>	<b>Total</b>
<b>Operating Revenues</b>			
Food service sales	\$ 789,154	\$ -	\$ 789,154
Day Care	-	169,239	169,239
Total operating revenues	<u>789,154</u>	<u>169,239</u>	<u>958,393</u>
<b>Operating Expenses</b>			
Salaries and wages	1,725,672	173,233	1,898,905
Contract Services	215,927	1,146	217,073
Supplies and materials	1,855,680	9,546	1,865,226
Depreciation	99,410	-	99,410
Total operating expenses	<u>3,896,689</u>	<u>183,925</u>	<u>4,080,614</u>
<b>Operating income (loss)</b>	<u>(3,107,535)</u>	<u>(14,686)</u>	<u>(3,122,221)</u>
<b>Nonoperating revenues (expenses)</b>			
Federal grants	2,426,784	-	2,426,784
Federal donated commodities	266,345	-	266,345
State grants	279,440	-	279,440
Interest income	2,614	29	2,643
Total nonoperating revenues (expenses)	<u>2,975,183</u>	<u>29</u>	<u>2,975,212</u>
<b>Net income (loss) before operating transfers</b>	(132,352)	(14,657)	(147,009)
Operating transfers	<u>-</u>	<u>14,657</u>	<u>14,657</u>
<b>Change in net position</b>	(132,352)	-	(132,352)
<b>Total net position, beginning</b>	<u>2,298,934</u>	<u>-</u>	<u>2,298,934</u>
<b>Total net position, ending</b>	<u>\$ 2,166,582</u>	<u>\$ -</u>	<u>\$ 2,166,582</u>

The accompanying notes are an integral part of the financial statements.

Jessamine County School District  
**Statement of Cash Flows - Proprietary Funds**  
For the year ended June 30, 2014

	<b>Food Service Fund</b>	<b>Day Care Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>			
Cash received from lunchroom sales	\$ 789,154	\$ 169,239	\$ 958,393
Cash payments to employees for services	(1,485,494)	(173,233)	(1,658,727)
Cash payments to suppliers for goods and services	(1,811,960)	(5,914)	(1,817,874)
Net cash used from operating activities	(2,508,300)	(9,908)	(2,518,208)
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers	-	14,657	14,657
Nonoperating grants received	2,693,964	-	2,693,964
Net cash provided from noncapital financing activities	2,693,964	14,657	2,708,621
<b>Cash Flows from Capital Financing Activities</b>			
Purchase of capital assets	(33,887)	-	(33,887)
Net cash used from capital financing activities	(33,887)	-	(33,887)
<b>Cash Flows from Investing Activities</b>			
Interest on investments	2,614	29	2,643
Net cash flows provided from investing activities	2,614	29	2,643
<b>Net increase in cash and cash equivalents</b>	154,391	4,778	159,169
<b>Cash and cash equivalents - beginning</b>	1,161,726	-	1,161,726
<b>Cash and cash equivalents - ending</b>	1,316,117	4,778	1,320,895
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating income (loss)	(3,107,535)	(14,686)	(3,122,221)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Depreciation	99,410	-	99,410
Federal commodities	266,345	-	266,345
On-behalf payments	240,178	-	240,178
Changes in assets and liabilities:			
Inventory	(10,661)	-	(10,661)
Accounts payable	3,963	4,778	8,741
Net Cash Provided by Operating Activities	\$ (2,508,300)	\$ (9,908)	\$ (2,518,208)
<b>NONCASH NONCAPITAL FINANCING ACTIVITIES</b>			
Donated commodities received from federal government	\$ 266,345	\$ -	\$ 266,345
On-behalf payments	\$ 240,178	\$ -	\$ 240,178

The accompanying notes are an integral part of the financial statements.

Jessamine County School District  
**Statement of Fiduciary Net Position**  
**School Activity Funds**  
June 30, 2014

	<u>School Activity Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 513,543
Accounts receivable	886
	<hr/>
TOTAL ASSETS	514,429
	<hr/>
<b>LIABILITIES</b>	
Accounts payable	1,537
Due to student groups	512,892
	<hr/>
TOTAL LIABILITIES	514,429
	<hr/>
<b>NET POSITION HELD IN TRUST</b>	<b>\$ -</b>
	<hr/> <hr/>

See the accompanying notes to the financial statements.

JESSAMINE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

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

Reporting Entity

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

The District, for financial purposes, includes all of the funds relevant to the operation of the Jessamine County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District 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:

*Jessamine County School District Finance Corporation*

The Board authorized establishment of the Jessamine County School District Finance Corporation a non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the “Corporation”) to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Jessamine County Board of Education.

Basis of Presentation

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the 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.

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

JESSAMINE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

The District has the following funds:

I. Governmental Fund Types

(A) General Fund

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

(B) Special Revenue (Grant) Fund

The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trust funds 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 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. The Kentucky Department of Education requires this fund to be a major fund.

JESSAMINE COUNTY SCHOOL DISTRICT  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2014

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(C) Capital Project Funds

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. SEEK Capital Outlay Fund

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 as identified in the District's facility plan.

2. Building (FSPK) Fund

The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy that is required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.

3. Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling. This is a major fund of the District.

(D) Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law. This is a major fund of the District.

II. Proprietary Funds (Enterprise Funds)

(A) Food Service Fund

The School 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. This is a major fund.

(B) Day Care Fund

The Day Care Fund is used to account for child care revenue. The Day Care Fund is a non-major fund.

The District applies all GASB pronouncements to proprietary funds.

JESSAMINE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2014

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

III. Fiduciary Fund Types

(A) Agency Funds

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The schools funds are accounted for in accordance with “Accounting Procedures for Kentucky School Activity Funds.”

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

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

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

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 unearned revenue.

JESSAMINE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 Tax Revenues – Property taxes are levied each August 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.

The property tax rates assessed for the year ended June 30, 2014, to finance the General Fund operations were \$.644 per \$100 valuation of real property, \$.644 per \$100 valuation for business personal property and \$.547 per \$100 valuation for motor vehicles.

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 government funds. These assets are reported in the government activities column of the government-wide financial 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. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<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
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	20 years
Rolling stock	15 years
Other	10 years

JESSAMINE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, a certified and classified 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.

Budgetary Process

The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used to prepare the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

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 as dictated by 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.

The Kentucky Department of Education does not require the Capital Project Funds and Debt Service Funds to prepare budgets.

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.

