

# **Henderson County School District**

Independent Auditors' Report on Basic Financial Statements  
and Supplementary Information  
For the fiscal year ended June 30, 2015

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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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, maintenance, and implementation of internal control relevant to the fair presentation of 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, 2015, 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 on pages 4 through 9, budgetary comparison information on pages 41 and 42, and schedules of the District's proportionate share of net pension liabilities and pension contributions on pages 47 through 50 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 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 of 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 Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Henderson County School District's basic financial statements. The combining and activity fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### **Implementation of New Accounting Standards**

As disclosed in Note 1 to the financial statements, The Henderson County School District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB No. 68*, during the fiscal year ended June 30, 2015.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2015 on our consideration of 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* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Myriad CPA Group, LLC". The signature is written in a cursive, flowing style.

Henderson, Kentucky  
October 7, 2015

# Henderson County Schools

1805 Second Street, Henderson, Kentucky 42420  
(270) 831-5000 Fax: (270) 831-5009  
<http://www.hendersonschools.net>



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## **HENDERSON COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

As management of the Henderson County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage 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 \$16,072,455. The ending fund balance was \$19,047,397 which was an increase of \$2,974,942.
- The District is in good 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 increased by \$136,177 during the year, while current liabilities decreased by \$2,610,600 resulting in a current ratio of 4.19, 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 was an addition being made to the CTE unit at the high school.

### **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, 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 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 position 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  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.



**HENDERSON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015**

|   | <b>June 30, 2015</b> | <b>June 30, 2014</b> | <b>Change</b>          |
|---|----------------------|----------------------|------------------------|
| Current assets                                    | \$ 23,766,929        | \$ 23,630,752        | \$ 136,177             |
| Capital or non-current assets                     | 32,442,786           | 35,362,335           | (2,919,549)            |
| Deferred Outflows                                 | 1,826,845            | -                    |                        |
| <b>Total Assets and Deferred Outflows</b>         | <b>\$ 58,036,560</b> | <b>\$ 58,993,087</b> | <b>\$ (2,783,372)</b>  |
| Current liabilities                               | \$ 5,613,490         | \$ 8,284,090         | \$ (2,670,600)         |
| Non-current liabilities                           | 35,304,013           | 19,986,729           | 15,317,284             |
| <b>Total Liabilities</b>                          | <b>40,917,503</b>    | <b>28,270,819</b>    | <b>12,646,684</b>      |
| Deferred Inflows                                  | 1,674,349            | -                    |                        |
| Investment in capital assets, net of related debt | 9,572,759            | 14,452,335           | (4,879,576)            |
| Restricted  | 3,942,589            | 7,808,881            | (3,866,292)            |
| Unassigned  | 1,929,360            | 8,461,052            | (6,531,692)            |
| <b>Total Net Financial Position</b>               | <b>\$ 15,444,708</b> | <b>\$ 30,722,268</b> | <b>\$ (15,277,560)</b> |

Total net assets and deferred inflows exceeded the total liabilities and deferred inflows by \$15,444,708 which indicates that the District remains in good financial condition. The primary factor resulting in the decrease in net position of \$15,277,570 was the adoption of GASB No. 68 which recorded the District's share of the unfunded CERS pension liability.

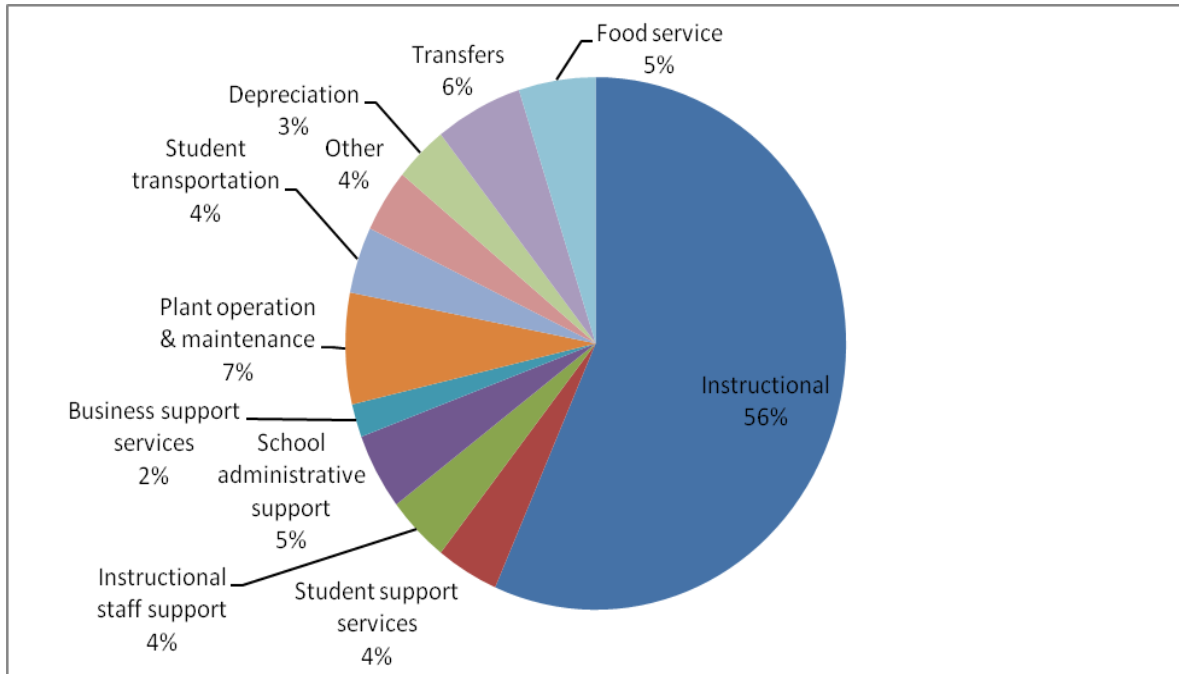
The current assets increased by \$136,177 during the fiscal year and the capital assets decreased by \$1.0 million. Total acquisitions of capital assets during the year were approximately \$253,059, while depreciation of assets totaled \$3.1 million. This resulted in a net decrease in capital assets of \$2.9 million. The scheduled debt retirement payments and issuance resulted in a net increase in long-term liabilities of \$1.9 million. The District transferred in \$2.2 million more during the year versus prior year. The new requirement to show our unfunded pension liability resulted in an increase of \$13.5 million from prior year. All of these factors resulted in a decrease in net position of \$15.2 million for the year ended June 30, 2015.

The District's total revenues were \$88,927,112 and the total expenditures were \$90,940,363 which resulted in a decrease in net position of \$2 million.

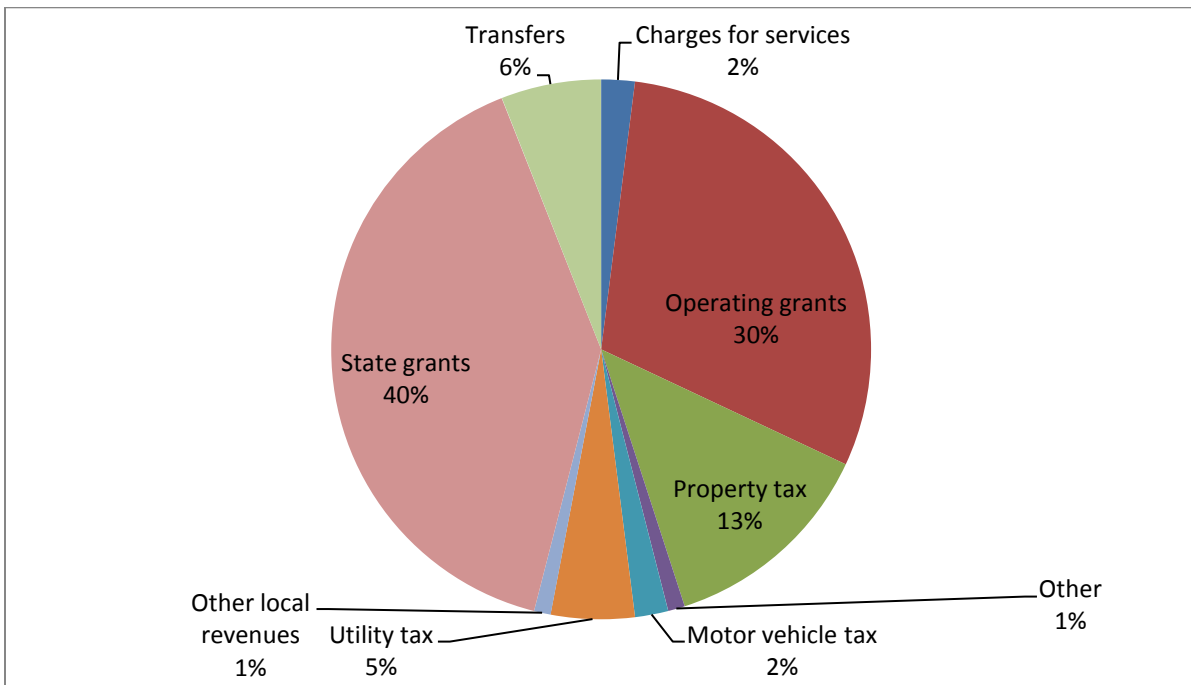
- State revenues accounted for 40% of the total revenues while local taxes accounted for 21.3%.
- Expenditures totaled \$90,940,363, with \$50,875,715 or 56% of total being expended towards student instruction.

**HENDERSON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Expenditures:**



**Revenues:**



**HENDERSON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Governmental Fund Highlights**

- The General Fund revenues for the year were \$65.9 million, with \$46.8 million coming from state revenues, \$400k from federal and the remaining \$18.7 million from local sources.
- Total General Fund Expenditures were \$68.3 million, with instruction costs being the largest area at \$44.9 million.
- The net deficit of revenues over expenditures was \$573,285 resulting in a decrease in the general fund balance of a like amount for the 2015 fiscal year.

The Special Revenue fund expenditures for the year were \$8.2 million. Two major sources of revenues for this fund were State Grants totaling \$3.3 million and Federal Grants totaling \$5.6 million.

The Other Governmental Funds also included debt services payments of \$2.5 million.

Total ending fund balances as for June 30, 2015 were \$15.1 million in the General Fund and \$3.9 million in the other governmental funds for a total of \$19 million.

**Commentary on General Fund Budgetary Comparisons**

- The actual revenues and expenditures both include \$19 million of on behalf payments that are partially 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 \$8.5 million favorable. The major revenue line items exceeding amounts budgeted were property taxes from all sources and revenues from state sources.
- Total expenditures were \$68.3 million, with expenditures in relation to budgeted amounts being \$2.8 million favorable. The budget included a contingency of \$5.8 million with no expenditures and the actual included \$19 million of on behalf payments with \$12 million of the corresponding budget.

**Future Budgetary Considerations**

In Kentucky, the public schools operate on a July 1, to June 30<sup>th</sup> 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 2015, with a 5.22% 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**

Henderson County School District's overall financial status remains in a safe financial position. The District is financially stable, but at risk due to continued, inadequate state funding. 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  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 financial instability in the state pension fund and the rising retirement/pension costs is a financial risk that is facing Henderson County Schools. School boards began contributing for the first time in FY2011 at 0.25% and this contribution continued to increase in FY2015 to 3.0%. In full implementation in FY2016, there will be new, annual, estimated expenses of \$1 million to our district. No additional state funding has been appropriated to offset this rising cost. There is a need for the District to increase local funding to provide additional revenue to offset this mandated expense increase.

