

Henderson County School District

Independent Auditors' Report on Basic Financial Statements
and Supplementary Information
For the fiscal year ended June 30, 2014

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INDEPENDENT AUDITORS' REPORT

Members of the Board of Education
Henderson County School District
Henderson, Kentucky

Report on 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 Henderson County School District as of and for the year ended June 30, 2014, 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, maintenance, and implementation of internal control relevant to the fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditors' Contract*. Those standards require that we plan 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 auditors' 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 Henderson County School District as of June 30, 2014, and the respective changes in financial position and where applicable, cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information on pages 3 through 8 and pages 36 and 37 respectively, be presented to supplement the basic financial statements, and 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management regarding the methods preparation of the supplemental 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2014 on our consideration of the Henderson County School District's internal control over financial reporting and on our test 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* and should be considered in assessing the results of our audit.

A handwritten signature in cursive script that reads "Myriad Co Group, LLC".

Henderson, Kentucky
October 13, 2014

Henderson County Schools

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(270) 831-5000 Fax: (270) 831-5009

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HENDERSON COUNTY BOARD OF EDUCATION Henderson, Kentucky MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

As management of the Henderson County School District (District), we offer readers of the District's financial statements in this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage our readers to consider information presented here in conjunction with additional information located within the body of the audit report.

Financial Highlights:

- The beginning Governmental Fund balance for the District was \$20,708,938. The ending fund balance was \$16,072,455 which was a decrease of \$4,636,483.
- The District is in excellent financial condition as it has been able to withstand the financial pressures of a very tight state education budget over the past several years without impairing the educational programs or facilities maintenance requirements for the District.
- The District's current assets decreased by \$3,077,155 during the year, while current liabilities increased by \$1,758,745 resulting in a current ratio of 2.85, which is indicative of the District's solid financial position and operating efficiency.
- The District continues to make significant investments in the facilities of the district, as there were multiple roofing projects completed this year.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, 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 the readers with a broad overview of the District's finances, in a manner similar to a private sector business.

- The *Statement of Net Position* presents information on all of the District's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving.
- The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash transactions. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

HENDERSON COUNTY BOARD OF EDUCATION
Henderson, Kentucky
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Both of these district wide statements are divided into two District types of activities:

- *Government Activities*- The government wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services. The fixed assets and related debt that are also supported by taxes and intergovernmental revenues are reported in this section.
- *Business-Type Activities*- These services are provided on a charge for goods and services basis to recover all of the expenses of the goods or services provided. The types of activities reported in this category are the food service operations, child care centers, and adult education courses. These activities are funded through fees charged and supported by federal grants and federal commodities used in the food service operations.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software system. The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary, and fiduciary funds.

- *Governmental Funds*- Most of the School District's activities are reported in the governmental funds that include: general fund, special revenue (grants), capital outlay, building fund (FSPK), construction fund, and debt service fund. These funds are reported using an accounting method referred to as modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The government fund statements provide a detailed short-term view of the School District's general government operations and basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds is reconciled in the financial statements provided.
- *Proprietary Funds*- The proprietary funds include the food service, child care centers, and adult education programs found in the business type activity funds. These funds utilize the same basis of accounting as business type activities, therefore, the statements for the proprietary fund will correspond to the statement of net assets.
- *Fiduciary Funds*- The fiduciary funds are trust funds established by benefactors to aid in student education, welfare, and teacher support. The District's fiduciary funds, referred to as "activity funds" are maintained at the school level.
- *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 financial statements. These notes may better explain data found in the financial statements, or provide additional information that is not found in the financial statements provided.

GOVERNMENT WIDE FINANCIAL ANALYSIS

The largest portion of the District's net position reflects its investment in capital assets (e.g. land and improvements, buildings and improvements, vehicles, furniture and equipment) less any related debt used to acquire those assets, which is outstanding at year end.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Net Financial Position For the Fiscal Year Ended June 30, 2014

	June 30, 2014	June 30, 2013	Change
Current assets	\$23,630,752	\$26,707,907	\$ (3,077,155)
Capital or non-current assets	35,362,335	37,840,907	(2,478,572)
Total Assets	\$58,993,087	\$64,548,814	\$ (5,555,727)
Current liabilities	\$8,284,090	\$6,525,345	\$1,758,745
Non-current liabilities	19,986,729	20,563,461	(576,732)
Total Liabilities	28,270,819	27,088,806	1,182,013
Investment in capital assets, net of related debt	14,452,335	15,870,523	(1,418,188)
Restricted	1,041,385	8,183,535	(6,495,127)
Unassigned	13,869,648	13,405,950	1,175,575
Total Net Financial Position	\$30,722,268	\$37,460,008	\$ (6,737,740)

The net total assets exceeded the total liabilities by \$30,722,268 which indicates that the District remains in sound financial condition.

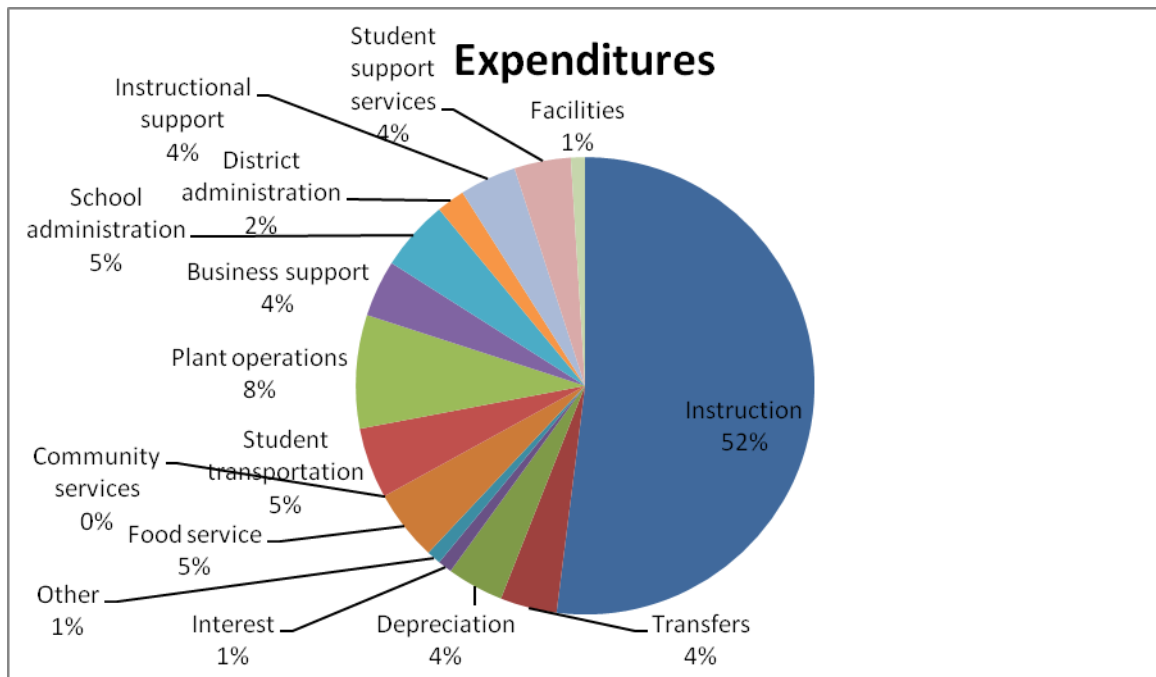
The current assets decreased by \$3 million during the fiscal year while the capital assets decreased by \$2.4 million. Total acquisitions of capital assets during the year were approximately \$.8 million, while depreciation of assets totaled \$3.2 million. This resulted in a net decrease in capital assets of \$2.4 million. The scheduled debt retirement payments and issuance resulted in a net decrease in long-term liabilities of \$.6 million. The District transferred in \$3.0 million less during the year. All of these factors resulted in a decrease in net position of \$6.2 million for the year ended June 30, 2014.