JESSAMINE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For the year ended June 30, 2014

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Inventories

On government-wide financial statements inventories are stated at cost and are expended when used. On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as expenditure in the governmental fund types when purchased.

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 expenditure/expense is reported in the year in which services are consumed.

Accrued Liabilities and Long-Term Obligations

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

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 judgment, the noncurrent 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 sixty 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 Balance

Fund balance is divided into five categories as defined by GASB 54 as follows:

- Nonspendable: Permanently nonspendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.
- Restricted: Legally restricted under legislation, bond authority, or grantor contract.
- Committed: Commitments of future funds for specific purposes passed by the Board.
- Assigned: Funds that are intended by management to be used for a specific purpose, including encumbrances.
- Unassigned: Funds available for any legal purpose.

The Board has adopted a GASB 54 spending policy which states that the spending order of funds is to first use restricted funds, followed by committed, assigned, and unassigned funds.

JESSAMINE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Net Position

The statement of net position presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net position. Net position are reported in three categories: 1) invested in capital assets net of related debt – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of the assets; 2) restricted net position – resulting from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation adopted by the School District; 3) unrestricted net position – those assets that do not meet the definition of restricted net position or invested in capital assets. It is the District's policy to first apply restricted net position and then unrestricted net position when an expense is incurred for which both restricted and unrestricted net position are available. The restricted net position in the governmental activities consists of SFCC money.

Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

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 after 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**JESSAMINE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS**

For the year ended June 30, 2014

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

New Accounting Pronouncements

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

**NOTE B – ESTIMATES**

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

**NOTE C – CASH AND CASH EQUIVALENTS**

The District’s cash and cash equivalents were interest bearing demand accounts. Due to the liquidity of the interest bearing demand accounts, the carrying value is the fair market value. Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United States government, certificates of deposits, commercial paper rated in one of the three highest categories of nationally recognized rating agencies and shares in mutual funds.

	<b>Bank Balance</b>
<b><u>Kentucky Bank</u></b>	
FDIC	\$ 250,000
Securities pledged to district	20,476,774
Bank balance	\$ 20,726,774
	<b>Book Balance</b>
Governmental Activities	\$ 17,103,894
Business-type Activities	1,320,895
Agency funds	513,543
Total carrying amount	\$ 18,938,332

**JESSAMINE COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2014

**NOTE D – CAPITAL ASSETS**

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

<u>Governmental Activities</u>	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>
Land	\$ 3,968,229	\$ -	\$ 561	\$ 3,967,668
Land improvements	3,515,596	-	-	3,515,596
Buildings	119,445,251	25,406,398	144,666	144,706,983
Technology equipment	4,951,742	75,512	291,058	4,736,196
Vehicles	8,164,094	530,176	753,029	7,941,241
General equipment	1,560,418	-	22,239	1,538,179
Construction in progress	<u>21,908,528</u>	<u>6,715,509</u>	<u>25,406,398</u>	<u>3,217,639</u>
Total at historical cost	\$ <u>163,513,859</u>	\$ <u>32,727,595</u>	\$ <u>26,617,951</u>	\$ <u>169,623,503</u>
Less: Accumulated depreciation				
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	2,844,947	122,607	-	2,967,554
Buildings	32,439,667	2,951,395	191,498	35,199,563
Technology equipment	3,575,919	571,708	282,432	3,865,195
Vehicles	5,959,012	553,083	751,471	5,760,625
General equipment	<u>1,167,846</u>	<u>125,569</u>	<u>22,239</u>	<u>1,271,176</u>
Total accumulated depreciation	\$ <u>45,987,391</u>	\$ <u>4,324,362</u>	\$ <u>1,247,640</u>	\$ <u>49,064,113</u>
Governmental Activities				
Capital Assets-net	\$ <u>117,526,468</u>	\$ <u>28,403,233</u>	\$ <u>25,370,311</u>	\$ <u>120,559,390</u>
<u>Business-Type Activities</u>	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>
Technology equipment	\$ 59,494	\$ -	\$ 4,002	\$ 55,492
General equipment	<u>1,900,318</u>	<u>33,887</u>	<u>-</u>	<u>1,934,205</u>
Total at historical cost	\$ <u>1,959,812</u>	\$ <u>33,887</u>	\$ <u>4,002</u>	\$ <u>1,989,697</u>
Less: Accumulated depreciation				
Technology equipment	\$ 33,942	\$ 8,167	\$ 4,002	\$ 38,107
General equipment	<u>1,198,390</u>	<u>91,244</u>	<u>-</u>	<u>1,289,634</u>
Total accumulated depreciation	\$ <u>1,232,333</u>	\$ <u>99,410</u>	\$ <u>4,002</u>	\$ <u>1,327,741</u>
Business-Type Activities				
Capital Assets-net	\$ <u>727,479</u>	\$ <u>(65,523)</u>	\$ <u>-</u>	\$ <u>661,956</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as “unallocated”.

**JESSAMINE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS**

For the year ended June 30, 2014

**NOTE E – BONDED DEBT AND LEASE OBLIGATIONS**

Bonds

The amount shown in the accompanying financial statements as bonded debt and lease obligations represent the District’s future obligations to make payments relating to the bonds issued by the Fiscal Court of Jessamine County and the Jessamine County School District Finance Corporation aggregating \$92,055,287, and \$4,497,827 is the portion due within one year.

The District, through the General Fund (including utility taxes), Building (FSPK) Fund, and the SEEK Capital Outlay Fund is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Jessamine County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The original amount of outstanding issues, the issue dates, interest rates, and outstanding balances, at June 30, 2014 are summarized below:

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>2013</u>			<u>2014</u>
				<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>
12/1/1993	770,000	12/1/2013	4-5%	\$ 60,000	\$ -	\$ 60,000	\$ -
1/1/2005	11,640,000	1/1/2021	3.375-4.25%	9,130,000	-	790,000	8,340,000
2/1/2005	11,815,000	2/1/2025	2.5-4.2%	7,920,000	-	535,000	7,385,000
9/1/2005	17,060,000	9/1/2025	3.5-4%	15,230,000	-	310,000	14,920,000
5/1/2008	24,700,000	5/1/2029	3.25-4.5%	20,190,000	-	995,000	19,195,000
6/25/2009	5,395,000	2/1/2021	2-3.7%	3,945,000	-	470,000	3,475,000
7/1/2009	7,500,000	2/1/2030	2.125-6.4%	7,290,000	-	7,290,000	-
9/1/2010R	1,815,000	5/1/2022	3.00%	1,650,000	-	50,000	1,600,000
5/17/2011R	4,815,000	6/1/2019	2-2.75%	3,680,000	-	600,000	3,080,000
2/1/2012	15,305,000	3/1/2032	2-3.5%	15,205,000	-	100,000	15,105,000
6/26/2012	4,570,000	8/1/2032	.70 - 3.50%	4,570,000	-	10,000	4,560,000
9/27/2012	4,248,592	4/1/2032	1.19%	4,035,847	-	190,560	3,845,287
5/9/2013	3,350,000	5/1/2027	.650-2.1%	3,350,000	-	175,000	3,175,000
2/5/2014	7,375,000	8/1/2029	2.0-3.5%	-	7,375,000	-	7,375,000
				<u>\$ 96,255,847</u>	<u>\$ 7,375,000</u>	<u>\$ 11,575,560</u>	<u>\$ 92,055,287</u>