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. 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:

Cindy Cloutier, Director of Finance  
Henderson County Schools  
1805 Second Street  
Henderson, Kentucky 42420  
Telephone: 270.831.5000 or Electronic Mail: [cindy.cloutier @henderson.kyschools.us](mailto:cindy.cloutier@henderson.kyschools.us)

**Henderson County School District**  
**Government-Wide Financial Statements - Statement of Net Position**  
**As of June 30, 2015**

|  | <b>Governmental<br/>Activities</b> | <b>Business<br/>Type<br/>Activities</b> | <b>Total</b>         |
|--|------------------------------------|---|----------------------|
| <b><u>ASSETS</u></b>                                       |                                    |   |                      |
| <b><u>Current Assets:</u></b>                              |                                    |   |                      |
| Cash and cash equivalents                                  | \$ 17,645,732                      | \$ 846,204                              | \$ 18,491,936        |
| Inventory  | -                                  | 166,837                                 | 166,837              |
| Accounts receivable:                                       |                                    |   |                      |
| Taxes - current  | -                                  | -                                       | -                    |
| Accounts receivable  | 446,790                            | 28,962                                  | 475,752              |
| Bond proceeds receivable                                   | 3,722,430                          | -                                       | 3,722,430            |
| Intergovernmental - indirect                               | 807,300                            | -                                       | 807,300              |
| Prepaid expenses   | 102,674                            | -                                       | 102,674              |
| <b>Total Current Assets</b>                                | <b>22,724,926</b>                  | <b>1,042,003</b>                        | <b>23,766,929</b>    |
| <b><u>Noncurrent Assets:</u></b>                           |                                    |   |                      |
| Capital assets, net  | 32,294,978                         | 147,808                                 | 32,442,786           |
| <b>Total Noncurrent Assets</b>                             | <b>32,294,978</b>                  | <b>147,808</b>                          | <b>32,442,786</b>    |
| <b><u>Deferred Outflows of Resources:</u></b>              |                                    |   |                      |
| Deferred outflows related to pension liability             | 1,826,845                          | -                                       | 1,826,845            |
| <b>Total Deferred Outflows of Resources</b>                | <b>1,826,845</b>                   | <b>-</b>                                | <b>1,826,845</b>     |
| <b>Total Assets and Deferred Outflows of Resources</b>     | <b>\$ 56,846,749</b>               | <b>\$ 1,189,811</b>                     | <b>\$ 58,036,560</b> |
| <b><u>LIABILITIES</u></b>                                  |                                    |   |                      |
| <b><u>Current Liabilities:</u></b>                         |                                    |   |                      |
| Accounts payable   | \$ 1,998,986                       | \$ 15,512                               | \$ 2,014,498         |
| Accrued payroll and related expenses                       | 582,786                            | 79,336                                  | 662,122              |
| Unearned revenue   | 886,859                            | -                                       | 886,859              |
| Current portion of bond obligations                        | 1,735,000                          | -                                       | 1,735,000            |
| Current portion of accrued sick leave                      | 208,898                            | -                                       | 208,898              |
| Interest payable   | 106,113                            | -                                       | 106,113              |
| <b>Total Current Liabilities</b>                           | <b>5,518,642</b>                   | <b>94,848</b>                           | <b>5,613,490</b>     |
| <b><u>Noncurrent Liabilities:</u></b>                      |                                    |   |                      |
| Noncurrent portion of bond obligations                     | 21,135,027                         | -                                       | 21,135,027           |
| Unfunded pension liability- CERS                           | 13,506,155                         | -                                       | 13,506,155           |
| Noncurrent portion of accrued sick leave                   | 662,831                            | -                                       | 662,831              |
| <b>Total Noncurrent Liabilities</b>                        | <b>35,304,013</b>                  | <b>-</b>                                | <b>35,304,013</b>    |
| <b>Total Liabilities</b>                                   | <b>40,822,655</b>                  | <b>94,848</b>                           | <b>40,917,503</b>    |
| <b><u>Deferred Inflows of Resources:</u></b>               |                                    |   |                      |
| Bond Premium   | 89,340                             | -                                       | 89,340               |
| Deferred inflows related to pension liability              | 1,585,009                          | -                                       | 1,585,009            |
| <b>Total Deferred Inflows of Resources</b>                 | <b>1,674,349</b>                   | <b>-</b>                                | <b>1,674,349</b>     |
| <b>Total Liabilities and Deferred Inflows of Resources</b> | <b>42,497,004</b>                  | <b>94,848</b>                           | <b>42,591,852</b>    |
| <b><u>NET POSITION</u></b>                                 |                                    |   |                      |
| Invested in capital assets, net of related debt            | \$ 9,424,951                       | \$ 147,808                              | \$ 9,572,759         |
| Restricted   | 3,942,589                          | -                                       | 3,942,589            |
| Unrestricted   | 982,205                            | 947,155                                 | 1,929,360            |
| <b>Total Net Position</b>                                  | <b>\$ 14,349,745</b>               | <b>\$ 1,094,963</b>                     | <b>\$ 15,444,708</b> |

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, 2015**

| FUNCTIONS/PROGRAMS                      | Program Revenues         |                            |  | Net (Expense) Revenue and<br>Changes in Net Position |                                |                            |
|---|--------------------------|----------------------------|--|--|--------------------------------|----------------------------|
|   | Expenses                 | Charges<br>for<br>Services | Operating<br>Grants &<br>Contributions | Governmental<br>Activities                           | Business<br>Type<br>Activities | Total                      |
|   |                          |                            |  |  |                                |                            |
| <b><u>Governmental Activities:</u></b>  |                          |                            |  |  |                                |                            |
| Instruction                             | \$ 50,875,715            | \$ 112,087                 | \$ 19,522,036                          | \$ (31,241,592)                                      | \$ -                           | \$ (31,241,592)            |
| Support services:                       |                          |                            |  |  |                                |                            |
| Student                                 | 3,827,997                | -                          | 730,478                                | (3,097,519)  | -                              | (3,097,519)                |
| Instruction staff                       | 3,542,039                | -                          | 339,968                                | (3,202,071)  | -                              | (3,202,071)                |
| District administrative                 | 1,302,336                | -                          | 51,732                                 | (1,250,604)  | -                              | (1,250,604)                |
| School administrative                   | 4,171,576                | -                          | 822,965                                | (3,348,611)  | -                              | (3,348,611)                |
| Business                                | 1,922,359                | -                          | 234,580                                | (1,687,779)  | -                              | (1,687,779)                |
| Plant operation and<br>maintenance      | 6,148,759                | -                          | 259,127                                | (5,889,632)  | -                              | (5,889,632)                |
| Student transportation                  | 3,603,500                | -                          | 392,440                                | (3,211,060)  | -                              | (3,211,060)                |
| Facilities acquisition and construction | 792,545                  | -                          | -                                      | (792,545)  | -                              | (792,545)                  |
| Community service activities            | 641,097                  | -                          | -                                      | (641,097)  | -                              | (641,097)                  |
| Interest on long-term debt              | 537,945                  | -                          | 534,006                                | (3,939)  | -                              | (3,939)                    |
| Depreciation                            | 3,118,985                | -                          | -                                      | (3,118,985)  | -                              | (3,118,985)                |
| Transfers                               | 4,941,549                | -                          | -                                      | (4,941,549)  | -                              | (4,941,549)                |
| Total Governmental Services             | <u>85,426,402</u>        | <u>112,087</u>             | <u>22,887,332</u>                      | <u>(62,426,983)</u>                                  | <u>-</u>                       | <u>(62,426,983)</u>        |
| <b><u>Business Type Activities:</u></b> |                          |                            |  |  |                                |                            |
| Food service                            | 4,446,605                | 978,563                    | 3,247,296                              | -  | (220,746)                      | (220,746)                  |
| Other                                   | 860,842                  | 719,855                    | 113,147                                | -  | (27,840)                       | (27,840)                   |
| Transfers                               | 206,504                  | -                          | -                                      | -  | (206,504)                      | (206,504)                  |
| Total Business Activities               | <u>5,513,951</u>         | <u>1,698,418</u>           | <u>3,360,443</u>                       | <u>-</u>   | <u>(455,090)</u>               | <u>(455,090)</u>           |
| <br>Total Government                    | <br><u>\$ 90,940,353</u> | <br><u>\$ 1,810,505</u>    | <br><u>\$ 26,247,775</u>               | <br><u>\$ (62,426,983)</u>                           |                                | <br><u>\$ (62,882,073)</u> |
| <b><u>General Revenues:</u></b>         |                          |                            |  |  |                                |                            |
| Taxes:                                  |                          |                            |  |  |                                |                            |
| Property tax                            |                          |                            |  | \$ 11,621,535  | \$ -                           | \$ 11,621,535              |
| Motor vehicle tax                       |                          |                            |  | 2,092,417  | -                              | 2,092,417                  |
| Utility tax                             |                          |                            |  | 3,990,445  | -                              | 3,990,445                  |
| Unmined minerals                        |                          |                            |  | 498,415  | -                              | 498,415                    |
| Franchise tax                           |                          |                            |  | 794,338  | -                              | 794,338                    |
| Investment earnings                     |                          |                            |  | 117,386  | 3,956                          | 121,342                    |
| State and formula grants                |                          |                            |  | 35,614,626   | -                              | 35,614,626                 |
| Other local revenues                    |                          |                            |  | 817,602  | -                              | 817,602                    |
| Disposal of assets                      |                          |                            |  | 170,057  | -                              | 170,057                    |
| Transfers in                            |                          |                            |  | 5,148,055  | -                              | 5,148,055                  |
| Total General Revenues                  |                          |                            |  | <u>60,864,876</u>                                    | <u>3,956</u>                   | <u>60,868,832</u>          |
| Change in Net Position                  |                          |                            |  | (1,562,107)  | (451,134)                      | (2,013,241)                |
| Change in Accounting Principle          |                          |                            |  | (13,264,319)   | -                              | (13,264,319)               |
| Net Position - Beginning                |                          |                            |  | <u>29,176,171</u>                                    | <u>1,546,097</u>               | <u>30,722,268</u>          |
| Net Position - Ending                   |                          |                            |  | <u>\$ 14,349,745</u>                                 | <u>\$ 1,094,963</u>            | <u>\$ 15,444,708</u>       |