The District's total revenues were \$76,675,078 and the total expenditures were \$82,932,435 which resulted in a decrease in net position of \$6.2 million.

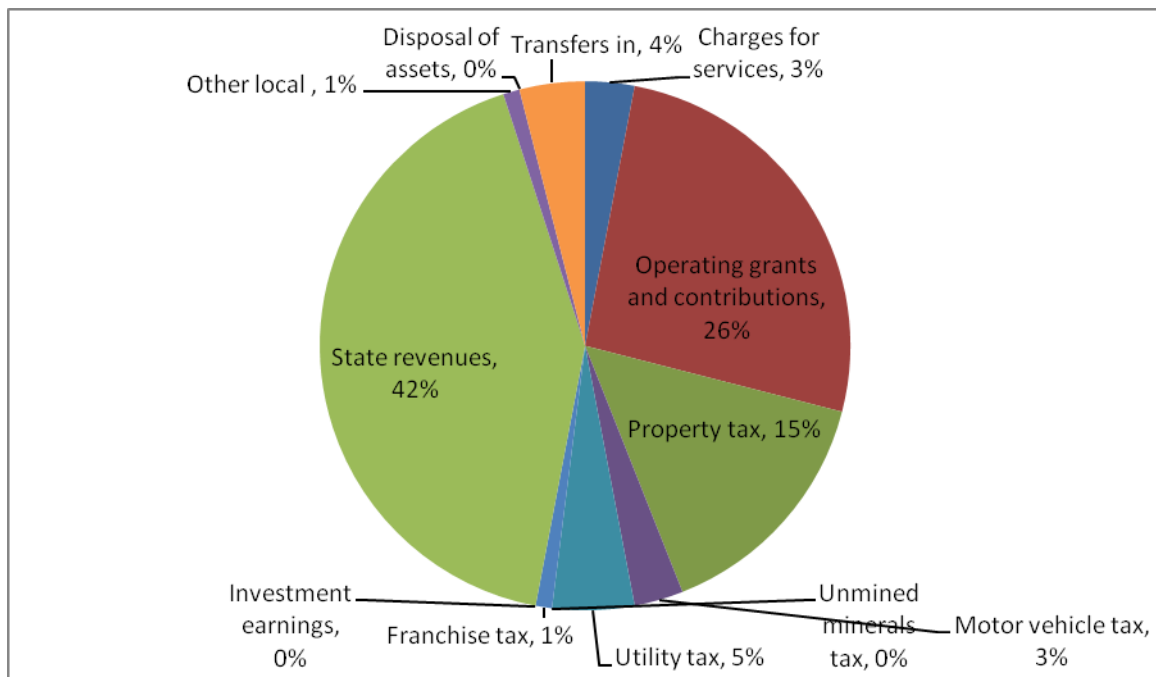
- State revenues accounted for 41.8% of the total revenues while local taxes accounted for 24%.
- Expenditures totaled \$82,932,435, with \$43,161,775 or 52% of total being expended towards student instruction.

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

Expenditures:



Revenues:



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

Governmental Fund Highlights

- The General Fund revenues for the year were \$57.1 million, with \$38.3 million coming from state revenues and the remaining \$18.8 million from local sources.
- Total General Fund Expenditures were \$62.8 million, with instruction costs being the largest area at \$38.5 million.
- The net deficit of revenues over expenditures was \$5.6 million resulting in a decrease in the fund balance of a like amount for the 2014 fiscal year.

The Special Revenue fund expenditures for the year were \$7.8 million. Two major sources of revenues for this fund were State Grants totaling \$2.8 million and Federal Grants totaling \$4.8 million.

The Other Governmental Funds also included debt services payments of \$2.6 million.

Total ending fund balances as for June 30, 2014 were \$15.6 million in the General Fund and \$394,362 in the other governmental funds for a total of \$16.0 million.

Commentary on General Fund Budgetary Comparisons

- The actual revenues and expenditures both include \$12.2 million of on behalf payments that are not included in the original or final budgets. These represent payments for employee benefits paid at the state level on behalf of the Henderson County School District. The following comments below are net of these on-behalf payments.
- Total revenues in relation to budgeted amounts were \$.2 million favorable. The major revenue line items exceeding amounts budgeted were property taxes from all sources.
- Total expenditures were \$63.0 million, with expenditures in relation to budgeted amounts being \$6.8 million favorable. The budget included a contingency of \$6.7 million with no expenditures and the actual included \$12.2 million of on behalf payments with no corresponding budget.

Future Budgetary Considerations

In Kentucky, the public schools operate on a July 1, to June 30th fiscal year, other programs such as some federal programs, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have at least a 2% contingency. The district adopted a budget for fiscal year 2014, with a 10.77% contingency. However, current economic conditions are of concern. The local budget contingency includes reserved funds for state economic shortfalls which will be used, if necessary, to protect the current level of direct classroom instruction. The District intends to take a conservative approach to expenditures as it has in the previous years.

District Challenges for the Future

As with the current year, transportation costs for students is a significant financial concern now and in the future. State provided funds are being reduced while most components are increasing. The cost of diesel fuel has varied widely over the past four years and continues to be of concern in the future. The costs of bus purchases will continue to increase due to changes in EPA requirements and the need to continue to replace an aging fleet. The District has made significant changes in bus routes to minimize annual transportation expenses.

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

The Commonwealth of Kentucky's financial condition, due to a stagnant economy, will have a significant impact on the availability of funds allocated to public education. The school districts have already experienced reductions in funding and allocation of some expenses that were traditionally paid by the state. Since a large percentage of the District's funding is provided by the State sources, the financial outlook for public schools is dependent upon the State's financial condition and budgetary funds. The outlook for the future years is a major concern for the Board and management.

The District's tests scores as with the previous year are on the rise. Several new programs have been initiated in the past few years that will continue to impact test scores in a positive manner in the future. However, many of the programs, such as full day kindergarten, expanded pre-school programs, curriculum specialists, and enrichment teams are not funded by the State budget. The District will again be challenged to continue to find the resources to fund these important educational programs.

Technology has been and will continue to be a major focus as we continue towards a wireless infrastructure and the need to keep pace with an ever changing technological society.