The District has entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Kentucky Legislature, for the purpose of assisting local school districts in meeting school construction needs, created the Commission. The table following sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

JESSAMINE COUNTY SCHOOL DISTRICT  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2014

**NOTE E – BONDED DEBT AND LEASE OBLIGATIONS (continued)**

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to 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:

YEAR	LOCAL		KSFCC		TOTAL	TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2015	\$ 4,253,829	\$ 3,139,762	\$ 243,998	\$ 79,900	\$ 4,497,827	\$ 3,219,662
2016	4,380,362	3,013,947	249,760	73,945	4,630,122	3,087,892
2017	4,537,420	2,870,963	235,024	67,198	4,772,444	2,938,161
2018	4,688,885	2,718,607	240,909	60,930	4,929,794	2,779,537
2019	4,869,093	2,555,791	248,078	53,758	5,117,171	2,609,549
2020-2024	27,378,872	9,858,069	673,649	191,138	28,052,521	10,049,207
2025-2029	26,695,498	4,520,165	660,853	96,495	27,356,351	4,616,660
2030-2033	12,480,466	842,379	218,591	11,999	12,699,057	854,378
	<u>\$ 89,284,425</u>	<u>\$ 29,519,683</u>	<u>\$ 2,770,862</u>	<u>\$ 635,363</u>	<u>\$ 92,055,287</u>	<u>\$ 30,155,046</u>

Defeased Bonds

In 2014, the District defeased Series 2009 School Building Revenue Bonds by depositing the proceeds of new debt into an irrevocable trust with an escrow agent for future debt service payments on \$7,220,000 of the 2009 Series bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$135,311. This difference, reported in the accompanying statement of net position as a deferred outflow of resources, is being amortized to operations through 2029.

KSBIT

In the prior year, the Kentucky School Board Insurance Trust (KSBIT) notified the District that its self-insurance pools for worker’s compensation and liability insurance were underfunded. As a result, an assessment was required, under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members, to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On June 24, 2013, the KSBIT Board voted to submit a plan to the Kentucky Department of insurance using the novation option of funding. A novation transfers all existing KSBIT claims and risk to a highly rated reinsurer which will take over the future responsibility for all present and future claims. The District’s liability under the novation method was estimated to be \$144,956. The District has adjusted the estimated amount recorded in the prior year for the actual assessment of \$78,531 and has elected to pay the entire amount within sixty days of year end and is included in accounts payable.

JESSAMINE COUNTY SCHOOL DISTRICT  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2014

**NOTE E – BONDED DEBT AND LEASE OBLIGATIONS (continued)**

Capital Leases

The following is an analysis of the leased property under capital lease through KISTA:

<u>Kista Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>2013 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2014 Outstanding Balance</u>
01/01/04	\$ 740,568	3/1/2014	1-3.5%	\$ 69,203	\$ -	\$ 69,203	\$ -
01/01/05	1,508,442	3/1/2015	3-3.625%	283,923	-	139,582	144,341
01/01/06	665,647	3/1/2016	3.3-4%	199,005	-	72,491	126,514
09/01/06	744,968	3/1/2017	3.5-3.875%	310,065	-	79,995	230,070
01/01/09	\$ 1,618,447	3/1/2019	2-3.9%	966,531	-	158,203	808,328
Totals				<u>\$ 1,828,727</u>	<u>\$ -</u>	<u>\$ 519,474</u>	<u>\$ 1,309,253</u>

The following is a schedule by years of the future minimum lease payments under KISTA capital lease together with the present value of the net minimum lease payments as of June 30, 2014:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2015	\$ 453,084	\$ 47,104	\$ 500,188
2016	\$ 304,957	\$ 31,326	\$ 336,283
2017	\$ 248,537	\$ 20,486	\$ 269,023
2018	\$ 148,651	\$ 11,507	\$ 160,158
2019	\$ 154,024	\$ 6,007	\$ 160,031
	<u>\$ 1,309,253</u>	<u>\$ 116,430</u>	<u>\$ 1,425,683</u>

Total minimum lease payments	\$ 1,425,683
Less: amount representing interest	<u>\$ (116,430)</u>
Present value of net minimum lease payments	<u>\$ 1,309,253</u>

**JESSAMINE COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2014

**NOTE E – BONDED DEBT AND LEASE OBLIGATIONS (continued)**

The following is a summary of the activity during FY 2014 of leased copiers/office equipment that are classified as capital leases.

Ref	<u>Installation Date</u>	<u>Original Amount</u>	<u>Expiration Dates</u>	<u>Interest Rates</u>	<u>2013 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2014 Outstanding Balance</u>
1	6/29/2010	43,312	3/1/2015	6.12%	\$ 18,924	\$ -	\$ 9,173	\$ 9,751
2	8/5/2010	7,304	3/1/2016	6.12%	3,191	-	1,547	1,644
3	8/18/2010	5,767	3/1/2017	6.12%	2,520	-	1,222	1,298
4	09/07/2011	8,648	9/6/2014	6.74%	3,572	-	3,044	528
5	06/15/2010	42,673	6/14/2015	6.74%	18,071	-	9,138	8,933
6	06/15/2010	8,640	6/14/2015	6.74%	3,659	-	1,850	1,809
7	06/15/2010	5,682	6/14/2015	6.74%	2,406	-	1,217	1,189
<b>Totals</b>					<b>\$ 52,343</b>	<b>\$ -</b>	<b>\$ 27,191</b>	<b>\$ 25,152</b>

The following is a schedule by years of the future minimum lease payments under equipment capital leases together with the present value of the net minimum lease payments as of June 30, 2014:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2015	25,152	835	25,987
	<u>\$ 25,152</u>	<u>\$ 835</u>	<u>\$ 25,987</u>

Total minimum lease payments	\$ 25,987
Less: amount representing interest	\$ (835)
Present value of net minimum lease payments	<u>\$ 25,152</u>

JESSAMINE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

**NOTE F– RETIREMENT PLANS**

Kentucky Teachers' Retirement System

Plan Description – The Jessamine County 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).