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

**Henderson County School District**  
**Balance Sheet - Governmental Funds**  
**As of June 30, 2015**

|  | <b>General<br/>Fund</b> | <b>Special<br/>Revenue</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|-------------------------|----------------------------|---|---|
| <b><u>ASSETS AND RESOURCES:</u></b>          |                         |                            |   |   |
| Cash and cash equivalents                    | \$ 16,905,528           | \$ 300,815                 | \$ 439,389                              | \$ 17,645,732                           |
| Accounts receivable:                         |                         |                            |   |   |
| Accounts receivable                          | 446,790                 | -                          | -                                       | 446,790                                 |
| Intergovernmental - State                    | -                       | 807,300                    | -                                       | 807,300                                 |
| Other  | -                       | -                          | 3,722,430                               | 3,722,430                               |
| Prepaid expenses                             | 102,674                 | -                          | -                                       | 102,674                                 |
| <b>Total Assets and Resources</b>            | <b>\$ 17,454,992</b>    | <b>\$ 1,108,115</b>        | <b>\$ 4,161,819</b>                     | <b>\$ 22,724,926</b>                    |
| <b><u>LIABILITIES AND FUND BALANCES:</u></b> |                         |                            |   |   |
| <b><u>LIABILITIES:</u></b>                   |                         |                            |   |   |
| Accounts payable                             | \$ 1,645,564            | \$ 134,192                 | \$ 219,230                              | \$ 1,998,986                            |
| Accrued payroll and related expenses         | 495,722                 | 87,064                     | -                                       | 582,786                                 |
| Current portion of accumulated sick leave    | 208,898                 | -                          | -                                       | 208,898                                 |
| Unearned revenue                             | -                       | 886,859                    | -                                       | 886,859                                 |
| <b>Total Liabilities</b>                     | <b>2,350,184</b>        | <b>1,108,115</b>           | <b>219,230</b>                          | <b>3,677,529</b>                        |
| <b><u>FUND BALANCES:</u></b>                 |                         |                            |   |   |
| Nonspendable                                 | 102,674                 | -                          | -                                       | 102,674                                 |
| Restricted                                   | -                       | -                          | 3,942,589                               | 3,942,589                               |
| Committed                                    | 492,549                 | -                          | -                                       | 492,549                                 |
| Assigned                                     | 3,044,261               | -                          | -                                       | 3,044,261                               |
| Unassigned                                   | 11,465,324              | -                          | -                                       | 11,465,324                              |
| <b>Total Fund Balances</b>                   | <b>15,104,808</b>       | <b>-</b>                   | <b>3,942,589</b>                        | <b>19,047,397</b>                       |
| <b>Total Liabilities and Fund Balances</b>   | <b>\$ 17,454,992</b>    | <b>\$ 1,108,115</b>        | <b>\$ 4,161,819</b>                     | <b>\$ 22,724,926</b>                    |

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, 2015**

|   |                             |
|---|-----------------------------|
| Total fund balance per fund financial statements  | \$ 19,047,397               |
| 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.  | 32,294,968                  |
| 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: |                             |
| Unfunded pension liability  | (13,506,155)                |
| Unamortized bond premiums   | (89,340)                    |
| Deferred outflow of resources   | 1,826,845                   |
| Deferred inflows of resources   | (1,585,009)                 |
| Long-term debt  | (22,870,027)                |
| Long-term portion sick leave accrual  | (662,821)                   |
| Accrued interest payable on long-term debt  | <u>(106,113)</u>            |
| Net position for governmental activities  | <u><u>\$ 14,349,745</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, 2015**

|   | <b>General<br/>Fund</b> | <b>Special<br/>Revenue</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|-------------------------|----------------------------|---|---|
| <b><u>REVENUES:</u></b>   |                         |                            |   |   |
| From local sources  |                         |                            |   |   |
| Taxes:  |                         |                            |   |   |
| Property  | \$ 10,165,216           | \$ -                       | \$ 1,456,319                            | \$ 11,621,535                           |
| Motor vehicle and watercraft  | 2,092,417               | -                          | -                                       | 2,092,417                               |
| Utilities   | 3,990,445               | -                          | -                                       | 3,990,445                               |
| Unmined minerals  | 498,415                 | -                          | -                                       | 498,415                                 |
| Franchise   | 794,338                 | -                          | -                                       | 794,338                                 |
| Tuition and fees  | 112,087                 | -                          | -                                       | 112,087                                 |
| Earnings on investments   | 108,722                 | -                          | 8,664                                   | 117,386                                 |
| Other local revenues  | 860,321                 | 46,621                     | -                                       | 906,942                                 |
| Intergovernmental - intermediate  | 94,692                  | -                          | -                                       | 94,692                                  |
| Intergovernmental - state   | 46,847,653              | 3,349,017                  | 2,200,052                               | 52,396,722                              |
| Intergovernmental - indirect federal  | -                       | 5,603,239                  | -                                       | 5,603,239                               |
| Intergovernmental - direct federal  | 407,305                 | -                          | -                                       | 407,305                                 |
|   |                         |                            |   |   |
| Total Revenues  | <u>65,971,611</u>       | <u>8,998,877</u>           | <u>3,665,035</u>                        | <u>78,635,523</u>                       |
| <b><u>EXPENDITURES:</u></b>   |                         |                            |   |   |
| Instruction   | 44,944,313              | 6,140,290                  | -                                       | 51,084,603                              |
| Support services:   |                         |                            |   |   |
| Student   | 3,436,055               | 391,922                    | -                                       | 3,827,977                               |
| Instruction staff   | 2,778,798               | 763,241                    | -                                       | 3,542,039                               |
| District administrative   | 1,037,955               | 264,381                    | -                                       | 1,302,336                               |
| School administrative   | 4,171,576               | -                          | -                                       | 4,171,576                               |
| Business  | 1,922,369               | -                          | -                                       | 1,922,369                               |
| Plant operation and maintenance   | 6,426,157               | -                          | -                                       | 6,426,157                               |
| Student transportation  | 3,602,024               | 1,476                      | -                                       | 3,603,500                               |
| Facilities acquisition and construction   | -                       | -                          | 792,545                                 | 792,545                                 |
| Community service activities  | 270                     | 640,478                    | -                                       | 640,748                                 |
| Food service operation  | 349                     | -                          | -                                       | 349                                     |
| Debt service  | -                       | -                          | 2,497,972                               | 2,497,972                               |
|   |                         |                            |   |   |
| Total Expenditures  | <u>68,319,866</u>       | <u>8,201,788</u>           | <u>3,290,517</u>                        | <u>79,812,171</u>                       |
|   |                         |                            |   |   |
| Excess (Deficit) of Revenues Over Expenditures  | <u>(2,348,255)</u>      | <u>797,089</u>             | <u>374,518</u>                          | <u>(1,176,648)</u>                      |
| <b><u>OTHER FINANCING SOURCES (USES):</u></b>   |                         |                            |   |   |
| Operating transfers in  | 2,224,249               | 157,399                    | 2,766,407                               | 5,148,055                               |
| Operating transfers out   | (529,977)               | (10,067)                   | (4,401,505)                             | (4,941,549)                             |
| Payment to refunded bond escrow agent   | -                       | -                          | (7,879,973)                             | (7,879,973)                             |
| Refunding bonds issued  | -                       | -                          | 7,865,000                               | 7,865,000                               |
| Proceeds from issuance of bonds   | -                       | -                          | 3,790,000                               | 3,790,000                               |
| Bond discount and premium   | -                       | -                          | 89,359                                  | 89,359                                  |
| Disposal of assets  | 80,698                  | -                          | -                                       | 80,698                                  |
|   |                         |                            |   |   |
| Total Other Financing Sources   | <u>1,774,970</u>        | <u>147,332</u>             | <u>2,229,288</u>                        | <u>4,151,590</u>                        |
|   |                         |                            |   |   |
| Excess (Deficiency) of Revenues and Other Financing Sources<br>Over Expenditures and Other Financing Uses | (573,285)               | 944,421                    | 2,603,806                               | 2,974,942                               |
|   |                         |                            |   |   |
| Fund Balance, June 30, 2014   | <u>15,678,093</u>       | <u>(944,421)</u>           | <u>1,338,783</u>                        | <u>16,072,455</u>                       |
|   |                         |                            |   |   |
| Fund Balance, June 30, 2015   | <u>\$ 15,104,808</u>    | <u>\$ -</u>                | <u>\$ 3,942,589</u>                     | <u>\$ 19,047,397</u>                    |

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, 2015**

|   |                        |
|---|------------------------|
| Net change in total fund balances per fund financial statements   | \$ 2,974,942           |
| Amounts reported for governmental activities in the statement of activities are different because:  |                        |
| Difference between CERS funding and actuarially determined net pension expense  | 690,845                |
| 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 exceeds capital outlays for the year capital outlays for the year. | (2,865,926)            |
| Premium on bonds issued   | (89,340)               |
| 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.   | 9,694,973              |
| Bond issue proceeds, net of costs, which are reported as other sources of funds in the fund financial statements, are reflected as a liability in the statement of net position.  | (11,744,340)           |
| 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.   | (223,261)              |
| Change in net position before cumulative effect of change in accounting principle   | (1,562,107)            |
| Change in accounting principle related to implementation of GASB 68 to recognize District's share of unfunded pension liability-CERS  | (13,264,319)           |
| Change in net position after effect of change in accounting principle   | <u>\$ (14,826,426)</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, 2015**

|  | <b>Food<br/>Service<br/>Fund</b> | <b>Child<br/>Care<br/>Fund</b> | <b>Adult<br/>Education<br/>Fund</b> | <b>Total</b>     |
|--|----------------------------------|--------------------------------|-------------------------------------|------------------|
| <b><u>ASSETS</u></b>                   |                                  |                                |                                     |                  |
| <b>Current Assets:</b>                 |                                  |                                |                                     |                  |
| Cash and cash equivalents              | \$ 541,979                       | \$ 303,905                     | \$ 320                              | \$ 846,204       |
| Inventory                              | 166,837                          | -                              | -                                   | 166,837          |
| Accounts receivable                    | 28,962                           | -                              | -                                   | 28,962           |
| <br>Total Current Assets               | <br>737,778                      | <br>303,905                    | <br>320                             | <br>1,042,003    |
| <b>Noncurrent Assets:</b>              |                                  |                                |                                     |                  |
| Capital assets                         | 1,397,632                        | 47,516                         | -                                   | 1,445,148        |
| Less: accumulated depreciation         | (1,276,433)                      | (20,907)                       | -                                   | (1,297,340)      |
| <br>Total Noncurrent Assets            | <br>121,199                      | <br>26,609                     | <br>-                               | <br>147,808      |
| <br>Total Assets                       | <br>\$ 858,977                   | <br>\$ 330,514                 | <br>\$ 320                          | <br>\$ 1,189,811 |
| <b><u>LIABILITIES</u></b>              |                                  |                                |                                     |                  |
| <b>Current Liabilities:</b>            |                                  |                                |                                     |                  |
| Accounts payable                       | \$ 13,356                        | \$ 2,156                       | \$ -                                | \$ 15,512        |
| Accrued payroll and related expenses   | 34,772                           | 44,564                         | -                                   | 79,336           |
| <br>Total Current Liabilities          | <br>48,128                       | <br>46,720                     | <br>-                               | <br>94,848       |
| <b><u>NET POSITION:</u></b>            |                                  |                                |                                     |                  |
| Invested in capital assets             | 121,199                          | 26,609                         | -                                   | 147,808          |
| Unrestricted                           | 689,650                          | 257,185                        | 320                                 | 947,155          |
| <br>Net Position                       | <br>810,849                      | <br>283,794                    | <br>320                             | <br>1,094,963    |
| <br>Total Liabilities and Net Position | <br>\$ 858,977                   | <br>\$ 330,514                 | <br>\$ 320                          | <br>\$ 1,189,811 |