Report Purpose and Contact Information

This financial report is designed to provide our citizens, taxpayers, and investors and creditors, with a general overview of the Henderson County School District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, these inquiries should be directed to:

Walt Spencer, Assistant Superintendent of Finance
Henderson County Schools
1805 Second Street
Henderson, Kentucky 42420
Telephone: 270.831.5000 or Electronic Mail: Walt.Spencer@henderson.kyschools.us

Henderson County School District
Government Wide Financial Statements - Statement of Net Position
As of June 30, 2014

	Governmental Activities	Business Type Activities	Total
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalents	\$ 19,367,697	\$ 1,316,834	\$ 20,684,531
Inventory	-	147,812	147,812
Accounts receivable:			
Taxes - current	205,456	-	205,456
Accounts receivable	406,168	51,566	457,734
Intergovernmental - Indirect	2,013,529	-	2,013,529
Prepaid expenses	121,690	-	121,690
Total Current Assets	22,114,540	1,516,212	23,630,752
Noncurrent Assets:			
Capital assets, net	35,175,138	187,197	35,362,335
Total Noncurrent Assets	35,175,138	187,197	35,362,335
Total Assets	\$ 57,289,678	\$ 1,703,409	\$ 58,993,087
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	\$ 1,924,161	\$ 66,310	\$ 1,990,471
Accrued payroll and related expenses	1,625,542	91,002	1,716,544
Unearned revenue	2,492,382	-	2,492,382
Current portion of bond obligations	1,795,000	-	1,795,000
Current portion of accrued sick leave	164,234	-	164,234
Interest payable	125,459	-	125,459
Total Current Liabilities	8,126,778	157,312	8,284,090
Noncurrent Liabilities:			
Noncurrent portion of bond obligations	19,115,000	-	19,115,000
Noncurrent portion of accrued sick leave	871,729	-	871,729
Total Noncurrent Liabilities	19,986,729	-	19,986,729
Total Liabilities	\$ 28,113,507	\$ 157,312	\$ 28,270,819
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	\$ 14,265,138	\$ 187,197	\$ 14,452,335
Restricted	1,041,385		1,041,385
Unrestricted	13,869,648	1,358,900	15,228,548
Total Net Position	\$ 29,176,171	\$ 1,546,097	\$ 30,722,268

The accompanying notes are an integral part of these financial statements

Henderson County School District
Government Wide Financial Statements - Statement of Activities
For the fiscal year ended June 30, 2014

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities:							
Instruction	\$ 43,161,775	\$ 127,849	\$ 13,734,242	\$ -	\$ (29,299,684)	\$ -	\$ (29,299,684)
Support services:							
Student	3,420,138	-	-	-	(3,420,138)	-	(3,420,138)
Instruction staff	3,393,487	-	319,283	-	(3,074,204)	-	(3,074,204)
District administrative	1,354,971	-	72,871	-	(1,282,100)	-	(1,282,100)
School administrative	3,793,957	-	752,611	-	(3,041,346)	-	(3,041,346)
Business	2,840,906	-	195,961	-	(2,644,945)	-	(2,644,945)
Plant operation and maintenance	6,660,247	-	380,934	-	(6,279,313)	-	(6,279,313)
Student transportation	4,260,972	-	376,649	-	(3,884,323)	-	(3,884,323)
Facilities acquisition and construction	1,182,295	-	-	-	(1,182,295)	-	(1,182,295)
Community service activities	574,844	-	-	-	(574,844)	-	(574,844)
Interest on long-term debt	821,110	-	571,976	-	(249,134)	-	(249,134)
Depreciation	3,178,223	-	-	-	(3,178,223)	-	(3,178,223)
Transfers	2,676,670	-	-	-	(2,676,670)	-	(2,676,670)
Total Governmental Services	77,319,595	127,849	16,404,527	-	(60,787,219)	-	(60,787,219)
Business Type Activities:							
Food service	4,500,721	1,229,815	3,127,782	-	-	(143,124)	(143,124)
Other	909,997	779,464	115,213	-	-	(15,320)	(15,320)
Transfers	202,122	-	-	-	-	(202,122)	(202,122)
Total Business Activities	5,612,840	2,009,279	3,242,995	-	-	(360,566)	(360,566)
Total Primary Government	\$ 82,932,435	\$ 2,137,128	\$ 19,647,522	\$ -			\$ (61,147,785)
General Revenues:							
Taxes:							
Property tax					\$ 11,724,708	\$ -	\$ 11,724,708
Motor vehicle tax					2,051,258	-	2,051,258
Utility tax					3,554,668	-	3,554,668
Unmined minerals					474,405	-	474,405
Franchise Tax					756,625	-	756,625
Investment earnings					137,943	6,259	144,202
State and formula grants					32,126,339	-	32,126,339
Other local revenues					1,080,443	-	1,080,443
Disposal of assets					98,988	-	98,988
Transfers in					2,878,792	-	2,878,792
Total Revenues					54,884,169	6,259.00	54,890,428
Change in Net Position					(5,903,050)	(354,307)	(6,257,357)
Net Position - Beginning					35,559,605	1,900,404	37,460,009
Effect of Adoption of GASB No. 65					(480,384)	-	(480,384)
Net Position - Ending					\$ 29,176,171	\$ 1,546,097	\$ 30,722,268

The accompanying notes are an integral part of these financial statements

**Henderson County School District
Balance Sheet - Governmental Funds
As of June 30, 2014**

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
<u>ASSETS AND RESOURCES:</u>				
Cash and cash equivalents	\$ 17,994,045	\$ -	\$ 1,373,652	\$ 19,367,697
Accounts receivable:	-			
Taxes - current	205,456	-	-	205,456
Accounts receivable	406,168	-	-	406,168
Intergovernmental - State	-	2,013,529	-	2,013,529
Prepaid expenses	121,690	-	-	121,690
Total Assets and Resources	\$ 18,727,359	\$ 2,013,529	\$ 1,373,652	\$ 22,114,540
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 1,574,455	\$ 314,837	\$ 34,869	\$ 1,924,161
Accrued payroll and related expenses	1,474,811	150,731	-	1,625,542
Current portion of accumulated sick leave	-	-	-	-
Unearned revenue	-	2,492,382	-	2,492,382
Total Liabilities	3,049,266	2,957,950	34,869	6,042,085
<u>FUND BALANCES:</u>				
Nonspendable	121,690	-	-	121,690
Committed	871,729	-	-	871,729
Restricted	-	(297,398)	1,338,783	1,041,385
Assigned	6,421,100	-	-	6,421,100
Unassigned	8,263,574	(647,023)	-	7,616,551
Total Fund Balances	15,678,093	(944,421)	1,338,783	16,072,455
Total Liabilities and Fund Balances	\$ 18,727,359	\$ 2,013,529	\$ 1,373,652	\$ 22,114,540

The accompanying notes are an integral part of these financial statements

Henderson County School District
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
As of June 30, 2014

Total fund balance per fund financial statements	\$ 16,072,455
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	35,175,138
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) 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, as follows:	
Long-term debt	(20,910,000)
Long-term portion sick leave accrual	(1,035,963)
Accrued interest payable on long-term debt	<u>(125,459)</u>
Net position for governmental activities	<u><u>\$ 29,176,171</u></u>

The accompanying notes are an integral part of these financial statements

Henderson County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the fiscal year ended June 30, 2014