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, Kentucky 40601 or from the KTRS web site at <http://ktrs.ky.gov/>.

*Funding policy* – Contribution rates are established by KRS. Members before July 1, 2008 are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members before July 1, 2008 and 14.105% of salaries for members after July 1, 2008. The federal program for any salaries paid by that program pays the matching contribution of 14.105%.

**Medical Insurance Plan**

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

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

*Funding policy* – In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Member contributions are 2.25% of salary. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.5% of members' salary for the 2013-2014 fiscal year.

**JESSAMINE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS**

For the year ended June 30, 2014

**NOTE F– RETIREMENT PLANS (continued)**

The Jessamine County School System’s total payroll for the year was \$44,115,563. The payroll for employees covered under KTRS was \$32,732,645. For the year ended June 30, 2014, the Commonwealth contributed \$4,041,748 to KTRS for the benefit of our participating employees. The School district’s contributions to KTRS for the year ending June 30, 2014 were \$355,735, which represents those employees covered by federal programs.

The District’s required contributions (both withholding and match) for pension obligations to KTRS for the fiscal years ended 2014, 2013 and 2012 were \$4,526,233, \$4,640,809 and \$4,668,899 respectively.

County Employees Retirement System

Employees who work an average of 100 hours per month participate in the County Employees Retirement System of Kentucky (CERS), a cost sharing, multiple-employer public employee’s retirement system created by and operating under Kentucky Law.

The County Employees Retirement System covers substantially all regular non-certified full-time employees of the school District. 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 County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, and Frankfort, Kentucky, 40601.

For participating employees who established an account prior to July 1, 2008, they contribute 5% of the creditable compensation. For employees hired after July 1, 2008, they contribute 6% of the creditable compensation. Employer contribution rates are intended to fund the normal cost on a current basis plus one percent (1%) of un-funded past service costs per annum plus interest at the actuarial assumed rate. The Board of Trustees of the Kentucky Retirement Systems determines such contribution rates each biennium. The current District contribution rate for employees is 18.89%. The District contributed \$1,981,222 of the employee’s compensation during the fiscal year ended June 30, 2014.

The District’s required contributions (both withholding and match) for pension obligations to CERS for the fiscal years ended 2014, 2013, 2012 and were \$2,526,366, \$2,509,531, and \$2,360,718 respectively.

**NOTE G – COMMITMENTS**

The District has the following commitments:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$ 338,941	Sick Leave Payable
General	1,018,420	Bus Purchases
Construction	13,064,442	Future Construction
	<u>\$ 14,421,803</u>	

JESSAMINE COUNTY SCHOOL DISTRICT  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended June 30, 2014

**NOTE G – COMMITMENTS (continued)**

Commitments under operating lease agreements for office equipment provide the minimum future rental payments as of June 30, 2014 as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 17,290
2016	11,338
2017	3,669
2018	328
2019	-
	<u>\$ 32,625</u>

**NOTE H - CONTINGENCIES**

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

**NOTE I - LITIGATION**

The District is subject to various other legal actions in various stages of litigation, the outcome of which has not been quantified and not shown as a liability in the financial statements. The attorneys for the Board are under the presumption that insurance will cover any loss from such litigation.

**NOTE J – 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, illegal acts 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 include Workers' Compensation insurance.

**NOTE K – RISK MANAGEMENT**

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

**JESSAMINE COUNTY SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS**

For the year ended June 30, 2014

**NOTE K – RISK MANAGEMENT (continued)**

The District purchases unemployment insurance through the Kentucky School Districts 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 coverage in any of the past three fiscal years.

**NOTE L – DEFICIT OPERATING BALANCES**

The following funds had an operating deficit at the end of the fiscal year causing a reduction in balance.

<u>Fund</u>	<u>Reduction in Fund Balance/Net Position</u>
General	(\$199,971)
Food Service	(\$132,352)
FSPK	(\$500,878)
Construction	(\$6,011,224)

**NOTE M - 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 N – ON-BEHALF PAYMENTS**

The financial statements include payments made by the State of Kentucky on – behalf of the Jessamine County School District for teacher’s retirement, health insurance, life insurance, administrative fees, technology, bonded debt, and state operated vocational schools where applicable. The amounts were recorded within the General and School Food Services Funds. The amounts recorded for both revenues and expenditures (expenses) are \$12,000,906 for the General Fund, \$240,178 for the School Food Service Fund and \$352,266 for the Debt Service Fund.

**NOTE O – RESTRICTED FUND BALANCES**

The following funds had restricted fund balances.

Construction	\$ 3,902,424
Food Service	\$ 1,504,626
Capital Outlay	\$ 230,184
FSPK	\$ 179,215

**JESSAMINE COUNTY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2014

**NOTE P – TRANSFER OF FUNDS**

The following transfers were made during the year.

<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Special Revenue Fund	KETS	\$ 144,000
Capital Outlay Fund	General Fund	Operating expenses	\$ 118,714
FSPK Fund	Debt Service Fund	Debt Service	\$ 6,910,413
General Fund	Debt Service Fund	Debt service	\$ 224,930
Capital Outlay Fund	Debt Service Fund	Debt Service	\$ 289,492
General Fund	Day Care Fund	Operating expenses	\$ 14,657
Capital Outlay Fund	Construction Fund	Construction	\$ 60,120
Building Fund	Construction Fund	Construction	\$ 680,093

**NOTE Q – PRIOR PERIOD ADJUSTMENT**

The previous year's net position was understated by \$787,557 due to including bond discounts when applying GASB 65. The schedule below shows the restatement of net position due to this adjustment.

Net Position July 1, 2013	\$ 37,618,037
Prior Period Adjustment	<u>\$ 787,557</u>
Restated Net Position July 1, 2013	<u>\$ 38,405,594</u>

**NOTE R – SUBSEQUENT EVENTS**

The District has evaluated subsequent events through November 10, 2014, the date the financial statements were available to be issued.