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, 2015**

|  | <b>Food<br/>Service<br/>Fund</b> | <b>Child<br/>Care<br/>Fund</b> | <b>Adult<br/>Education<br/>Fund</b> | <b>Total</b>        |
|--|----------------------------------|--------------------------------|-------------------------------------|---------------------|
| <b><u>OPERATING REVENUES:</u></b>                |                                  |                                |                                     |                     |
| Lunchroom sales                                  | \$ 970,860                       | \$ -                           | \$ -                                | \$ 970,860          |
| Other operating revenues                         | 7,703                            | 719,855                        | -                                   | 727,558             |
|  | <hr/>                            | <hr/>                          | <hr/>                               | <hr/>               |
| Total Operating Revenues                         | 978,563                          | 719,855                        | -                                   | 1,698,418           |
|  | <hr/>                            | <hr/>                          | <hr/>                               | <hr/>               |
| <b><u>OPERATING EXPENSES:</u></b>                |                                  |                                |                                     |                     |
| Salaries and wages                               | 1,291,471                        | 571,063                        | -                                   | 1,862,534           |
| Materials and supplies                           | 2,375,077                        | 25,290                         | -                                   | 2,400,367           |
| Depreciation                                     | 37,489                           | 1,901                          | -                                   | 39,390              |
| Other operating expenses                         | 742,568                          | 262,588                        | -                                   | 1,005,156           |
|  | <hr/>                            | <hr/>                          | <hr/>                               | <hr/>               |
| Total Operating Expenses                         | 4,446,605                        | 860,842                        | -                                   | 5,307,447           |
|  | <hr/>                            | <hr/>                          | <hr/>                               | <hr/>               |
| Operating Loss                                   | (3,468,042)                      | (140,987)                      | -                                   | (3,609,029)         |
|  | <hr/>                            | <hr/>                          | <hr/>                               | <hr/>               |
| <b><u>NON-OPERATING REVENUES (EXPENSES):</u></b> |                                  |                                |                                     |                     |
| Federal grants                                   | 2,610,551                        | -                              | -                                   | 2,610,551           |
| Donated commodities                              | 331,619                          | -                              | -                                   | 331,619             |
| State grants                                     | 38,084                           | -                              | -                                   | 38,084              |
| Other state                                      | 267,042                          | 113,147                        | -                                   | 380,189             |
| Interest income                                  | 3,956                            | -                              | -                                   | 3,956               |
|  | <hr/>                            | <hr/>                          | <hr/>                               | <hr/>               |
| Total Non-Operating Revenues                     | 3,251,252                        | 113,147                        | -                                   | 3,364,399           |
|  | <hr/>                            | <hr/>                          | <hr/>                               | <hr/>               |
| Loss Before Other Financing<br>Sources/Uses      | (216,790)                        | (27,840)                       | -                                   | (244,630)           |
|  | <hr/>                            | <hr/>                          | <hr/>                               | <hr/>               |
| <b><u>OTHER FINANCING SOURCES (USES):</u></b>    |                                  |                                |                                     |                     |
| Operating transfers out                          | (206,504)                        | -                              | -                                   | (206,504)           |
|  | <hr/>                            | <hr/>                          | <hr/>                               | <hr/>               |
| Total Other Financing Uses                       | (206,504)                        | -                              | -                                   | (206,504)           |
|  | <hr/>                            | <hr/>                          | <hr/>                               | <hr/>               |
| Change in net position                           | (423,294)                        | (27,840)                       | -                                   | (451,134)           |
|  | <hr/>                            | <hr/>                          | <hr/>                               | <hr/>               |
| Net position, June 30, 2014                      | 1,234,143                        | 311,634                        | 320                                 | 1,546,097           |
|  | <hr/>                            | <hr/>                          | <hr/>                               | <hr/>               |
| Net position, June 30, 2015                      | <u>\$ 810,849</u>                | <u>\$ 283,794</u>              | <u>\$ 320</u>                       | <u>\$ 1,094,963</u> |

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, 2015**

|   | <b>Food<br/>Service<br/>Fund</b> | <b>Child<br/>Care<br/>Fund</b> | <b>Adult<br/>Education<br/>Fund</b> | <b>Total</b>             |
|---|----------------------------------|--------------------------------|-------------------------------------|--------------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>             |                                  |                                |                                     |                          |
| Cash receipts from:   |                                  |                                |                                     |                          |
| Lunchroom sales   | \$ 993,464                       | \$ -                           | \$ -                                | \$ 993,464               |
| Other activities  | 7,703                            | 719,858                        | -                                   | 727,561                  |
| Cash payments for:  |                                  |                                |                                     |                          |
| Employees   | (1,287,966)                      | (586,234)                      | -                                   | (1,874,200)              |
| Supplies  | (2,443,417)                      | (26,773)                       | -                                   | (2,470,190)              |
| Other operating expenses  | <u>(742,568)</u>                 | <u>(262,592)</u>               | <u>-</u>                            | <u>(1,005,160)</u>       |
| Net Cash Used In Operating Activities                           | <u>(3,472,784)</u>               | <u>(155,741)</u>               | <u>-</u>                            | <u>(3,628,525)</u>       |
| <b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u></b> |                                  |                                |                                     |                          |
| Receipt of interest income                                      | 3,956                            |                                |                                     | 3,956                    |
| Operating transfers out   | (206,504)                        | -                              | -                                   | (206,504)                |
| Cash received for operating grants                              | <u>3,247,296</u>                 | <u>113,147</u>                 | <u>-</u>                            | <u>3,360,443</u>         |
| Net Cash Provided By Non-Capital Financing Activities           | <u>3,044,748</u>                 | <u>113,147</u>                 | <u>-</u>                            | <u>3,157,895</u>         |
| Net Increase (Decrease) In Cash And Cash Equivalents            | (428,036)                        | (42,594)                       | -                                   | (470,630)                |
| Cash and Cash Equivalents, June 30, 2014                        | <u>970,015</u>                   | <u>346,499</u>                 | <u>320</u>                          | <u>1,316,834</u>         |
| Cash and Cash Equivalents, June 30, 2015                        | <u><u>\$ 541,979</u></u>         | <u><u>\$ 303,905</u></u>       | <u><u>\$ 320</u></u>                | <u><u>\$ 846,204</u></u> |

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, 2015**

|   | <b>Food<br/>Service<br/>Fund</b> | <b>Child<br/>Care<br/>Fund</b> | <b>Adult<br/>Education<br/>Fund</b> | <b>Total</b>          |
|---|----------------------------------|--------------------------------|-------------------------------------|-----------------------|
| <b><u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED</u></b>   |                                  |                                |                                     |                       |
| <b><u>IN OPERATING ACTIVITIES:</u></b>                            |                                  |                                |                                     |                       |
| Operating income (loss)   | \$ (3,468,042)                   | \$ (140,987)                   | \$ -                                | \$ (3,609,029)        |
| <b><u>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH</u></b> |                                  |                                |                                     |                       |
| <b><u>USED IN OPERATING ACTIVITIES:</u></b>                       |                                  |                                |                                     |                       |
| Depreciation  | 37,489                           | 1,901                          | -                                   | 39,390                |
| Changes in operating assets and liabilities                       |                                  |                                |                                     |                       |
| Inventory   | (19,025)                         | -                              | -                                   | (19,025)              |
| Accounts receivable   | 22,604                           | 3                              | -                                   | 22,607                |
| Accounts payable  | (49,315)                         | (1,483)                        | -                                   | (50,798)              |
| Accrued expenses  | 3,505                            | (15,175)                       | -                                   | (11,670)              |
| Net Cash Provided (Used) In Operating Activities                  | <u>\$ (3,472,784)</u>            | <u>\$ (155,741)</u>            | <u>\$ -</u>                         | <u>\$ (3,628,525)</u> |
| <b><u>SCHEDULE OF NON-CASH FINANCING ACTIVITIES:</u></b>          |                                  |                                |                                     |                       |
| Donated commodities received from federal government              | <u>\$ 331,619</u>                | <u>\$ -</u>                    | <u>\$ -</u>                         | <u>\$ 331,619</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, 2015**

|                           | <u>Agency<br/>Fund</u>   |
|---------------------------|--------------------------|
| <b><u>ASSETS</u></b>      |                          |
| Cash and cash equivalents | \$ 781,394               |
| Accounts receivable       | <u>25,391</u>            |
| <b>Total Assets</b>       | <b><u>\$ 806,785</u></b> |
| <b><u>LIABILITIES</u></b> |                          |
| Accounts payable          | \$ 24,187                |
| Due to student groups     | <u>782,598</u>           |
| <b>Total Liabilities</b>  | <b><u>806,785</u></b>    |
| <b>Net Position</b>       | <b><u>\$ -</u></b>       |

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

**Henderson County School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

The Henderson County School District (“District”), 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 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



**Henderson County School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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. 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, 2015**

**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, and 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 Adult 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 Types (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 they can be recognized.

**Henderson County School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF ACCOUNTING**

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, 2015, to finance the General Fund operations were \$.530 per \$100 valuation for real property, \$.532 per \$100 valuation for business personal property and \$.548 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, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**CAPITAL ASSETS**

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><br><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 Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

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

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

**Henderson County School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BUDGETARY PROCESS**

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, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an 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, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**FUND BALANCES**

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 have 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 unassigned funds.

**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.

**Henderson County School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**USE OF ESTIMATES**

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

**NEW ACCOUNTING PRONOUNCEMENTS**

The District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. The provisions of these statements are effective for financial statements for fiscal years beginning after June 15, 2014. The implementation of GASB Statements No. 68 and 71 resulted in a cumulative effect of change in accounting principle which reduced the net position of the District by \$13,264,319. Additionally, implementation of the new GASB statement also resulted in the recording of related deferred outflows and inflows of resources, and unfunded pension liability which is further discussed in Note 7.

**RETIREMENT BENEFITS**

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

**NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS**

At year-end, the carrying amount of the District's cash and cash equivalents was \$19,273,330. 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, 2015, 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, 2015:

**Financial Institution:**

|                                  |                             |
|----------------------------------|-----------------------------|
| Independence Bank                | \$ 18,491,936               |
| Independence Bank-Activity Funds | <u>781,394</u>              |
| Totals                           | <u><u>\$ 19,273,330</u></u> |

**Allocation per Financial Statements:**

|                     |                             |
|---------------------|-----------------------------|
| Governmental Funds  | \$ 17,645,732               |
| Business Type Funds | 846,204                     |
| Agency Funds        | <u>781,394</u>              |
| Totals              | <u><u>\$ 19,273,330</u></u> |

**Henderson County School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

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 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.