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
<u>REVENUES:</u>				
From local sources				
Taxes				
Property	\$ 10,280,653	\$ -	\$ 1,444,055	\$ 11,724,708
Motor vehicle and watercraft	2,051,258	-	-	2,051,258
Utilities	3,554,668	-	-	3,554,668
Unmined minerals	474,405	-	-	474,405
Franchise	756,625	-	-	756,625
Tuition and fees	127,849	-	-	127,849
Earnings on investments	133,277	-	4,666	137,943
Other local revenues	1,001,036	79,407	-	1,080,443
Intergovernmental - intermediate	139,470	-	-	139,470
Intergovernmental - state	38,344,213	2,865,741	2,119,113	43,329,067
Intergovernmental - indirect federal	-	4,658,608	-	4,658,608
Intergovernmental - direct federal	236,210	167,511	-	403,721
Total Revenues	57,099,664	7,771,267	3,567,834	68,438,765
<u>EXPENDITURES:</u>				
Instruction	38,561,959	5,931,472	-	44,493,431
Support services:				
Student	3,062,144	357,994	-	3,420,138
Instruction staff	2,597,877	795,610	-	3,393,487
District Administrative	1,112,349	242,622	-	1,354,971
School administrative	3,793,957	-	-	3,793,957
Business	2,840,906	-	-	2,840,906
Plant operation and maintenance	6,660,247	-	-	6,660,247
Student transportation	4,257,082	3,890	-	4,260,972
Facilities acquisition and construction	-	-	1,182,295	1,182,295
Community service activities	4,469	570,375	-	574,844
Debt service	-	-	2,601,110	2,601,110
Total Expenditures	62,890,990	7,901,963	3,783,405	74,576,358
Excess (Deficit) of Revenues Over Expenditures	(5,791,326)	(130,696)	(215,571)	(6,137,593)
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in	261,507	85,585	2,531,700	2,878,792
Operating transfers out	(180,188)	-	(2,496,482)	(2,676,670)
Proceeds from issuance of bonds	-	-	1,200,000	1,200,000
Disposal of Assets	98,988	-	-	98,988
Total Other Financing Sources	180,307	85,585	1,235,218	1,501,110
Deficit of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	(5,611,019)	(45,111)	1,019,647	(4,636,483)
Fund Balance, June 30, 2013	21,289,112	(899,310)	319,136	20,708,938
Fund Balance, June 30, 2014	\$ 15,678,093	\$ (944,421)	\$ 1,338,783	\$ 16,072,455

The accompanying notes are an integral part of these financial statements

Henderson 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 fiscal year ended June 30, 2014

Net change in total fund balances per fund financial statements	\$ (4,636,483)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of financial position and depreciated over their estimated economic lives. The difference is the amount by which depreciation plus loss on disposal of fixed assets expense exceeds capital outlays for the year.	(1,915,960)
Effect of the implementation of GASB 65. Adjustment relates to removal of bond issue costs previously reflected on the Statement of Net Position	(480,384)
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.	1,780,000
Bond issue proceeds, net of costs which are reported as other sources of funds in the fund financial statements, but is reflected as a liability in the statement of net position.	(1,200,000)
Generally, expenditures recognized in this fund statement are limited to only those that use current resources, but expenses are recognized in the statement of activities when incurred.	<u>69,393</u>
Change in net position of governmental activities	<u><u>\$ (6,383,434)</u></u>

The accompanying notes are an integral part of these financial statements

Henderson County School District
Statement of Net Position - Proprietary Funds
As of June 30, 2014

	Food Service Fund	Child Care Fund	Adult Education Fund	Total
<u>ASSETS</u>				
Current Assets:				
Cash and cash equivalents	\$ 970,015	\$ 346,499	\$ 320	\$ 1,316,834
Inventory	147,812	-	-	147,812
Accounts receivable	51,566	-	-	51,566
Total Current Assets	1,169,393	346,499	320	1,516,212
Noncurrent Assets:				
Capital assets	1,408,606	47,516	-	1,456,122
Less: accumulated depreciation	(1,249,918)	(19,007)	-	(1,268,925)
Total Noncurrent Assets	158,688	28,509	-	187,197
Total Assets	\$ 1,328,081	\$ 375,008	\$ 320	\$ 1,703,409
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts payable	\$ 62,671	\$ 3,639	\$ -	\$ 66,310
Accrued payroll and related expenses	31,267	59,735	-	91,002
Total Current Liabilities	93,938	63,374	-	157,312
<u>NET POSITION:</u>				
Invested in capital assets	158,688	28,509	-	187,197
Unrestricted	1,075,455	283,125	320	1,358,900
Total Net Position	\$ 1,234,143	311,634	320	\$ 1,546,097
Total Liabilities and Net Position	\$ 1,328,081	\$ 375,008	\$ 320	\$ 1,703,409

The accompanying notes are an integral part of these financial statements

Henderson County School District
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds
For the fiscal year ended June 30, 2014

	Food Service Fund	Child Care Fund	Adult Education Fund	Total
<u>OPERATING REVENUES:</u>				
Lunchroom sales	\$ 1,228,170	\$ -	\$ -	\$ 1,228,170
Other operating revenues	7,905	779,464	-	787,369
Total Operating Revenues	1,236,075	779,464	-	2,015,539
<u>OPERATING EXPENSES:</u>				
Salaries and wages	1,294,550	605,332	-	1,899,882
Materials and supplies	2,262,026	21,298	-	2,283,324
Depreciation	51,664	1,901	-	53,565
Other operating expenses	892,481	281,466	-	1,173,947
Total Operating Expenses	4,500,721	909,997	-	5,410,718
Operating Loss	(3,264,646)	(130,533)	-	(3,395,179)
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
Federal grants	2,559,316	-	-	2,559,316
Donated commodities	261,530	-	-	261,530
State grants	38,201	-	-	38,201
Other state	262,476	115,213	-	377,689
Interest income	6,259	-	-	6,259
Total Non-Operating Revenues	3,127,782	115,213	-	3,242,995
Net Income (Loss) Before Other Financing Sources	(136,864)	(15,320)	-	(152,184)
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers out	(202,122)	-	-	(202,122)
Total Other Financing Sources	(202,122)	-	-	(202,122)
Change in net position	(338,986)	(15,320)	-	(354,306)
Net position, June 30, 2013	1,573,129	326,954	320	1,900,403
Net position, June 30, 2014	\$ 1,234,143	\$ 311,634	\$ 320	\$ 1,546,097

The accompanying notes are an integral part of these financial statements

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

	Food Service Fund	Child Care Fund	Adult Education Fund	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash receipts from :				
Lunchroom sales	\$ 1,412,112	\$ -	\$ -	\$ 1,412,112
Other activities	7,905	779,467	-	787,372
Cash payments for:				
Employees	(1,295,321)	(619,724)	-	(1,915,045)
Supplies	(2,259,715)	(22,683)	-	(2,282,398)
Other operating expenses	(891,767)	(281,466)	-	(1,173,233)
Net Cash Provided By Operating Activities	(3,026,786)	(144,406)	-	\$ (3,171,192)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Purchases of capital assets	(6,851)	-	-	(6,851)
Net Cash Used By Capital And Related Financing Activities	(6,851)	-	-	(6,851)
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>				
Operating transfers out	(202,122)	-	-	(202,122)
Cash received for operating grants	3,121,523	115,213	-	3,236,736
Net Cash Provided By Non-Capital Financing Activities	2,919,401	115,213	-	3,034,614
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Receipt of interest income	6,259	-	-	6,259
Net Cash Provided By Investing Activities	6,259	-	-	6,259
Net Increase (Decrease) In Cash And Cash Equivalents	(107,977)	(29,193)	-	(137,170)
Cash and Cash Equivalents, June 30, 2013	1,077,992	375,692	320	1,454,004
Cash and Cash Equivalents, June 30, 2014	\$ 970,015	\$ 346,499	\$ 320	\$ 1,316,834

The accompanying notes are an integral part of these financial statements

Henderson County School District
Statement of Cash Flows - Proprietary Funds, Continued
For the fiscal year ended June 30, 2014