Jessamine County School District  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
As of June 30, 2014

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 230,184	\$ 7,886	\$ 238,070
Prepaid expenses	-	171,329	171,329
<b>Total assets</b>	<u>230,184</u>	<u>179,215</u>	<u>409,399</u>
<b>FUND BALANCE</b>			
Restricted	230,184	179,215	409,399
<b>Total fund balance</b>	<u>\$ 230,184</u>	<u>\$ 179,215</u>	<u>\$ 409,399</u>

The accompanying notes are an integral part of the financial statements.

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

For the year ended June 30, 2014

	<b>Capital Outlay Fund</b>	<b>Building Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>Revenues</b>			
From local sources			
Earnings from investments	\$ 319	\$ 2,832	\$ 3,151
Property taxes	-	5,918,832	5,918,832
Intergovernmental-state	705,359	1,167,964	1,873,323
Total revenues	705,678	7,089,628	7,795,306
<b>Expenditures</b>			
Facilities	36,810	-	36,810
Total expenditures	36,810	-	36,810
<b>Excess (deficit) of revenues over expenditures</b>	668,868	7,089,628	7,758,496
<b>Other financing sources (uses)</b>			
Operating transfer (out)	(468,326)	(7,590,506)	(8,058,832)
Total other financing sources (uses)	(468,326)	(7,590,506)	(8,058,832)
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	200,542	(500,878)	(300,336)
<b>Fund balance, beginning</b>	29,642	680,093	709,735
<b>Fund balance, ending</b>	\$ 230,184	\$ 179,215	\$ 409,399

The accompanying notes are an integral part of the financial statements.

**JESSAMINE COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND FUND BALANCES  
SCHOOL ACTIVITY FUNDS  
For The Year Ended June 30, 2014**

	Cash Balances June 30, 2013	Receipts	Disbursements	Cash Balances June 30, 2014	Accounts Receivable June 30, 2014	Accounts Payable June 30, 2014	Fund Balances June 30, 2014
East Jessamine High School	\$ 140,888	\$ 265,319	\$ 289,186	\$ 117,021	\$ -	\$ 366	\$ 116,656
West Jessamnie High School	81,600	437,601	446,727	72,474	-	-	72,474
The Providence School	25,242	65,848	69,874	21,216	-	500	20,716
East Jessamine Middle School	31,392	130,208	132,392	29,209	300	624	28,885
West Jessamine Middle School	39,826	166,614	164,421	42,019	-	48	41,971
Brookside Elementary	29,733	54,507	61,434	22,806	46	-	22,852
Jessamine Early Learning Village	26,178	42,815	33,518	35,475	-	-	35,475
Jessamine Career and Tech. Center	30,755	99,412	96,584	33,582	-	-	33,582
Nicholasville Elementary	33,397	31,069	31,803	32,663	-	-	32,663
Red Oak	-	48,979	39,410	9,569	-	-	9,569
Rosenwald Dunbar Elementary	39,583	53,664	55,697	37,550	500	-	38,050
Warner Elementary	23,881	30,981	32,859	22,003	40	-	22,043
Wilmore Elementary School	36,048	45,641	43,732	37,956	-	-	37,956
	<u>\$ 538,522</u>	<u>\$ 1,472,657</u>	<u>\$ 1,497,636</u>	<u>\$ 513,543</u>	<u>\$ 886</u>	<u>\$ 1,537</u>	<u>\$ 512,892</u>

**JESSAMINE COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES  
EAST JESSAMINE HIGH SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

ACCOUNTS:	Cash Balances June 30, 2013	Receipts	Disbursements	Cash Balances June 30, 2014	Accounts Receivable June 30, 2014	Accounts Payable June 30, 2014	Fund Balances June 30, 2014
ART ACTIVITY	\$ 3,686	\$ 500	\$ 1,579	\$ 2,607	\$ -	\$ -	\$ 2,607
ATHLETICS	7,167	135,828	138,607	4,387	-	32	4,356
BAND	731	517	395	852	-	-	852
BETA	746	-	-	746	-	-	746
CLASS	228	-	-	228	-	-	228
CLUBS	10,258	7,163	11,454	5,967	-	248	5,719
COKE	15,468	1,411	1,645	15,233	-	-	15,233
DEPARTMENTS	21,290	34,071	32,990	22,371	-	86	22,285
DONALDSON	8,171	9,784	8,000	9,955	-	-	9,955
EJHS SCHOLARSHIP	1,661	1,180	1,000	1,841	-	-	1,841
GENERAL	39,987	22,925	34,175	28,738	-	-	28,738
INCENTIVE ACCOUNT	552	-	-	552	-	-	552
LIBRARY	251	1,380	1,387	244	-	-	244
LOCKERS	11,684	12,287	15,539	8,432	-	-	8,432
PARKING	9,411	4,850	11,904	2,357	-	-	2,357
TEACHER	1,677	595	-	2,272	-	-	2,272
TEXTBOOK	2,780	22,263	20,859	4,184	-	-	4,184
VENDOR	3,312	353	-	3,665	-	-	3,665
YEARBOOK	1,827	10,213	9,652	2,388	-	-	2,388
SUBTOTALS	<u>\$ 140,888</u>	<u>\$ 265,319</u>	<u>\$ 289,186</u>	<u>\$ 117,021</u>	<u>\$ -</u>	<u>\$ 366</u>	<u>\$ 116,656</u>

**JESSAMINE COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES  
WEST JESSAMINE HIGH SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