**NOTE 3 – CAPITAL ASSETS**

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

|  | <b>Balance</b>             |                         |                          | <b>Balance</b>              |
|--|----------------------------|-------------------------|--------------------------|-----------------------------|
| <b><u>GOVERNMENTAL ACTIVITIES:</u></b> | <b><u>July 1, 2014</u></b> | <b><u>Additions</u></b> | <b><u>Deductions</u></b> | <b><u>June 30, 2015</u></b> |
| Land                                   | \$ 989,487                 | \$ -                    | \$ -                     | \$ 989,487                  |
| Land improvements                      | 3,399,886                  | -                       | -                        | 3,399,886                   |
| Building and improvements              | 69,326,295                 | -                       | -                        | 69,326,295                  |
| Technology                             | 5,441,864                  | 101,800                 | (250,964)                | 5,292,700                   |
| Machinery and equipment                | 7,454,708                  | 138,291                 | (27,039)                 | 7,565,960                   |
| General equipment                      | 1,903,784                  | 12,968                  | (80,588)                 | 1,836,164                   |
| Construction in progress               | -                          | -                       | -                        | -                           |
|  | <hr/>                      | <hr/>                   | <hr/>                    | <hr/>                       |
| <b>Totals at historical cost</b>       | 88,516,024                 | 253,059                 | (358,591)                | 88,410,492                  |
|  | <hr/>                      | <hr/>                   | <hr/>                    | <hr/>                       |
| Land improvements                      | (2,545,992)                | (91,885)                | -                        | (2,637,877)                 |
| Building and improvements              | (40,438,210)               | (1,996,960)             | -                        | (42,435,170)                |
| Technology                             | (3,789,998)                | (551,451)               | 246,145                  | (4,095,304)                 |
| Machinery and equipment                | (4,922,230)                | (437,763)               | 27,039                   | (5,332,954)                 |
| General equipment                      | (1,644,456)                | (40,926)                | 71,173                   | (1,614,209)                 |
|  | <hr/>                      | <hr/>                   | <hr/>                    | <hr/>                       |
| <b>Less: accumulated depreciation</b>  | (53,340,886)               | (3,118,985)             | 344,357                  | (56,115,514)                |
|  | <hr/>                      | <hr/>                   | <hr/>                    | <hr/>                       |
| <b>Governmental activities, net</b>    | <u>\$ 35,175,138</u>       | <u>\$ (2,865,926)</u>   | <u>\$ (14,234)</u>       | <u>\$ 32,294,978</u>        |



**Henderson County School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**NOTE 3 – CAPITAL ASSETS (CONTINUED)**

|   | Balance<br>July 1, 2014 | Additions          | Deductions      | Balance<br>June 30, 2015 |
|---|-------------------------|--------------------|-----------------|--------------------------|
| <b><u>BUSINESS TYPE ACTIVITIES:</u></b> |                         |                    |                 |                          |
| Buildings and improvements              | \$ 47,516               | \$ -               | \$ -            | \$ 47,516                |
| Food service equipment                  | 1,289,565               | -                  | (8,661)         | 1,280,904                |
| Technology equipment                    | 119,041                 | -                  | (2,313)         | 116,728                  |
| <b>Totals at historical cost</b>        | <b>1,456,122</b>        | <b>-</b>           | <b>(10,974)</b> | <b>1,445,148</b>         |
| Buildings and improvements              | (19,007)                | (1,901)            | -               | (20,908)                 |
| Food service equipment                  | (1,159,911)             | (24,521)           | 8,661           | (1,175,771)              |
| Technology equipment                    | (90,007)                | (12,967)           | 2,313           | (100,661)                |
| <b>Less: accumulated depreciation</b>   | <b>(1,268,925)</b>      | <b>(39,389)</b>    | <b>10,974</b>   | <b>(1,297,340)</b>       |
| <b>Business type activities, net</b>    | <b>\$ 187,197</b>       | <b>\$ (39,389)</b> | <b>\$ -</b>     | <b>\$ 147,808</b>        |

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

**NOTE 4 – BONDED DEBT AND LEASE OBLIGATIONS**

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

| Issue<br>Date | Issue Name  | Original<br>Amount | Interest<br>Rate | Maturity<br>Date |
|---------------|---|--------------------|------------------|------------------|
| 2007          | School Building Refunding Revenue Bonds 2007      | \$ 4,095,000       | 3.50 - 3.75%     | 2019             |
| 2011          | 2011 School Bld. Refunding Bonds                  | \$ 3,675,000       | 1.00-3.00%       | 2021             |
| 2011          | School Building Revenue Bonds, Series of 2011     | \$ 1,810,000       | 1.00-5.00%       | 2021             |
|               | School Building Refund Revenue Bonds Series 2009- |                    |                  |                  |
| 2009          | North Middle School and South Middle School       | \$ 4,505,000       | 2.00- 3.60%      | 2024             |
| 2012          | School Building Refunding Revenue Bonds 2012      | \$ 2,225,000       | .70%-2.00%       | 2024             |
| 2013          | School Building Revenue Bonds Series 2013         | \$ 1,200,000       | .60%-3.35%       | 2034             |
| 2014          | School Building Revenue Refunding Bonds 2014      | \$ 7,865,000       | .90%-3.00%       | 2030             |
| 2015          | School Building Revenue Bonds Series 2015         | \$ 3,790,000       | 3.00% -3.375%    | 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 statements.

**Henderson County School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**NOTE 4 – BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)**

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, 2015, for debt service (principal and interest) are as follows:

Maturities of Long-Term Debt are as follows for the year ended June 30, 2015:

| Fiscal<br>Year | Henderson County<br>School District |                     | Kentucky School Facility<br>Construction Commission |                   | Totals               |                     |
|----------------|-------------------------------------|---------------------|---|-------------------|----------------------|---------------------|
|                | Principal                           | Interest            | Principal   | Interest          | Principal            | Interest            |
| 2015-16        | \$ 1,304,237                        | \$ 537,659          | \$ 430,763  | \$ 85,657         | \$ 1,735,000         | \$ 623,316          |
| 2016-17        | 1,342,274                           | 512,473             | 437,726   | 78,688            | 1,780,000            | 591,161             |
| 2017-18        | 1,384,691                           | 472,339             | 445,309   | 71,097            | 1,830,000            | 543,436             |
| 2018-19        | 1,424,883                           | 427,849             | 385,117   | 62,100            | 1,810,000            | 489,949             |
| 2019-20        | 1,431,971                           | 385,108             | 393,028   | 54,158            | 1,824,999            | 439,266             |
| 2020-21        | 1,008,051                           | 356,053             | 401,975   | 45,208            | 1,410,026            | 401,261             |
| 2021-22        | 825,634                             | 332,027             | 224,366   | 35,305            | 1,050,000            | 367,332             |
| 2022-23        | 846,125                             | 313,604             | 228,875   | 30,763            | 1,075,000            | 344,367             |
| 2023-24        | 866,523                             | 294,206             | 233,477   | 26,139            | 1,100,000            | 320,345             |
| 2024-25        | 817,488                             | 268,816             | 107,514   | 22,202            | 925,002              | 291,018             |
| 2025-26        | 846,149                             | 243,480             | 113,851   | 18,882            | 960,000              | 262,362             |
| 2026-27        | 871,768                             | 214,875             | 113,232   | 15,476            | 985,000              | 230,351             |
| 2027-28        | 896,791                             | 185,319             | 118,209   | 12,003            | 1,015,000            | 197,322             |
| 2028-29        | 926,739                             | 156,594             | 118,261   | 8,456             | 1,045,000            | 165,050             |
| 2029-30        | 955,942                             | 126,546             | 124,058   | 4,842             | 1,080,000            | 131,388             |
| 2030-31        | 986,295                             | 95,356              | 98,705  | 1,481             | 1,085,000            | 96,837              |
| 2031-32        | 615,000                             | 70,737              | -   | -                 | 615,000              | 70,737              |
| 2032-33        | 500,000                             | 52,644              | -   | -                 | 500,000              | 52,644              |
| 2033-34        | 515,000                             | 35,075              | -   | -                 | 515,000              | 35,075              |
| 2034-35        | 530,000                             | 18,550              | -   | -                 | 530,000              | 18,550              |
| <b>Totals</b>  | <b>\$ 18,895,561</b>                | <b>\$ 5,099,309</b> | <b>\$ 3,974,466</b>                                 | <b>\$ 572,457</b> | <b>\$ 22,870,027</b> | <b>\$ 5,671,766</b> |

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

|  | Balance<br>June 30, 2014 | Additions            | Deductions            | Balance<br>June 30, 2015 | Due Within<br>One Year |
|--|--------------------------|----------------------|-----------------------|--------------------------|------------------------|
| <b><u>Governmental Activities:</u></b>           |                          |                      |                       |                          |                        |
| Long-term debt- School<br>Building Revenue Bonds | \$ 20,910,000            | \$ 11,655,000        | \$ (9,694,973)        | \$ 22,870,027            | \$ 1,735,000           |
| <b><u>Compensated Absences:</u></b>              |                          |                      |                       |                          |                        |
| Accrued Sick Leave                               | 1,035,963                | -                    | (164,234)             | 871,729                  | 208,898                |
| <b>Total Long-Term Liabilities</b>               | <b>\$ 22,597,361</b>     | <b>\$ 11,655,000</b> | <b>\$ (9,859,207)</b> | <b>\$ 23,741,756</b>     | <b>\$ 1,943,898</b>    |

**Henderson County School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**NOTE 4 – BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)**

**Advance Refunding:**

The District issued \$7,865,000 in revenue bonds with interest rates ranging from 2.00% to 3.00%. The proceeds were used to advance refunding the School Building Revenue Bonds (BABS) Series 2010 which had interest rates ranging from 1.00 % to 6.00%. The net proceeds of \$7,865,000 were deposited in an irrevocable trust with an escrow agent to provide funds for future debt service payments on the refunded bonds. As a result of this transaction, the Series 2010 Bonds are considered to be defeased and the liability for these bonds has been removed from the statement of net position. The reacquisition price exceeded the net carrying value of the old debt by \$14,197. This amount is being amortized over the life of the refunding debt. The District as a result of the transaction reduced its debt service by \$801,803, and obtained an economic gain (difference between the present values of debt service payments on old and new debt) of \$645,395.

**NOTE 5 – 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 6-FUND BALANCES**

The following is a summary of fund balances for the fiscal year ended June 30, 2015:

|                              | <b>General<br/>Fund</b> | <b>Construction<br/>Fund</b> | <b>FSPK<br/>Fund</b> | <b>SEEK<br/>Capital Outlay<br/>Fund</b> | <b>Totals</b>        |
|------------------------------|-------------------------|------------------------------|----------------------|---|----------------------|
| <b><u>NON-SPENDABLE:</u></b> |                         |                              |                      |   |                      |
| Prepaid expenses             | \$ 102,674              | \$ -                         | \$ -                 | \$ -                                    | \$ 102,674           |
| <b><u>COMMITTED:</u></b>     |                         |                              |                      |   |                      |
| Sick leave                   | 492,549                 | -                            | -                    | -                                       | 492,549              |
| <b><u>ASSIGNED:</u></b>      |                         |                              |                      |   |                      |
| State Revenue Shortfall      | 749,000                 | -                            | -                    | -                                       | 749,000              |
| 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              |
| Purchase obligations         | 44,261                  | -                            | -                    | -                                       | 44,261               |
| <b>Total Assigned</b>        | <b>3,044,261</b>        | <b>-</b>                     | <b>-</b>             | <b>-</b>                                | <b>3,044,261</b>     |
| <b><u>RESTRICTED:</u></b>    |                         |                              |                      |   |                      |
| Special Programs             | -                       | -                            | -                    | -                                       | -                    |
| Debt Service                 | -                       | -                            | -                    | -                                       | -                    |
| Construction                 | -                       | 3,560,192                    | 181,418              | 200,979                                 | 3,942,589            |
| <b>Total Restricted</b>      | <b>-</b>                | <b>3,560,192</b>             | <b>181,418</b>       | <b>200,979</b>                          | <b>3,942,589</b>     |
| <b><u>UNASSIGNED:</u></b>    | <b>11,465,324</b>       | <b>-</b>                     | <b>-</b>             | <b>-</b>                                | <b>11,465,324</b>    |
| <b>Total Fund Balances</b>   | <b>\$ 15,104,808</b>    | <b>\$ 3,560,192</b>          | <b>\$ 181,418</b>    | <b>\$ 200,979</b>                       | <b>\$ 19,047,397</b> |

**Henderson County School District  
Notes to the Basic Financial Statements  
June 30, 2015**

**NOTE 7 –RETIREMENT PLANS**

**Teachers' Retirement System of the Commonwealth of Kentucky**

**General Information about the Pension Plan**

*Plan description:* The District participates in the Teachers' Retirement System of the Commonwealth of Kentucky (KTRS), a multi-employer, cost sharing, defined benefit plan administered by the Board of Trustees of the Kentucky Teachers' Retirement Systems. Kentucky Teachers' Retirement Systems issues a publicly available financial report that includes financial statements and supplementary information for KTRS. That report can be obtained at <https://ktrs.ky.gov>.