	<u>Food Service Fund</u>	<u>Child Care Fund</u>	<u>Adult Education Fund</u>	<u>Total</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED</u>				
<u>IN OPERATING ACTIVITIES:</u>				
Operating income (loss)	\$ (3,264,646)	\$ (130,533)	\$ -	\$ (3,395,179)
Loss on disposal of assets	714	-	-	714
<u>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH</u>				
<u>USED IN OPERATING ACTIVITIES:</u>				
Depreciation	51,664	1,901	-	53,565
Changes in operating assets and liabilities				
Inventory	(35,512)	-	-	(35,512)
Accounts receivable	183,942	3	-	183,945
Accounts payable	37,823	(1,385)	-	36,438
Accrued expenses	(771)	(14,392)	-	(15,163)
	<u>(771)</u>	<u>(14,392)</u>	<u>-</u>	<u>(15,163)</u>
Net Cash Provided (Used) In Operating Activities	<u>\$ (3,026,786)</u>	<u>\$ (144,406)</u>	<u>\$ -</u>	<u>\$ (3,171,192)</u>
<u>SCHEDULE OF NON-CASH FINANCING ACTIVITIES:</u>				
Donated commodities received from federal government	<u>\$ 261,530</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,530</u>

The accompanying notes are an integral part of these financial statements

Henderson County School District
Statement of Fiduciary Net Position – Fiduciary Funds
As of June 30, 2014

	Agency Fund
<u>ASSETS</u>	
Cash and cash equivalents	\$ 657,513
Accounts receivable	28,083
Total Assets	<u>\$ 685,596</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 11,614
Due to student groups	673,982
Net Liabilities	<u>685,596</u>
Net Position	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

Henderson County School District
Notes to the Basic Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Henderson 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 Henderson 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 members.

The District, for financial purposes, includes all the funds and account groups relevant to the operation of the Henderson County Board of Education. The financial statements presented herein do not include funds of groups or organizations, which although associated with the school system, have not originated with the Board itself such as band boosters, parent-teacher associations, etc.

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

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

Henderson County Board of Education Finance Corporation – In March, 1989, the Board of Education resolved to authorize the establishment of the Henderson County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of 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.

Henderson County School District
Notes to the Basic Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statement – 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. Non-major funds are aggregated and presented in a single column.

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) Government Fund Types

- A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as 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 which is reported separately. This is a major fund of the District.
- C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1) The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2) The Facility Support Program of Kentucky (KSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 - 3) The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

Henderson County School District
Notes to the Basic Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for, the payment of, general long-term debt principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II) Proprietary Fund Types (Enterprise Fund)

A) The Food Service Fund is used to account for school food service activities, including the National School Lunch Program which is conducted in cooperation with the U. S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contributions of commodities from the USDA.

B) The Day Care Center Fund is used to account for all day care centers.

C) The Community Education Fund is used for adult education.

D) The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III) Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

A) The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

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 transaction, 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 expenditures requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Henderson County School District
Notes to the Basic Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

The property tax rates assessed for the year ended June 30, 2014, to finance the General Fund operations were \$.529 per \$100 valuation for real property, \$.529 per \$100 valuation for business personal property and \$.529 per \$100 valuation for motor vehicles.

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

CAPITAL ASSETS

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

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

Henderson County School District
Notes to the Basic Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All 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>Depreciation</u>	<u>Governmental Activities</u> <u>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	7 Years
Rolling stock	15 Years
Other	10 Years

INTER-FUND BALANCES

On fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as “inter-fund 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, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid assured 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.

BUDGETARY PROCESS

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

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

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

Henderson County School District
Notes to the Basic Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy all amendments require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end dictated by law.

Each budget is prepared and controlled by the finance officer at the revenue and expenditure function/objective level. All budget appropriations lapse at year-end.

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

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

The Food Service Fund uses the specific identification method.

PREPAID ASSETS

Payments made that will benefit periods beyond June 30, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which the 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 judgments, 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 BALANCES

In accordance with Governmental Accounting Standards No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", the District classifies fund balances as follows:

Non-spendable- Includes fund balance amounts which are not in spendable form or because of legal or contractual requirements.

Restricted-Includes fund balance amounts that are constrained for a specific purpose which are externally imposed by providers, such as creditors, or due to constitutional provisions or enabling legislation.

Henderson County School District
Notes to the Basic Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Committed- Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the highest level of decision making authority.

Assigned- Includes fund balance amounts that are to be used for a specific purpose that are neither considered to be restricted or committed, but rather assigned by the Deputy Superintendent of Finance or the Superintendent.

Unassigned- Includes positive fund balances within the General Fund which has not been classified in any of the above mentioned categories and negative fund balances in other governmental funds.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations using restricted funds first, followed by committed funds, assigned funds, and then

STATEMENT OF NET POSITION

Net position represents the difference between assets and liabilities. The District classifies its net position into the following three categories:

- Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.
- Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

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.

INTER-FUND ACTIVITIES

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 inter-fund activities. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after non-operating 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.

USE OF ESTIMATES

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

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2014**

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

At year-end, the carrying amount of the District's cash and cash equivalents was \$21,342,044. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Investments held by the District at June 30, 2014, consisted of certificates of deposit with a maturity of more than 90 days.

Cash and cash equivalents consisted of the following as of June 30, 2014:

Financial Institution:

Independence Bank	\$ 20,684,531
Independence Bank-Activity Funds	<u>657,513</u>
Totals	<u><u>\$ 21,342,044</u></u>

Allocation per Financial Statements:

Governmental Funds	\$ 19,367,697
Business Type Funds	1,316,834
Agency Funds	<u>657,513</u>
Totals	<u><u>\$ 21,342,044</u></u>

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 or any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories of nationally recognized rating agencies and shares in mutual funds.

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

Credit risk: State law limits the types of investments in which the District may invest its funds. The District believes it is in compliance with the law in this matter and has no investment policy that would further limit its investment choices.

Concentration of credit risk: The District places no limit on the amount it may invest in any one investment.

Henderson County School District
Notes to the Basic Financial Statements
June 30, 2014

NOTE 3 – CAPITAL ASSETS

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

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<u>GOVERNMENTAL ACTIVITIES:</u>				
Land	\$ 989,487	\$ -	\$ -	\$ 989,487
Land improvements	3,409,668	-	(9,782)	3,399,886
Building and improvements	69,326,295	-	-	69,326,295
Technology	5,596,935	739,202	(894,273)	5,441,864
Machinery and equipment	9,755,773	511,044	(2,812,109)	7,454,708
General equipment	1,902,303	12,017	(10,536)	1,903,784
Construction in progress	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Totals at historical costs	90,980,461	1,262,263	(3,726,700)	88,516,024
	<hr/>	<hr/>	<hr/>	<hr/>
Land improvements	(2,462,340)	(93,434)	9,782	(2,545,992)
Building and improvements	(38,437,432)	(2,000,778)	-	(40,438,210)
Technology	(4,069,850)	(581,526)	861,378	(3,789,998)
Machinery and equipment	(7,294,164)	(440,175)	2,812,109	(4,922,230)
General equipment	(1,590,777)	(62,310)	8,631	(1,644,456)
	<hr/>	<hr/>	<hr/>	<hr/>
Less: accumulated depreciation	(53,854,563)	(3,178,223)	3,691,900	(53,340,886)
	<hr/>	<hr/>	<hr/>	<hr/>
Governmental activities, net	\$ 37,125,898	\$ (1,915,960)	\$ (34,800)	\$ 35,175,138
	<hr/>	<hr/>	<hr/>	<hr/>
<u>BUSINESS TYPE ACTIVITIES:</u>				
Buildings and improvements	\$ 47,516	\$ -	\$ -	\$ 47,516
Food service equipment	1,290,896	-	(1,331)	1,289,565
Technology equipment	133,421	6,851	(21,231)	119,041
	<hr/>	<hr/>	<hr/>	<hr/>
Totals at historical costs	1,471,833	6,851	(22,562)	1,456,122
	<hr/>	<hr/>	<hr/>	<hr/>
Buildings and improvements	(17,106)	(1,901)	-	(19,007)
Food service equipment	(1,125,093)	(36,149)	1,331	(1,159,911)
Technology equipment	(95,008)	(15,515)	20,516	(90,007)
	<hr/>	<hr/>	<hr/>	<hr/>
Less: accumulated depreciation	(1,237,208)	(53,565)	21,847	(1,268,925)
	<hr/>	<hr/>	<hr/>	<hr/>
Business type activities, net	\$ 234,625	\$ (46,714)	\$ (715)	\$ 187,197
	<hr/>	<hr/>	<hr/>	<hr/>