ACCOUNTS:	Cash Balances June 30, 2013	Receipts	Disbursements	Cash Balances June 30, 2014	Accounts Receivable June 30, 2014	Accounts Payable June 30, 2014	Fund Balances June 30, 2014
ACTIVITY CARD	\$ 575	\$ 10,380	\$ 10,690	\$ 265	\$ -	\$ -	\$ 265
ART	3,435	897	1,119	3,212	-	-	3,212
ATHLETICS	13,331	177,910	177,144	14,097	-	-	14,097
BAND	307	977	250	1,034	-	-	1,034
BETA	1,386	567	952	1,001	-	-	1,001
CHOIR CLASS	146	13,303	12,241	1,207	-	-	1,207
COLLEGE ALGEBRA	1,969	4,675	4,061	2,583	-	-	2,583
FITNESS	-	408	334	74	-	-	74
GENERAL	32,135	61,299	75,515	17,919	-	-	17,919
GRAPHICS	1,465	-	-	1,465	-	-	1,465
GUIDANCE	3,907	39,030	37,463	5,474	-	-	5,474
HOMECOMING	256	1,425	645	1,037	-	-	1,037
LIBRARY	543	1,464	262	1,746	-	-	1,746
MATH	1,031	951	1,388	594	-	-	594
MUSICAL	3,411	12,982	11,309	5,084	-	-	5,084
NATIONAL HONOR	1,148	2,399	1,848	1,699	-	-	1,699
POSTAGE	-	305	248	57	-	-	57
PROM	1,855	10,215	7,099	4,971	-	-	4,971
PSAT	203	1,245	1,054	394	-	-	394
SHOW CHOIR	551	12,248	12,565	234	-	-	234
SCIENCE	2,098	2,669	49	4,718	-	-	4,718
SENIOR CLASS TRIP	-	66,598	64,826	1,772	-	-	1,772
SPANISH	36	-	-	36	-	-	36
STUDENT SENATE	204	230	193	241	-	-	241
TEACHER VENDING	42	1,826	1,719	148	-	-	148
TECHNOLOGY	387	-	208	179	-	-	179
VENDING	307	1,800	1,174	933	-	-	933
Y - CLUB	-	3,027	2,727	300	-	-	300
YEARBOOK	10,872	8,771	19,644	-	-	-	-
TOTALS	<u>\$ 81,600</u>	<u>\$ 437,601</u>	<u>\$ 446,727</u>	<u>\$ 72,474</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,474</u>

**JESSAMINE COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES  
THE PROVIDENCE SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

<u>ACCOUNTS:</u>	Cash Balances June 30, 2013	Receipts	Disbursements	Cash Balances June 30, 2014	Accounts Receivable June 30, 2014	Accounts Payable June 30, 2014	Fund Balances June 30, 2014
ANGEL FUND	\$ 769	\$ 110	\$ 879	\$ -	\$ -	\$ -	\$ -
ARCHERY FUND	14,300	41,035	39,733	15,602	-	500	15,102
BOOKFAIR	900	-	-	900	-	-	900
EMPTY BOWLS	1,802	2,035	3,152	685	-	-	685
GENERAL FUND	1,169	9,463	8,908	1,724	-	-	1,724
GRADUATION	583	61	351	294	-	-	294
JESSAMINE PROUD PRODUCTS	984	10,331	10,566	749	-	-	749
LANDSCAPING	3,090	977	4,067	-	-	-	-
PROVIDENTIAL PARTNERS	102	-	102	-	-	-	-
SENIOR CLASS ACTIVITY FUND	333	-	-	333	-	-	333
STAFF ACTIVITY FUND	882	896	1,231	547	-	-	547
STUDENT WELFARE	200	940	858	282	-	-	282
UTILITIES INCENTIVE	26	-	26	-	-	-	-
YEARBOOK	101	-	-	101	-	-	101
TOTALS	<u>\$ 25,242</u>	<u>65,848</u>	<u>\$ 69,874</u>	<u>\$ 21,216</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 20,716</u>

JESSAMINE COUNTY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDS Number	Pass Through Grant Number	Federal Expenditures
<b><u>U.S. Department of Education</u></b>			
Passed Through Kentucky State Department of Education:			
Special Education Cluster (IDEA)-Cluster			
Special Education Grants to States	84.027	3810002-12	\$481,494
Special Education Grants to States	84.027	3810002-13	1,049,874
UK Vision Impairment Remedialton	84.027	3363V	826
UK Vision Impairment Remedialton	84.027	3364V	65,959
Special Education_Preschool Grants	84.173	3800002-12	14,902
Special Education Preschool Grants	84.173	3800002-13	<u>36,250</u>
Total Special Education Cluster (IDEA)- Cluster			1,649,305
Tech Prep	84.048	3633	11,026
Career and Technical Education -- Basic Grants	84.048	4621310-13	1,012
Career and Technical Education -- Basic Grants	84.048	4621332-13	37,426
Career and Technical Education -- Basic Grants	84.048	3710006-13	2,280
Career and Technical Education -- Basic Grants	84.048	3710002-13	<u>59,153</u>
Total Career and Technical Education			110,897
English Language Acquisition Grants	84.365	3300002-13	<u>31,458</u>
Total English Language Acquisition			31,458
Migrant Education State Grant Program	84.011	3110002-12	3,301
Migrant Education State Grant Program	84.011	3110002-13	<u>6,500</u>
Total Migrant Education			9,801
Adult Education - Basic Grants to States	84.002	3654	13,534
Adult Education - Basic Grants to States	84.002	3713	9,933
Adult Education - Basic Grants to States	84.002	3714	39,000
Adult Education - Basic Grants to States	84.002	3734	73,491
Adult Education - Basic Grants to States	84.002	3704	<u>14,546</u>
Total Adult Education			150,504
Elementray School Counseling	84.215	5323	41,600
Elementray School Counseling	84.215	5324	<u>392,963</u>
Total Elementray School Counseling			434,563
Teacher of the Year	84.367	4010T	486
Improving Teacher Quality State Grants	84.367	3230002-12	29,703
Improving Teacher Quality State Grants	84.367	3230002-13	<u>242,498</u>
Total Improving Teacher Quality			272,687
Race to the Top	84.413	3960002-11	<u>22,339</u>
Total Race to the Top			22,339
Title 1 Grants to Local Education Agencies	84.010	3100202-11	50,392
Title 1 Grants to Local Education Agencies	84.010	3100002-11	21,631
Title I Grants to Local Educational Agencies	84.010	3100002-12	497,757
Title I Grants to Local Educational Agencies	84.010	3100002-13	<u>1,280,728</u>
Total Title I			<u>1,850,508</u>
Total U.S. Department of Education			<u>4,532,062</u>
<b><u>Department of Health and Human Services</u></b>			
Coordinated School Health	93.945	4423	<u>4,787</u>
Total Coordinated School Health Program			<u>4,787</u>
Total Department of Health and Human Services			<u>4,787</u>

JESSAMINE COUNTY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2014

**United States Department of Agriculture**

Passed Through Kentucky State Department of Education:

<b><i>Child Nutrition Cluster</i></b>			
School Breakfast Program	10.553	7760005-13	110,043
School Breakfast Program	10.553	7760005-14	464,289
National School Lunch Program	10.555	7750002-13	351,460
National School Lunch Program	10.555	7750002-14	1,388,606
Summer Food Service Program for Children	10.559	7690024-13	1,433
Summer Food Service Program for Children	10.559	7740023-13	30,449
Total Cash Assistance			2,346,280
Non-Cash Assistance			
National School Lunch Program	10.555	4002486	266,345
Total U.S. Department of Agriculture			2,612,625
<b><i>Total Expenditures of Federal Awards</i></b>			\$7,149,474

**JESSAMINE COUNTY SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended June 30, 2014

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Jessamine County School District and is presented on the accrual basis of accounting. The information on 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 B- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB A-87, Cost Principles for State and Local Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**NOTE C – FOOD DISTRIBUTION**

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. For the year, the District received food commodities totaling \$266,345.