*Benefits provided:* 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. KRS requires that members of KTRS occupy a position requiring either a four year college degree or certification by the Kentucky Department of Education (KDE).

*Contributions:* Contribution rates are established by KRS. Members are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 14.605% of salaries. The federal program for any salaries paid by that program pays the matching contributions.

*Additional benefits:* In addition to the pension benefits described above, KRS 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 age 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.

The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefit, 1.5% of the gross annual payroll of active members paid from non-federal funds is contributed by the District. In addition, the State pays a 1.5% match for the post-retirement healthcare benefit for these employees. Also, the premiums collected from retirees, as described in the plan description, and investment interest help with the medical expenses of the plan.

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

At June 30, 2015, the District reported no liability for its proportionate share of the net pension liability recognized by the State for pension support provided to the District.

**Henderson County School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**NOTE 7 –RETIREMENT PLANS (CONTINUED)**

The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

|   |                              |
|---|------------------------------|
| District's proportionate share of the net pension liability                           | \$ -                         |
| State's proportionate share of the net pension liability associated with the District | <u>222,594,552</u>           |
| Total   | <u><u>\$ 222,594,552</u></u> |

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

For the year ended June 30, 2015, the District recognized pension expense of \$10,907,586 and revenue of \$10,907,586 for support provided by the State.

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

|  |                     |
|--|---------------------|
| Inflation  | 3.50 percent        |
| Salary increases-including inflation   | 4.00 - 8.20 percent |
| Long Term Investment Rate of Return, net of pension plan investment expense, including inflation | 7.50 percent        |
| Municipal Bond Index Rate  |                     |
| Prior Measurement Date   | 4.27 percent        |
| Measurement date   | 4.35 percent        |
| Year FNP projected to be depleted  | 2036                |
| Single Equivalent Interest Rate, net of pension plan investment expense, including inflation     |                     |
| Prior Measurement Date   | 5.16 percent        |
| Measurement Date   | 5.23 percent        |
| Post Retirement Benefit Increases  | 1.50% annually      |

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a set back of 1 year for females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010.

**Henderson County School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**NOTE 7 –RETIREMENT PLANS (CONTINUED)**

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, and provided by KTRS's investment consultant, are summarized in the following table.

| <b>Asset Class</b> | <b>Target Allocation</b> | <b>Long-Term<br/>Expected Rate of<br/>Return</b> |
|--------------------|--------------------------|--|
| U.S. Equity        | 45.0%                    | 6.4%   |
| Non U.S. Equity    | 17.0%                    | 6.5%   |
| Fixed Income       | 24.0%                    | 1.6%   |
| High Yield Bonds   | 4.0%                     | 3.1%   |
| Real Estate        | 4.0%                     | 5.8%   |
| Alternatives       | 4.0%                     | 6.8%   |
| Cash               | 2.0%                     | 1.5%   |
| Totals             | 100.0%                   |  |

*Discount rate:* The discount rate used to measure the total pension liability as of the measurement date was 5.23%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67 and assumed that member contributions will be made at the current contribution rates and that employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of plan members until the 2036 plan year end and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent interest rate. On the prior measurement date, the long-term expected rate of return of 7.50% on plan investments was applied to periods before 2036 and the Municipal Bond Index Rate of 4.27% was applied to periods on or after 2036, resulting in a single equivalent interest rate of 5.16%. There was a change in the Municipal Bond Index Rate from the prior measurement date to the measurement date, so as required under GASB 68, the single equivalent interest rate of 5.23% was calculated using the Municipal Bond Index Rate as of the measurement date (4.35%). This change in the discount rate is considered a change in actuarial assumptions under GASB 68.

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued Teachers' Retirement System of the Commonwealth of Kentucky financial report.

**Henderson County School District  
Notes to the Basic Financial Statements  
June 30, 2015**

**NOTE 7 –RETIREMENT PLANS (CONTINUED)**

**County Employees' Retirement System**

**General Information about the Pension Plan**

*Plan description:* All District employees participate in the County Employees' Retirement System (CERS), a multi-employer, cost sharing, defined benefit plan administered by the Board of Trustees of Kentucky Retirement Systems. Kentucky Retirement Systems issues a publicly available financial report that includes financial statements and supplementary information for CERS. That report can be obtained at <https://kyret.ky.gov>.

*Benefits provided:* CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of the State legislature. Kentucky Revised Statute 61.645 assigns the authority to establish and amend benefit provisions to the Kentucky Retirement Systems Board of Trustees.

*Contributions:* Plan members participating in CERS on or before August 31, 2008, are required to contribute 5% of the annual creditable compensation. For plan members who began participating in CERS on or after September 1, 2008, the contribution rate is 6%. The District is required to contribute at an actuarially determined rate. As of June 30, 2015, the District's required contribution rate was 17.67% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the Kentucky Retirement Systems Board of Trustees. Contributions to CERS from the District were \$1,826,845 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$13,506,155 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the District's proportion was 0.437600%.

For the year ended June 30, 2015, the District recognized pension expense of \$1,136,000. At June 30, 2015, the District reported deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Net difference between projected and actual investment earnings on pension plan investments | \$ -  | \$ 1,585,000                                 |
| District contributions subsequent to the measurement date                                   | <u>1,826,845</u>                              | <u>-</u>                                     |
| Total   | <u>\$ 1,826,845</u>                           | <u>\$ 1,585,000</u>                          |

**Henderson County School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**NOTE 7 –RETIREMENT PLANS (CONTINUED)**

The \$1,826,845 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b><u>Year ended June 30th:</u></b> | <b><u>Amount</u></b>  |
|-------------------------------------|-----------------------|
| 2016                                | \$ (396,250)          |
| 2017                                | (396,250)             |
| 2018                                | (396,250)             |
| 2019                                | (396,250)             |
|                                     | <u>\$ (1,585,000)</u> |

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

|  |       |
|--|-------|
| Inflation  | 3.50% |
| Salary increases-including inflation   | 4.50% |
| Long Term Investment Rate of Return, net of pension plan investment expense, including inflation | 7.75% |

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward 5 years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2008.

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



**Henderson County School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**NOTE 7 –RETIREMENT PLANS (CONTINUED)**

| <b><u>Asset Class</u></b>    | <b><u>Target Allocation</u></b> | <b><u>Long-Term<br/>Expected Rate of<br/>Return</u></b> |
|------------------------------|---------------------------------|---|
| Domestic Equity              | 30.0%                           | 8.45%   |
| International Equity         | 22.0%                           | 8.85%   |
| Emerging Market Equity       | 5.0%                            | 10.50%  |
| Private Equity               | 7.0%                            | 11.25%  |
| Real Estate                  | 5.0%                            | 7.00%   |
| Core U.S. Fixed Income       | 10.0%                           | 5.25%   |
| High Yield U.S. Fixed Income | 5.0%                            | 7.25%   |
| Non U.S. Fixed Income        | 5.0%                            | 5.50%   |
| Commodities                  | 5.0%                            | 7.75%   |
| TIPS                         | 5.0%                            | 5.00%   |
| Cash                         | 1.0%                            | 3.25%   |
| Totals                       | 100.0%                          |   |

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

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate:* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

|  | <b>1%</b>       | <b>Current</b>       | <b>1%</b>       |
|--|-----------------|----------------------|-----------------|
|  | <b>Decrease</b> | <b>Discount Rate</b> | <b>Increase</b> |
|  | <b>(6.75%)</b>  | <b>(7.75%)</b>       | <b>(8.75%)</b>  |
| District's proportionate share<br>of the net pension liability | \$ 18,683,000   | \$ 14,197,000        | \$ 10,234,000   |

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems financial report.

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, 2015**

**NOTE 8 – 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 9– 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 includes Workers' Compensation Insurance, which are retrospectively rated.

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 10 – 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, 2015**

**NOTE 11 – TRANSFER OF FUNDS**

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

| <b><u>From:</u></b> | <b><u>To:</u></b> | <b><u>Amount</u></b> |
|---------------------|-------------------|----------------------|
| General Fund        | Special Revenue   | \$ 157,399           |
| General Fund        | Construction      | 372,578              |
| Special Revenue     | General Fund      | 10,067               |
| Food Service        | General Fund      | 206,505              |
| Capital Outlay      | General Fund      | 1,250,000            |
| FSPK                | General Fund      | 750,000              |
| FSPK                | Debt Service      | 1,899,919            |
| FSPK                | Construction      | 343,070              |
| Debt Service        | Capital Outlay    | 9,657                |
| Debt Service        | FSPK              | 685                  |
| Construction Fund   | General Fund      | 7,678                |
| Construction        | FSPK              | 140,499              |
|                     |                   | <u>\$ 5,148,056</u>  |

**NOTE 12 – ON-BEHALF PAYMENTS**

For the year ended June 30, 2015, total payments of \$19,443,334 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 – 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 15 – SUBSEQUENT EVENTS**

In accordance with ASC 855, subsequent events were evaluated through October 7, 2015 the date these financial statements were issued.

On April 20, 2015 the Board of Education voted to levy a tax increase for the purpose of funding future building projects. Shortly after the resolution for the tax increase was passed, area citizens circulated a petition per KRS 132.107 to have the tax increase placed on the ballot. The petition was validated by the Henderson County Court Clerk subsequent to the fiscal year end and the proposed tax increase will be voted on November 3, 2015.