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

Henderson County School District
Notes to the Basic Financial Statements
June 30, 2014

NOTE 4 – BONDED DEBT AND LEASE OBLIGATIONS

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

Issue Date	Issue Name	Original Amount	Interest Rate	Maturity Date
2003	1993 Bend Gate Refinancing	\$2,225,000	1.80 -3.35%	2013
2005	1995 Refinancing East Heights	1,830,000	2.45 -3.73%	2015
1999B	Henderson County High - Phase I	4,335,000	5.00 -5.40%	2019
2007	1999 Refinancing	4,095,000	3.50 -3.75%	2019
2011	2011 School Bld. Refunding Bonds	3,609,600	1.00-3.00%	2021
2011	School Building Revenue Bonds, Series of 2011	1,810,000	1.00-5.00%	2021
2004	South Middle School	1,095,000	3.25 -5.00%	2024
2004	Henderson County High School, Tennis Courts School Building Refund Revenue Bonds Series	1,790,000	1.50 -4.40%	2024
2009	2009-North Middle School and South Middle School School Building Refund Revenue Bonds BAB Series	4,505,000	2.00- 3.60%	2024
2011	2010	8,380,000	1.00-6.00%	2030
2012	2004 Refinancing	2,260,000	.70%-2.0%	2024
2013	Henderson County School District Finance Corporation Revenue Bonds, Series 2013	1,200,000	.60%-4.00%	2033

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Henderson County Fiscal Court to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

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

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming they are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2014, for debt service (principal and interest) are as follows:

Henderson County School District
Notes to the Basic Financial Statements
June 30, 2014

NOTE 5 – LONG-TERM LIABILITIES

Maturities of Long-Term Debt are as follows for the year ended June 30, 2014:

Fiscal Year	Henderson County School District		Kentucky School Facility Construction Commission		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2014-15	\$ 1,387,374	\$ 663,651	\$ 407,626	\$ 125,779	\$ 1,795,000	\$ 789,430
2015-16	1,281,811	621,487	398,189	118,632	1,680,000	740,119
2016-17	1,318,756	582,618	406,244	110,578	1,725,000	693,196
2017-18	1,359,816	541,306	415,184	101,637	1,775,000	632,954
2018-19	1,403,284	493,341	356,716	91,648	1,760,000	574,941
2019-20	1,363,236	439,347	366,764	81,600	1,730,000	510,058
2020-21	912,347	397,924	377,653	70,711	1,290,000	457,118
2021-22	698,289	363,208	201,711	59,194	900,000	416,014
2022-23	721,900	334,292	208,100	52,806	930,000	380,296
2023-24	740,097	303,396	214,903	46,004	955,000	342,203
2024-25	669,091	270,608	90,909	38,807	760,000	304,346
2025-26	691,004	237,712	98,996	33,738	790,000	266,028
2026-27	714,608	203,076	100,392	28,316	815,000	225,534
2027-28	737,244	166,121	107,756	22,458	845,000	182,303
2028-29	769,463	126,930	110,537	16,182	880,000	136,350
2029-30	800,539	85,030	119,461	9,420	920,000	87,948
2030-31	822,732	40,601	97,268	2,918	920,000	40,601
2031-32	245,000	12,894			245,000	12,894
2032-33	95,000	5,900			95,000	5,900
2033	100,000	2,000			100,000	2,000
Totals	\$ 16,831,591	\$ 5,891,442	\$ 4,078,409	\$ 1,010,428	\$ 20,910,000	\$ 6,800,233

A summary of changes in long-term debt is as follows:

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
<u>Governmental Activities:</u>					
Long-term debt- School Building Revenue Bonds	\$ 21,490,000	1,200,000	(1,780,000)	\$ 20,910,000	\$ 1,795,000
<u>Compensated Absence:</u>					
Accrued Sick Leave	1,107,361	-	(71,398)	1,035,963	164,234
Total Long-Term Liabilities	\$ 22,597,361	\$ 1,200,000	\$ (1,851,398)	\$ 21,945,963	\$ 1,959,234

Henderson County School District
Notes to the Basic Financial Statements
June 30, 2014

NOTE 6 – ACCRUED SICK LEAVE

In accordance with generally accepted governmental accounting principles, the District has recorded accrued sick leave as a liability in the District-wide statement of net position since the majority of these liabilities are not expected to be liquidated with expendable available financial resources. Accrued sick leave, which has no maximum accumulation, is payable upon retirement at 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 District's past experience of making termination payments.

Compensated absences are generally liquidated by the General Fund.

NOTE 7-FUND BALANCES

The following is a summary of fund balances for the fiscal year ended June 30, 2014:

	General Fund	Special Revenue	Construction Fund	FSPK Fund	SEEK Capital Outlay Fund	Debt Service	Totals
<u>NON-SPENDABLE:</u>							
Prepaid expenses	\$ 121,690	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121,690
<u>COMMITTED:</u>							
Sick leave	871,729	-	-	-	-	-	871,729
<u>ASSIGNED:</u>							
State Revenue Shortfall	1,607,000	-	-	-	-	-	1,607,000
Future technology	429,000	-	-	-	-	-	429,000
Future bus purchases	643,000	-	-	-	-	-	643,000
Future HVAC repairs	643,000	-	-	-	-	-	643,000
Roof repairs	536,000	-	-	-	-	-	536,000
Preschool start up costs	1,072,000	-	-	-	-	-	1,072,000
Purchase obligations	1,491,100	-	-	-	-	-	1,491,100
Total Assigned	6,421,100	-	-	-	-	-	6,421,100
<u>RESTRICTED:</u>							
Special Programs	-	(297,398)	-	-	-	-	(297,398)
Debt Service	-	-	-	-	-	-	-
Construction	-	-	(4,734)	565,112	778,405	-	1,338,783
Total Restricted	-	(297,398)	(4,734)	565,112	778,405	-	1,041,385
Unassigned	8,263,574	(647,023)	-	-	-	-	7,616,551
Total Fund Balances	\$ 15,678,093	\$ (944,421)	\$ (4,734)	\$ 565,112	\$ 778,405	\$ -	\$ 16,072,455

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2014**

NOTE 8 – RETIREMENT PLANS

Certified employees are covered under the Kentucky Teachers Retirement System (“KTRS”). Funding for the Plan is provided through payroll withholding of 10.855% for employees hired after July 2008, and matching state contributions. The matching contributions are paid by the Federal programs for any salaries paid by that program. The board is required to match all non-federally funded employees at 1.00%.