**SUMMERS, MCCRARY & SPARKS, P.S.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS:

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PRIVATE COMPANIES  
PRACTICE SECTION OF THE AMERICAN INSTITUTE  
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1961-1992

**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***

To the Jessamine County Board of Education and  
State Committee for School District Audits  
Nicholasville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits, as defined in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Jessamine County School District (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 and have issued our report thereon dated November 10, 2014.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters 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 2014-001. This finding is a noncompliance of specific state statutes or regulations identified in *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements.

We noted certain matters that we reported to management of the District in a separate letter dated November 10, 2014.

### **Jessamine County School District's Response to Findings**

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

### **Purpose of this Report**

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

*Summers, McCrary & Sparks, PSC*

Summers, McCrary & Sparks, PSC  
Lexington, Kentucky  
November 10, 2014

**SUMMERS, MCCRARY & SPARKS, P.S.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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\_\_\_\_\_  
LAURENCE T. SUMMERS  
1961-1992

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

To the Jessamine County Board of Education and  
State Committee for School District Audits  
Nicholasville, Kentucky

**Report on Compliance for Each Major Federal Program**

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, the Jessamine County School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 2014-002. 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**

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

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

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

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.

*Summers, McCrary & Sparks, PSC*

Summers, McCrary & Sparks, PSC  
Lexington, Kentucky  
November 10, 2014



JESSAMINE COUNTY SCHOOL DISTRICT  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
FOR THE YEAR ENDED JUNE 30, 2014

**Section II – Financial Statement Findings**

State Audit Requirements

2014-001 Condition: The District maintained insufficient insurance coverage on one of its elementary schools.

Criteria: The District is required to maintain minimum insurance coverage of \$214.50 per square foot for an elementary school.

Effect: Noncompliance with KAR and increased risk of potential loss of assets.

Cause: After construction of the school was completed the District did not raise the insurance to the required level.

Recommendation: The District should increase the amount of insurance to the required level.

Response: The insurance agent has verified to the Finance Office that the coverage has been increased to \$16,090,828 for FY2015, which is the current state insurance requirement for an elementary school of 73,240 square feet.

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

2014-002 Condition: The District did not request a waiver to carryover more than 15% of a prior year grant to the next year.

Criteria: Title 1 requires that at 85% of a grant be expended within 15 months of the award. If the grant expenditures are less than 85% then the District may request a waiver for KDE to carryover to the following year.

Effect: Noncompliance with the Title 1 Period of Availability Provisions.

Cause: The Title 1 Director was new to the position and missed the deadline to file the waiver with KDE.

Recommendation: The Title I Director should authorize expenditure from the oldest award first, and should delay spending from any new award. The Title I Director should monitor the level of spending, especially as September 30<sup>th</sup> approaches, to at least 85% of each award within 15 months of the award period start date, and he may determine it is necessary to request a waiver from the Kentucky Department of Education.

Response: The Office of Teaching and Learning will spend older award first, monitor spending to meet the 85% expended rule within 15 months of the beginning of the award period, and request a waiver from KDE, if and when necessary.

JESSAMINE COUNTY SCHOOL DISTRICT  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
FOR THE YEAR ENDED JUNE 30, 2014

There were no prior period findings.

**SUMMERS, MCCRARY & SPARKS, P.S.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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1961-1992

Members of the Board of Education  
Jessamine County School District  
Nicholasville, Kentucky

In planning and performing our audit of the financial statements of the Jessamine County School District for the year ended June 30, 2014, we considered the District's internal controls in order 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 10, 2014. This letter does not affect our report dated November 10, 2014, on the financial statements of the Jessamine County School District. The conditions observed are as follows:

*Summers, McCrary & Sparks, PSC*

Summers, McCrary & Sparks, PSC  
Lexington, Kentucky  
November 10, 2014

JESSAMINE COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

**SCHOOL ACTIVITY FUNDS**

**East Jessamine High School**

Comment: During our review of transfers, we noted multiple Transfer Forms (F-SA-10) which did not provide an explanation regarding the purpose of the transfer. We recommend the Bookkeeper review the Transfer Form (F-SA-10) of the “Redbook”, to ensure they are familiar with all items that need to be reported on the form.

Response: Principal and bookkeeper reviewed the F-SA-10 transfer form procedure; bookkeeper will add purpose of transfer to the form.

Comment: During our review of ticket sales, we noted multiple instances where the ticket sale form (F-SA-1) was not completed correctly. The beginning and ending ticket numbers listed did not reconcile to the total number of tickets sold. We recommend the Bookkeeper review the “Ticket Sales” procedures section, specifically item no. 9, of the “Redbook”. The Bookkeeper should also review the Requisition and Report of Tickets Sales (Form F-SA-1) to ensure they are familiar with all items that need to be reported on the form.

Response: Principal, bookkeeper, and athletic director reviewed procedure for ticket sales form (F-SA-1) so that form is filled out correctly when bookkeeper receives it.

Comment: During our review of cash receipts, we found multiple instances where money was not being turned in timely to the Bookkeeper. We recommend the Principal review the “Receipts” section, item no. 1, of the “Redbook”, which states all money collected by a teacher or sponsor should be given to the school treasurer on the day collected, and convey this point to the teachers in the school.

Response: We have consistently emphasized to teachers that money be turned in to the bookkeeper in a timely fashion. This responsibility is part of their professional responsibilities and non-compliance will be reflected on their yearly evaluations.

The principal tells teachers money must be turned in to the bookkeeper in a timely fashion. Also, emails have been sent out and this will be expressed in the schools weekly P/review newsletter.

Comment: During our review of the school activity support organizations, we found no budgets on file. Per the Bookkeeper, budgets had been misplaced during the year. We recommend the Principal review the “External Support/Booster Organizations” section of the “Redbook”, which states that each external support/booster organization must submit a budget to the Principal within the first thirty days of the school year or within thirty days of the first transaction of the group.