**Henderson County School District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund**  
**For the year ended June 30, 2015**

|   | <b>BUDGETED AMOUNTS</b> |                   |                   | <b>Variance<br/>with Final<br/>Budget</b> |
|---|-------------------------|-------------------|-------------------|---|
|   | <b>Original</b>         | <b>Final</b>      | <b>Actual</b>     |   |
| <b><u>REVENUES:</u></b>   |                         |                   |                   |   |
| From local sources  |                         |                   |                   |   |
| Taxes:  |                         |                   |                   |   |
| Property  | 10,046,155              | \$ 10,046,155     | \$ 10,165,216     | \$ 119,061                                |
| Motor vehicle and watercraft  | 2,049,573               | 2,049,573         | 2,092,417         | 42,844                                    |
| Utilities   | 3,500,000               | 3,500,000         | 3,990,445         | 490,445                                   |
| Unmined minerals  | 450,000                 | 450,000           | 498,415           | 48,415                                    |
| Franchise   | 725,000                 | 725,000           | 794,338           | 69,338                                    |
| Tuition and fees  | 85,000                  | 85,000            | 112,087           | 27,087                                    |
| Earnings on investments   | 110,000                 | 110,000           | 108,722           | (1,278)                                   |
| Other local revenues  | 551,450                 | 551,450           | 860,321           | 308,871                                   |
| Intergovernmental - intermediate  | 76,700                  | 76,700            | 94,692            | 17,992                                    |
| Intergovernmental - state   | 39,666,097              | 39,666,097        | 46,847,653        | 7,181,556                                 |
| Intergovernmental - direct federal  | 200,000                 | 200,000           | 407,305           | 207,305                                   |
| <b>Total Revenues</b>   | <b>57,459,975</b>       | <b>57,459,975</b> | <b>65,971,611</b> | <b>8,511,636</b>                          |
| <b><u>EXPENDITURES:</u></b>   |                         |                   |                   |   |
| Instruction   | 40,149,402              | 40,149,402        | 44,944,313        | (4,794,911)                               |
| Support services:   |                         |                   |                   |   |
| Student   | 2,872,164               | 2,872,164         | 3,436,055         | (563,891)                                 |
| Instruction staff   | 2,304,268               | 2,304,268         | 2,778,798         | (474,530)                                 |
| District administrative   | 1,601,189               | 1,601,189         | 1,037,955         | 563,234                                   |
| School administrative   | 3,816,346               | 3,816,346         | 4,171,576         | (355,230)                                 |
| Business  | 2,008,460               | 2,008,460         | 1,922,369         | 86,091                                    |
| Plant operation & maintenance   | 7,786,494               | 7,786,494         | 6,426,157         | 1,360,337                                 |
| Student transportation  | 4,684,030               | 4,684,030         | 3,602,024         | 1,082,006                                 |
| Community services  | 9,039                   | 9,039             | 270.00            | 8,769                                     |
| Food service operation  | -                       | -                 | 349               | (349)                                     |
| Contingency   | 5,886,268               | 5,886,268         | -                 | 5,886,268                                 |
| <b>Total Expenditures</b>   | <b>71,117,660</b>       | <b>71,117,660</b> | <b>68,319,866</b> | <b>2,797,794</b>                          |
| Deficiency of Revenues Over Expenditures  | (13,657,685)            | (13,657,685)      | (2,348,255)       | 11,309,430                                |
| <b><u>OTHER FINANCING SOURCES (USES):</u></b>   |                         |                   |                   |   |
| Operating transfers in  | 2,211,818               | 2,211,818         | 2,224,249         | 12,431                                    |
| Operating transfers out   | (243,279)               | (243,279)         | (529,977)         | (286,698)                                 |
| Fixed Asset Disposal  | -                       | -                 | 80,698            | 80,698                                    |
| <b>Total Other Financing Sources (Uses)</b>   | <b>1,968,539</b>        | <b>1,968,539</b>  | <b>1,774,970</b>  | <b>(193,569)</b>                          |
| Deficiency of Revenues And Other Financing<br>Sources Over Expenditures And Other<br>Financing Uses | (11,689,146)            | (11,689,146)      | (573,285)         | 11,115,861                                |
| Fund balance, June 30, 2014   | 15,678,093              | 15,678,093        | 15,678,093        | -   |
| Fund balance, June 30, 2015   | \$ 3,988,947            | \$ 3,988,947      | \$ 15,104,808     | \$ 11,115,861                             |

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**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, 2015**

|   | <b>BUDGETED AMOUNTS</b> |              |               | <b>Variance<br/>with Final<br/>Budget</b> |
|---|-------------------------|--------------|---------------|---|
|   | <b>Original</b>         | <b>Final</b> | <b>Actual</b> |   |
| <b><u>REVENUES:</u></b>   |                         |              |               |   |
| Other local revenues  | 32,052                  | \$ 32,052    | \$ 46,621     | \$ 14,569                                 |
| Intergovernmental- State  | 3,601,616               | 3,601,616    | 3,349,017     | (252,599)                                 |
| Intergovernmental- Indirect Federal                                     | 4,582,929               | 4,582,929    | 5,603,239     | 1,020,310                                 |
| Total Revenues  | 8,216,597               | 8,216,597    | 8,998,877     | 782,280                                   |
| <b><u>EXPENDITURES:</u></b>   |                         |              |               |   |
| Instruction   | 6,184,682               | 6,184,682    | 6,140,290     | 44,392                                    |
| Support Services:   |                         |              |               |   |
| Student   | 341,714                 | 341,714      | 391,922       | (50,208)                                  |
| Instruction Staff   | 913,537                 | 913,537      | 763,241       | 150,296                                   |
| District Administrative   | 284,701                 | 284,701      | 264,381       | 20,320                                    |
| Student Transportation  | -                       | -            | 1,476         | (1,476)                                   |
| Community Service   | 716,749                 | 716,749      | 640,478       | 76,271                                    |
| Total Expenditures  | 8,441,383               | 8,441,383    | 8,201,788     | 239,595                                   |
| Excess (Deficit) of Revenues Over Expenditures                          | (224,786)               | (224,786)    | 797,089       | 1,021,875                                 |
| <b><u>OTHER FINANCING SOURCES (USES):</u></b>                           |                         |              |               |   |
| Operating transfers in  | 232,399                 | 232,399      | 157,399       | (75,000)                                  |
| Operating transfers out   | (7,613)                 | (7,613)      | (10,067)      | (2,454)                                   |
| Total Other Financing Sources   | 224,786                 | 224,786      | 147,332       | (77,454)                                  |
| Deficiency of Revenues Over Expenditures<br>and Other Financing Sources | -                       | -            | 944,421       | 944,421                                   |
| Fund Balance (Deficit), June 30, 2014                                   | -                       | -            | (944,421)     | (944,421)                                 |
| Fund Balance, June 30, 2015   | \$ -                    | \$ -         | \$ -          | \$ -                                      |

**Henderson County School District**  
**Combining Balance Sheet - Non-Major Governmental Funds**  
**As of June 30, 2015**

|   | <b>Construction<br/>Fund</b> | <b>FSPK<br/>Fund</b> | <b>SEEK<br/>Capital<br/>Outlay<br/>Fund</b> | <b>Debt<br/>Service<br/>Fund</b> | <b>Total<br/>Non-Major<br/>Governmental<br/>Funds</b> |
|---|------------------------------|----------------------|---|----------------------------------|---|
| <b><u>ASSETS AND RESOURCES:</u></b>       |                              |                      |   |                                  |   |
| Cash and cash equivalents                 | \$ 56,992                    | \$ 181,418           | \$ 200,979                                  | \$ -                             | \$ 439,389  |
| Accounts receivable                       |                              |                      |   |                                  |   |
| Taxes - current                           | -                            | -                    | -   | -                                | -   |
| Taxes - delinquent                        | -                            | -                    | -   | -                                | -   |
| Other                                     | 3,722,430                    | -                    | -   | -                                | 3,722,430   |
|   | <hr/>                        | <hr/>                | <hr/>                                       | <hr/>                            | <hr/>   |
| Total Assets and Resources                | <u>\$ 3,779,422</u>          | <u>\$ 181,418</u>    | <u>\$ 200,979</u>                           | <u>\$ -</u>                      | <u>\$ 4,161,819</u>                                   |
| <b><u>LIABILITIES:</u></b>                |                              |                      |   |                                  |   |
| Accounts payable                          | \$ 219,230                   | \$ -                 | \$ -  | \$ -                             | \$ 219,230  |
| Accrued payroll and related expenses      | -                            | -                    | -   | -                                | -   |
| Current portion of accumulated sick leave | -                            | -                    | -   | -                                | -   |
| Deferred income                           | -                            | -                    | -   | -                                | -   |
| Total Liabilities                         | <u>219,230</u>               | <u>-</u>             | <u>-</u>                                    | <u>-</u>                         | <u>219,230</u>  |
| <b><u>FUND BALANCES:</u></b>              |                              |                      |   |                                  |   |
| Nonspendable                              | -                            | -                    | -   | -                                | -   |
| Committed                                 | -                            | -                    | -   | -                                | -   |
| Restricted                                | 3,560,192                    | 181,418              | 200,979                                     | -                                | 3,942,589   |
| Assigned                                  | -                            | -                    | -   | -                                | -   |
| Unassigned                                | -                            | -                    | -   | -                                | -   |
|   | <hr/>                        | <hr/>                | <hr/>                                       | <hr/>                            | <hr/>   |
| Total Fund Balances                       | <u>3,560,192</u>             | <u>181,418</u>       | <u>200,979</u>                              | <u>-</u>                         | <u>3,942,589</u>                                      |
|   | <hr/>                        | <hr/>                | <hr/>                                       | <hr/>                            | <hr/>   |
| Total Liabilities and Fund Balances       | <u>\$ 3,779,422</u>          | <u>\$ 181,418</u>    | <u>\$ 200,979</u>                           | <u>\$ -</u>                      | <u>\$ 4,161,819</u>                                   |

**Henderson County School District**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds**  
**For the fiscal year ended June 30, 2015**

|  | Construction<br>Fund | FSPK<br>Fund       | SEEK<br>Capital<br>Outlay<br>Fund | Debt<br>Service<br>Fund | Total<br>Non-major<br>Governmental<br>Funds |
|--|----------------------|--------------------|-----------------------------------|-------------------------|---|
| <b><u>REVENUES:</u></b>  |                      |                    |                                   |                         |   |
| From local sources:  |                      |                    |                                   |                         |   |
| Taxes:   |                      |                    |                                   |                         |   |
| Property   | \$ -                 | \$ 1,456,319       | \$ -                              | \$ -                    | \$ 1,456,319                                |
| Earnings on investments  | -                    | 3,780              | 4,884                             | -                       | 8,664                                       |
| Intergovernmental - State  | -                    | 1,008,013          | 658,033                           | 534,006                 | 2,200,052                                   |
| Intergovernmental - Federal  | -                    | -                  | -                                 | -                       | -   |
| Total Revenues   | <u>-</u>             | <u>2,468,112</u>   | <u>662,917</u>                    | <u>534,006</u>          | <u>3,665,035</u>                            |
| <b><u>EXPENDITURES:</u></b>  |                      |                    |                                   |                         |   |
| Facilities and construction  | 792,545              | -                  | -                                 | -                       | 792,545                                     |
| Debt service   | -                    | -                  | -                                 | 2,497,972               | 2,497,972                                   |
| Total Expenditures   | <u>792,545</u>       | <u>-</u>           | <u>-</u>                          | <u>2,497,972</u>        | <u>3,290,517</u>                            |
| Excess (Deficiency) of Revenues Over Expenditure   | <u>(792,545)</u>     | <u>2,468,112</u>   | <u>662,917</u>                    | <u>(1,963,966)</u>      | <u>374,518</u>                              |
| <b><u>OTHER FINANCING SOURCES (USES):</u></b>  |                      |                    |                                   |                         |   |
| Operating transfers in   | 715,648              | 141,183            | 9,657                             | 1,899,919               | 2,766,407                                   |
| Operating transfers out  | (148,177)            | (2,992,989)        | (1,250,000)                       | (10,339)                | (4,401,505)                                 |
| Payment to refunded bond escrow agent  | -                    | -                  | -                                 | (7,879,973)             | (7,879,973)                                 |
| Refunding bonds issued   | -                    | -                  | -                                 | 7,865,000               | 7,865,000                                   |
| Bond proceeds  | 3,790,000            | -                  | -                                 | -                       | 3,790,000                                   |
| Premium on refunding bonds issued  | -                    | -                  | -                                 | 89,359                  | 89,359                                      |
| Total Other Financing Sources (Uses)   | <u>4,357,471</u>     | <u>(2,851,806)</u> | <u>(1,240,343)</u>                | <u>1,963,966</u>        | <u>2,229,288</u>                            |
| Excess (Deficiency) of Revenues And Other Financing<br>Sources Over Expenditures And Other<br>Financing Sources (Uses) | 3,564,926            | (383,694)          | (577,426)                         | -                       | 2,603,806                                   |
| Fund balance, June 30, 2014  | <u>(4,734)</u>       | <u>565,112</u>     | <u>778,405</u>                    | <u>-</u>                | <u>1,338,783</u>                            |
| Fund balance, June 30, 2015  | <u>\$ 3,560,192</u>  | <u>\$ 181,418</u>  | <u>\$ 200,979</u>                 | <u>\$ -</u>             | <u>\$ 3,942,589</u>                         |