Substantially all other employees (classified personnel) are covered under the County Employee’s Retirement System (“CERS”), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholding of 6% for employees hired after September 2008, and a Board contribution of 18.89% of the employee’s total compensation subject to contribution.

The Board’s total payroll for the year was \$44,137,802. The payroll for employees covered under KTRS was \$33,936,870 and for CERS was \$10,200,932.

The contribution requirement for CERS for the year ended June 30, 2014, was \$2,455,287 which consisted of \$1,926,889 from the Board and \$528,398 from the employees. Contributions for the years ended June 30, 2013, and June 30, 2012, were \$2,399,332 and \$1,907,384 respectively.

The contribution requirement for KTRS for the year ended June 30, 2014, was \$4,676,754 which consisted of \$824,613 from the Board and \$3,852,141 from the employees. Contributions for the years ended June 30, 2013 and June 30, 2012, were \$4,275,060 and \$3,749,728 respectively.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The “pension benefit obligation” is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions’ funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers.

Ten-year historical trend information showing KTRS’s and CERS’s progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2014, comprehensive annual financial reports.

As the District is only one of several employers participating in the Plan, it is not practicable to determine the District’s portion of the unfunded past service cost or the vested benefits of the District’s portion of the Plan assets.

The District also offers employees the option to participate in a defined contribution plan under Section 403(b), and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amounts allowable by law. The District does not contribute to these plans.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2014**

NOTE 9 – CONTINGENCIES

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

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

NOTE 10– RISK MANAGEMENT

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

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro-rata basis.

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

NOTE 11 – COBRA

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

Henderson County School District
Notes to the Basic Financial Statements
June 30, 2014

NOTE 12 – TRANSFER OF FUNDS

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

<u>From:</u>	<u>To:</u>	<u>Amount</u>
General Fund	Special Revenue	\$ 85,585
General Fund	Construction Fund	94,604
Child Nutrition	General Fund	202,122
Capital Outlay	Construction Fund	135,356
Building Fund	Debt Service Fund	2,025,003
Construction Fund	General Fund	59,384
Construction Fund	Capital Outlay	207,998
Construction Fund	Building Fund	68,740
		<u>\$ 2,878,792</u>

NOTE 13 – ON-BEHALF PAYMENTS

For the year ended June 30, 2014, total payments of \$12,219,506 were made for life insurance, health insurance, Kentucky Teachers Retirement System (“KTRS”) matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities and on the statement of revenues, expenditures and changes in fund balances. These revenues and expenditures are not budgeted by the District.

NOTE 14- RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS

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

For the fiscal year ended June 30, 2014, the District implemented GASB No. 65 *Items Previously Reported as Assets and Liabilities*. This standard requires that debt issuance cost be expensed as incurred and no longer deferred and amortized. As a result, the District's net position was reduced by \$480,384, as a result of the removal of these items from the statement of net position.

GASB No. 68, *Accounting and Financial Reporting For Pensions: An Amendment of GASB No. 27* improves accounting and financial reporting by state and local government for pensions. It also improves information provided by state and local government 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 of the District is currently evaluating the impact of the adoption of this statement on the District's financial statements.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2014**

NOTE 15 – LITIGATION

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

NOTE 16 – SUBSEQUENT EVENTS

In accordance with ASC 855, subsequent events were evaluated through October 13, 2014, the date these financial statements were issued. There were no subsequent events that required recognition or additional disclosure in these financial statements.

Henderson County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund
For the year ended June 30, 2014

	BUDGETED AMOUNTS			Variance with Final Budget
	Original	Final	Actual	
<u>REVENUES:</u>				
From local sources				
Taxes				
Property	\$ 10,905,970	\$ 10,905,970	\$ 10,280,653	\$ (625,317)
Motor vehicle and watercraft	1,820,636	1,820,636	2,051,258	230,622
Utilities	3,500,000	3,500,000	3,554,668	54,668
Unmined minerals	264,136	264,136	474,405	210,269
Franchise	475,000	475,000	756,625	281,625
Tuition and fees	86,165	86,165	127,849	41,684
Earnings on investments	110,000	110,000	133,277	23,277
Other local revenues	411,450	411,450	1,001,036	589,586
Intergovernmental - intermediate	76,700	76,700	139,470	62,770
Intergovernmental - state	37,224,940	37,224,940	38,344,213	1,119,273
Intergovernmental - direct federal	-	-	-	-
Intergovernmental - indirect federal	200,000	200,000	236,210	36,210
Total Revenues	55,074,997	55,074,997	57,099,664	2,024,667
<u>EXPENDITURES:</u>				
Instruction	39,283,762	39,283,762	38,561,959	721,803
Support services:				
Student	2,831,922	2,831,922	3,062,144	(230,222)
Instruction staff	2,219,173	2,219,173	2,597,877	(378,704)
District administrative	1,760,457	1,760,457	1,112,349	648,108
School administrative	3,742,610	3,742,610	3,793,957	(51,347)
Business	2,350,918	2,350,918	2,840,906	(489,988)
Plant operation & maintenance	6,212,537	6,212,537	6,660,247	(447,710)
Student transportation	4,394,601	4,394,601	4,257,082	137,519
Community services	3,588	3,588	-	3,588
Facilities acquisition and construction	125,000	125,000	-	125,000
Contingency	6,786,219	6,786,219	4,469	6,781,750
Total Expenditures	69,710,787	69,710,787	62,890,990	6,819,797
Deficit of Revenues Over Expenditures	(14,635,790)	(14,635,790)	(5,791,326)	8,844,464
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in	202,123	202,123	261,507	59,384
Operating transfers out	(251,642)	(251,642)	(180,188)	71,454
Fixed Asset Disposal	-	-	98,988	98,988
Total Other Financing Sources	(49,519)	(49,519)	180,307	229,826
Deficit of Revenues And Other Financing Sources Over Expenditures And Other Financing Uses	(14,685,309)	(14,685,309)	(5,611,019)	9,074,290
Fund balance, June 30, 2013	14,685,309	14,685,309	21,289,112	6,603,803
Fund balance, June 30, 2014	\$ -	\$ -	\$ 15,678,093	\$ 15,678,093

Henderson County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Special Revenue Fund
For the year ended June 30, 2014

	BUDGETED AMOUNTS			Variance with Final Budget
	Original	Final	Actual	
<u>REVENUES:</u>				
Other local revenues	\$ 42,908	\$ 42,908	\$ 79,407	\$ (36,499)
Intergovernmental- State	3,123,558	3,123,558	2,865,741	257,817
Intergovernmental- Indirect Federal	4,336,271	4,336,271	4,658,608	(322,337)
Intergovernmental-Direct Federal	-	-	167,511	(167,511)
Total Revenues	7,502,737	7,502,737	7,771,267	(268,530)
Instruction	5,917,409	5,917,409	5,931,472	(14,063)
Support Services:				
Student	430,007	430,007	357,994	72,013
Instruction Staff	775,934	775,934	795,610	(19,676)
School Administrative	55,477	55,477	242,622	(187,145)
Student Transportation	-	-	3,890	(3,890)
Community Service	606,538	606,538	570,375	36,163
Total Expenditures	7,785,365	7,785,365	7,901,963	(116,598)
Excess (Deficit) of Revenues Over Expenditures	(282,628)	(282,628)	(130,696)	(151,932)
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in	284,854	284,854	85,585	199,269
Operating transfers out	(2,226)	(2,226)	-	(2,226)
Total Other Financing Sources	282,628	282,628	85,585	197,043
Deficit of Revenues	-	-	(45,111)	45,111
Fund Balance (Deficit), June 30, 2013	-	-	(899,310)	899,310
Fund Balance (Deficit), June 30, 2014	\$ -	\$ -	\$ (944,421)	\$ 944,421