JESSAMINE COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

Response: Booster organizations are reminded they need to turn in two budgets; a summary at year's end, as well as a projection for the upcoming year. We continue to emphasize the necessity for boosters to get these in to the bookkeeper timely. The principal, athletic director, and bookkeeper all share this with booster clubs.

**West Jessamine High School**

Comment: During our review of the school activity support organizations, we found several instances where the budgets were not on file. We recommend the Principal review the "External Support/Booster Organizations" section of the "Redbook", which states that each external support/booster organization must submit a budget to the Principal within the first thirty days of the school year or within thirty days of the first transaction of the group.

Response: The Principal, with the assistance of the school Athletic Director, will ensure that all Booster organizations will submit all required paperwork on or before the required deadline. These files will be reviewed and filed accordingly each year.

**The Providence School**

Comment: During our review of ticket sales, we noted an instance where the ticket sale form (F-SA-1) was not completed correctly. Ticket seller ran out of tickets for an event and provided no reconciliation on form to account for the number of tickets sold. We recommend the Bookkeeper review the "Ticket Sales" procedures, specifically item no. 9, of the "Redbook". The Bookkeeper should also review the Requisition and Report of Tickets Sales (Form F-SA-1) to ensure they are familiar with all items that need to be reported on the form.

Response: This particular instance was discussed with the bookkeeper, she has reviewed all ticket sale procedures (specifically #9), as well as the Requisition and Report of Tickets Sales form. The Principal does not feel any further action is needed to insure this doesn't happen again.

**East Jessamine Middle School**

Comment: During our review of cash receipts, we found multiple instances where money was not being turned in timely to the Bookkeeper. We recommend the Principal review the "Receipts" section, item no. 1, of the "Redbook", which states all money collected by a teacher or sponsor should be given to the school treasurer on the day collected, and convey this point to the teachers in the school.

JESSAMINE COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

Response: (1) The following excerpt is taken from page 10 of the EJMS Faculty & Staff Handbook, 2014 – 15. All teachers and staff had a handbook review session with the principal and signed a document that they received a copy of the handbook.

**CASH & CHECK DEPOSITS**

- Any funds (cash or checks) collected must have a receipt signed by the payee and deposited daily with the bookkeeper.
- Teachers and staff MAY NOT keep collected funds (regardless of the amount) in their possession overnight. All funds MUST be deposited daily with the bookkeeper.

(2) The same statement will be placed in each “Monday Update” e-mail sent to faculty and staff by the principal each Monday morning.

(3) The school athletic director, extra-curricular events coordinator have been reminded, also, of this expectation.

(4) Teachers and staff who fail to follow this expectation will have this noted in their evaluation (Professional Responsibilities: 4b and 4f).

(5) I became principal of East Jessamine Middle School in January 2014 and only had the ability to correct this for half of the last school year. As you can see above, measures have and will be implemented to address this particular area.

**West Jessamine Middle School**

Comment: During our review of cash receipts, we found multiple instances where money was not being turned in timely to the Bookkeeper. We recommend the Principal review the “Receipts” section, item no. 1, of the “Redbook”, which states all money collected by a teacher or sponsor should be given to the school treasurer on the day collected, and convey this point to the teachers in the school.

Response: The Principal reviewed the “Receipts” section in the Redbook. Teachers and staff have been trained on this particular section in a faculty meeting and a reminder has been issued to all staff in an email from the Principal. The procedure for turning in money has also been included in the Teacher Handbook for the staff.

**Brookside Elementary School**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**Jessamine Career and Technology Center**

Comment: During our review of cash disbursements, we found multiple purchases that exceeded the approved amount on the purchase order. The Bookkeeper should review the “Purchasing” section of the “Redbook”, item no. 5, which states that the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated.

JESSAMINE COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

Response: Purchase orders are prepared by the teacher and approved by the principal. In the future, the bookkeeper will make sure the teacher and principal have signed and approved any amount over the original amount.

**Jessamine Early Learning Village**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**Nicholasville Elementary School**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**Red Oak Elementary School**

Comment: During our review of cash receipts, we found multiple instances where money was not being turned in timely to the Bookkeeper. We recommend the Principal review the "Receipts" section, item no. 1, of the "Redbook", which states all money collected by a teacher or sponsor should be given to the school treasurer on the day collected, and convey this point to the teachers in the school

Response: The Principal will explain to faculty and staff that money is not to be kept in a filing cabinet or desk drawer, but given to the Bookkeeper the day money is collected, regardless of the size of the deposit. Teachers will use the Multiple Receipt Form (F-SA-6) when collecting money and the Handling Cash Procedures in the *Redbook* shall be followed.

Comment: During our review of cash disbursements, we found one instance of a purchase order being completed after the purchases was made. We recommend the Bookkeeper review the "Purchasing" section, item no. 5, of the "Redbook", which states that the purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated.

Response: Purchase order protocols have been developed and are as follows: (1) All purchase requests/orders will be approved by the Principal before a purchase order is issued; (2) No reimbursements for purchases will be granted if they are not pre-approved.

**Rosenwald Dunbar Elementary School**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

JESSAMINE COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

**Warner Elementary School**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**Wilmore Elementary School**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

**East Jessamine High School**

- Previously, the auditors found that the multiple receipt forms and the money collected were not being turned in daily to the bookkeeper for timely deposit. Similar finding occurred in current year.

**Brookside Elementary School**

- Previously, the auditors found that the multiple receipt forms and the money collected were not being turned in daily to the bookkeeper for timely deposit. No similar finding occurred in current year.

**Jessamine Career and Technology Center**

- Previously, the auditors found that the fundraising worksheet (F-SA-2B) was not being utilized for all fundraising events that require one. No similar finding occurred in current year.
- Previously, the auditors found that the receipts were not being deposited timely. No similar finding in current year.

**JESSAMINE COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Jessamine Early Learning Village**

- Previously, the auditors found that the principal did not consistently date the bank statements after review. No similar finding occurred in current year.
- Previously, the auditors found that the monthly financial reports were not being submitted timely to the superintendent or finance officer at the close of each month. No similar finding occurred in current year.
- Previously, the auditors found that receipts were not written at the time monies were received by the school treasurer. No similar finding occurred in current year.
- Previously, the auditors found that receipts were not being given to the individual turning the monies in. No similar finding occurred in current year.
- Previously, the auditors found that the receipts were not being deposited timely. No similar finding occurred in current year.
- Previously, the auditors found that the deposit slips did not indicate that a second person was verifying the deposit. No similar finding occurred in current year.