**Henderson County School District**  
**Statement of Receipts, Disbursements, and Fund Balance – Elementary and Middle Schools - Activity Funds**  
**For the year ended June 30, 2015**

|                                      | <b>Cash Balance<br/>July 1, 2014</b> | <b>Receipts<br/>For Year</b> | <b>Disbursements<br/>For Year</b> | <b>Cash Balance<br/>June 30, 2015</b> | <b>Accounts<br/>Receivable</b> | <b>Accounts<br/>Payable</b> | <b>Fund Balance<br/>June 30, 2015</b> |
|--------------------------------------|--------------------------------------|------------------------------|-----------------------------------|---------------------------------------|--------------------------------|-----------------------------|---------------------------------------|
| <b><u>SCHOOL ACTIVITY FUNDS:</u></b> |                                      |                              |                                   |                                       |                                |                             |                                       |
| Bend Gate Elementary                 | \$ 6,096                             | \$ 31,785                    | \$ 29,833                         | \$ 8,048                              | \$ -                           | \$ -                        | \$ 8,048                              |
| Cairo Elementary                     | 14,772                               | 35,753                       | 31,477                            | 19,048                                | -                              | -                           | 19,048                                |
| Central Learning Center              | 1,105                                | 9,923                        | 8,692                             | 2,336                                 | -                              | -                           | 2,336                                 |
| Chandler Elementary                  | 6,019                                | 36,002                       | 33,617                            | 8,404                                 | -                              | -                           | 8,404                                 |
| East Heights Elementary              | 15,695                               | 67,753                       | 60,338                            | 23,110                                | -                              | -                           | 23,110                                |
| Jefferson Elementary                 | 15,071                               | 24,805                       | 25,970                            | 13,906                                | -                              | -                           | 13,906                                |
| Niagara Elementary                   | 19,656                               | 29,624                       | 32,310                            | 16,970                                | -                              | -                           | 16,970                                |
| South Heights Elementary             | 9,663                                | 70,184                       | 66,447                            | 13,400                                | -                              | -                           | 13,400                                |
| Spottsville Elementary               | 15,157                               | 58,417                       | 61,314                            | 12,260                                | -                              | -                           | 12,260                                |
| Thelma B. Johnson ELC                | 12,693                               | 21,353                       | 27,369                            | 6,677                                 | -                              | -                           | 6,677                                 |
| North Middle School                  | 62,810                               | 154,077                      | 156,140                           | 60,747                                | -                              | -                           | 60,747                                |
| South Middle School                  | 36,540                               | 215,889                      | 210,387                           | 42,042                                | -                              | -                           | 42,042                                |
| <b>Totals</b>                        | <b>\$ 215,277</b>                    | <b>\$ 755,565</b>            | <b>\$ 743,894</b>                 | <b>\$ 226,948</b>                     | <b>\$ -</b>                    | <b>\$ -</b>                 | <b>\$ 226,948</b>                     |



**Henderson County School District**  
**Statement of Receipts, Disbursements, and Fund Balance-Henderson County High School-Activity Funds**  
**For the fiscal year ended June 30, 2015**

| <u>Accounts</u>                      | <b>Balance<br/>July 1, 2014</b> | <b>Receipts<br/>For Year</b> | <b>Disbursements<br/>For Year</b> | <b>Cash Balance<br/>June 30, 2015</b> | <b>Accounts<br/>Receivable</b> | <b>Accounts<br/>Payable</b> | <b>Fund Balance<br/>June 30, 2015</b> |
|--------------------------------------|---------------------------------|------------------------------|-----------------------------------|---------------------------------------|--------------------------------|-----------------------------|---------------------------------------|
| <b>Henderson County High School:</b> |                                 |                              |                                   |                                       |                                |                             |                                       |
| Art                                  | \$ 69                           | \$ 362                       | \$ -                              | \$ 431                                | \$ -                           | \$ -                        | \$ 431                                |
| Athletic                             | 15,906                          | 179,228                      | 154,491                           | 40,643                                | 388                            | 20,660                      | 20,371                                |
| Band                                 | 32,246                          | 182,242                      | 171,396                           | 43,092                                | 2,553                          | 107                         | 45,538                                |
| Bookstore                            | 10,084                          | 4,443                        | 8,302                             | 6,225                                 | 3,500                          | -                           | 9,725                                 |
| Clubs                                | 240,117                         | 657,807                      | 639,449                           | 258,475                               | 4,910                          | 3,420                       | 259,965                               |
| General Fund                         | 11,139                          | 57,978                       | 57,796                            | 11,321                                | -                              | -                           | 11,321                                |
| Industrial Technology                | 5,927                           | 7,955                        | 6,790                             | 7,092                                 | -                              | -                           | 7,092                                 |
| Media                                | 75,460                          | 25,646                       | 19,466                            | 81,640                                | -                              | -                           | 81,640                                |
| Memorial Funds                       | 427                             | 200                          | 400                               | 227                                   | -                              | -                           | 227                                   |
| School concessions                   | 10,682                          | 18,073                       | 18,868                            | 9,887                                 | -                              | -                           | 9,887                                 |
| Supplies                             | 10,986                          | 70,637                       | 56,214                            | 25,409                                | -                              | -                           | 25,409                                |
| Speech and drama                     | 3,179                           | 4,964                        | 2,752                             | 5,391                                 | -                              | -                           | 5,391                                 |
| Student council                      | 206                             | -                            | 187                               | 19                                    | -                              | -                           | 19                                    |
| Textbooks                            | 24,290                          | 28,526                       | 10,616                            | 42,200                                | 14,040                         | -                           | 56,240                                |
| Scholarship Funds                    | 14,307                          | 16,937                       | 8,850                             | 22,394                                | -                              | -                           | 22,394                                |
| <b>Totals</b>                        | <b>\$ 455,025</b>               | <b>\$ 1,254,998</b>          | <b>\$ 1,155,577</b>               | <b>\$ 554,446</b>                     | <b>\$ 25,391</b>               | <b>\$ 24,187</b>            | <b>\$ 555,650</b>                     |

**HENDERSON COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION**  
**LIABILITY**  
**Kentucky Teachers' Retirement System**  
Last 10 Fiscal Years\*

|   | <u>2015</u>           |
|---|-----------------------|
| District's proportion of the net pension liability  | 0.00%                 |
| District's proportionate share of the net pension liability   | \$ -                  |
| State's proportionate share of the net pension liability associated with the District                       | <u>222,594,552</u>    |
| Total   | <u>\$ 222,594,552</u> |
| District's covered-employee payroll   | <u>\$ 35,915,858</u>  |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | <u>0.00%</u>          |
| Plan fiduciary net position as a percentage of the total pension liability                                  | <u>45.59%</u>         |

\*Information for years prior to 2015 is not available.

**HENDERSON COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**Kentucky Teachers Retirement System**  
Last 10 Fiscal Years\*

|   | <u>2015</u>          |
|---|----------------------|
| Statutorily required contribution                                     | \$ -                 |
| Contributions in relation to the<br>statutorily required contribution | <u>-</u>             |
| Contribution deficiency (excess)                                      | <u>\$ -</u>          |
| District's covered-employee payroll                                   | <u>\$ 35,915,858</u> |
| Contributions as a percentage of<br>covered-employee payroll          | <u>0.00%</u>         |

\*Information for years prior to 2015 is not available.

**HENDERSON COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION**  
**LIABILITY**

**County Employees' Retirement System**

Last 10 Fiscal Years\*

|   | <u>2015</u>          |
|---|----------------------|
| District's proportion of the net pension liability  | 0.437600%            |
| District's proportionate share of the net pension liability   | <u>\$ 14,197,000</u> |
| District's covered-employee payroll   | <u>\$ 10,338,681</u> |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | <u>137.32%</u>       |
| Plan fiduciary net position as a percentage of the total pension liability                                  | <u>66.80%</u>        |

\*Information for years prior to 2015 is not available.

**HENDERSON COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**County Employees' Retirement System**  
Last 10 Fiscal Years

|   | <u>2015</u>          | <u>2014</u>          | <u>2013</u>         | <u>2012</u>         | <u>2011</u>   | <u>2010</u>   | <u>2009</u>   | <u>2008</u>   | <u>2007</u>   | <u>2006</u>   |
|---|----------------------|----------------------|---------------------|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Statutorily required contribution                                     | \$ 1,826,845         | \$ 1,926,889         | \$ 1,893,530        | \$ 1,512,997        | n/a           | n/a           | n/a           | n/a           | n/a           | n/a           |
| Contributions in relation to the<br>statutorily required contribution | <u>(1,826,845)</u>   | <u>(1,926,889)</u>   | <u>(1,893,530)</u>  | <u>(1,512,997)</u>  | <u>n/a</u>    | <u>n/a</u>    | <u>n/a</u>    | <u>n/a</u>    | <u>n/a</u>    | <u>n/a</u>    |
| Contribution deficiency (excess)                                      | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>         | <u>\$ -</u>         | <u>n/a</u>    | <u>n/a</u>    | <u>n/a</u>    | <u>n/a</u>    | <u>n/a</u>    | <u>n/a</u>    |
| District's covered-employee payroll                                   | <u>\$ 10,338,681</u> | <u>\$ 10,200,577</u> | <u>\$ 9,685,575</u> | <u>\$ 7,979,942</u> | <u>n/a</u>    | <u>n/a</u>    | <u>n/a</u>    | <u>n/a</u>    | <u>n/a</u>    | <u>n/a</u>    |
| Contributions as a percentage of covered-<br>employee payroll         | <u>17.67%</u>        | <u>18.89%</u>        | <u>19.55%</u>       | <u>18.96%</u>       | <u>16.93%</u> | <u>16.16%</u> | <u>13.50%</u> | <u>16.17%</u> | <u>13.19%</u> | <u>10.98%</u> |

n/a Information not available for these years.