Henderson County School District
Combining Balance Sheet - Non-major Governmental Funds
As of June 30, 2014

	Construction Fund	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Non-Major Governmental Funds
<u>ASSETS AND RESOURCES:</u>					
Cash and cash equivalents	\$ 27,142	\$ 565,112	\$ 778,405	\$ 2,993	\$ 1,373,652
Accounts receivable					
Taxes - current	-	-	-	-	-
Taxes - delinquent	-	-	-	-	-
Total Assets and Resources	\$ 27,142	\$ 565,112	\$ 778,405	\$ 2,993	\$ 1,373,652
<u>LIABILITIES:</u>					
Accounts payable	\$ 31,876	\$ -	\$ -	\$ 2,993	\$ 34,869
Accrued payroll and related expenses	-	-	-	-	-
Current portion of accumulated sick leave	-	-	-	-	-
Deferred income	-	-	-	-	-
Total Liabilities	\$ 31,876	\$ -	\$ -	\$ 2,993	\$ 34,869
<u>FUND BALANCES:</u>					
Nonspendable	-	-	-	-	-
Committed	-	-	-	-	-
Restricted	(4,734)	565,112	778,405	-	1,338,783
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	(4,734)	565,112	778,405	-	1,338,783
Total Liabilities and Fund Balances	\$ 27,142	\$ 565,112	\$ 778,405	\$ 2,993	\$ 1,373,652

Henderson County School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-major Governmental Funds
For the fiscal year ended June 30, 2014

	<u>Construction Fund</u>	<u>FSPK Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Debt Service Fund</u>	<u>Total Non-major Governmental Funds</u>
<u>REVENUES:</u>					
From local sources:					
Taxes:					
Property	\$ -	\$ 1,444,055	\$ -	\$ -	\$ 1,444,055
Earnings on investments	-	1,469	2,097	1,100	4,666
Intergovernmental - State	-	900,392	646,744	571,977	2,119,113
Intergovernmental - Federal	-	-	-	-	-
Total Revenues	<u>\$ -</u>	<u>\$ 2,345,916</u>	<u>\$ 648,841</u>	<u>\$ 573,077</u>	<u>\$ 3,567,834</u>
<u>EXPENDITURES:</u>					
Facilities and construction	1,182,295	-	-	-	1,182,295
Debt service	14,235	-	-	2,586,875	2,601,110
Total Expenditures	<u>1,196,530</u>	<u>-</u>	<u>-</u>	<u>2,586,875</u>	<u>3,783,405</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(1,196,530)</u>	<u>2,345,916</u>	<u>648,841</u>	<u>(2,013,798)</u>	<u>(215,571)</u>
<u>OTHER FINANCING SOURCES (USES):</u>					
Operating transfers in	229,959	68,740	207,998	2,025,003	2,531,700
Operating transfers out	(336,123)	(2,025,003)	(135,356)	-	(2,496,482)
Bond proceeds-refunding	1,200,000	-	-	-	1,200,000
Total Other Financing Sources (Uses)	<u>1,093,836</u>	<u>(1,956,263)</u>	<u>72,642</u>	<u>2,025,003</u>	<u>1,235,218</u>
Excess (Deficit) of Revenues And Other Financing Sources Over Expenditures And Other Financing Sources (Uses)	<u>(102,694)</u>	<u>389,653</u>	<u>721,483</u>	<u>11,205</u>	<u>1,019,647</u>
Fund balance, June 30, 2013	<u>97,960</u>	<u>175,459</u>	<u>56,922</u>	<u>(11,205)</u>	<u>319,136</u>
Fund balance, June 30, 2014	<u>\$ (4,734)</u>	<u>\$ 565,112</u>	<u>\$ 778,405</u>	<u>\$ -</u>	<u>\$ 1,338,783</u>

Henderson County School District
Statement of Receipts, Disbursements and Fund Balance – Elementary and Middle Schools - Activity Funds
For the year ended June 30, 2014

	Cash Balance July 1, 2013	Receipts For Year	Disbursements For Year	Cash Balance June 30, 2014	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2014
<u>SCHOOL ACTIVITY FUNDS:</u>							
Bend Gate Elementary	\$ 7,359	\$ 32,340	\$ 33,604	\$ 6,096	-	-	\$ 6,096
Cairo Elementary	9,572	32,285	27,085	14,772	-	-	14,772
Central Learning Center	535	9,127	8,557	1,105	-	-	1,105
Chandler Elementary	14,979	42,040	51,000	6,019	-	-	6,019
East Heights Elementary	14,182	66,028	64,518	15,692	-	-	15,692
Jefferson Elementary	17,061	26,578	28,568	15,071	-	-	15,071
Niagara Elementary	14,787	32,328	27,550	19,565	-	-	19,565
South Heights Elementary	11,740	58,222	60,299	9,663	-	-	9,663
Spottsville Elementary	9,203	32,499	26,545	15,157	-	-	15,157
North Middle School	47,584	221,289	206,063	62,810	-	-	62,810
South Middle School	41,556	228,831	233,847	36,540	1,983	-	38,523
Totals	\$ 188,557	\$ 781,567	\$ 767,636	\$ 202,489	\$ 1,983	\$ -	\$ 204,472

Henderson County School District
Statement of Receipts, Disbursements and Fund Balance-Henderson County High School-Activity Funds
For the fiscal year ended June 30, 2014

<u>Accounts</u>	Balance July 1, 2013	Receipts For Year	Disbursements For Year	Cash Balance June 30, 2014	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2014
Henderson County High School:							
Art	\$ 129	\$ 24	\$ 84	\$ 69	\$ -	\$ -	\$ 69
Athletic	762	171,921	156,777	15,906	-	8,765	7,141
Band	307	123,976	92,037	32,247	1,175	-	33,422
Bookstore	6,923	9,384	6,223	10,083	27	-	10,110
Clubs	219,537	592,782	578,602	240,117	2,748	2,787	240,079
General Fund	10,445	63,482	61,732	11,139	11,137	62	22,214
Industrial Technology	5,974	7,050	7,022	5,927	-	-	5,927
Media	67,812	31,359	23,730	75,460	-	-	75,460
Memorial Funds	4,349	5,471	5,125	4,695	-	-	4,695
School concessions	9,134	36,071	34,523	10,682	-	-	10,682
Supplies	17,123	65,512	62,429	10,986	-	-	10,986
Speech and drama	5,597	3,133	5,072	3,179	-	-	3,179
Student council	282	18	95	206	-	-	206
Textbooks	23,731	19,428	18,869	24,290	11,013	-	35,303
Teachers Dual Credit Fund	331	-	-	-	-	-	-
Certificate of deposit	10,552	-	514	10,038	-	-	10,038
Totals	\$ 382,989	\$ 1,129,611	\$ 1,052,834	\$ 455,024	\$ 26,100	\$ 11,614	\$ 469,511

