

Henderson County School District

Independent Auditors' Report on Basic Financial Statements
and Supplementary Information
For the fiscal year ended June 30, 2016

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henderson County School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, 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; 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, 2016, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 14 to the basic financial statements, net position for the fiscal year ended June 30, 2015 was adjusted for an error in the determination of the net pension liability. Our opinions are not modified with respect to this matter.

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 43 and 44, and schedules of the District's proportionate share of net pension liabilities and pension contributions on pages 49 through 53 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 on pages 45-48 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2016 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
November 1, 2016

Henderson County Schools

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HENDERSON COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016. 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 \$19,047,397. The ending fund balance was \$17,631,834, which was a decrease of \$1,415,563.
- 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 decreased by \$2,537,360 during the year, while current liabilities decreased by \$721,168, resulting in a current ratio of 4.38, 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 evidenced by additions to capital assets of \$4,455,816 (at cost).

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, 2016**

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, 2016**

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, 2016

	June 30, 2016	June 30, 2015	Change
Current assets	\$ 21,409,569	\$ 23,766,929	\$ (2,357,360)
Capital or non-current assets	33,920,793	32,442,786	1,478,007
Deferred outflows	3,451,131	1,826,845	1,624,286
Total Assets and Deferred Outflows	58,781,493	58,036,560	744,933
Current liabilities	4,892,322	5,613,490	(721,168)
Non-current liabilities	38,846,916	35,304,013	3,542,903
Total Liabilities	43,739,238	40,917,503	2,821,735
Deferred Inflows	28,314	1,674,349	(1,646,035)
Investment in capital assets, net of related debt	12,700,883	9,572,759	3,128,124
Restricted	1,897,312	3,942,589	(2,045,277)
Unassigned	415,746	1,929,360	(1,513,614)
Total Net Financial Position	\$ 15,013,941	\$ 15,444,708	\$ (430,767)

Total net assets and deferred inflows exceeded the total liabilities and deferred inflows by \$15,013,941 which indicates that the District remains in good financial condition. The primary factor resulting in the decrease in net position of \$430,767 was the decrease in revenues resulting from less grant funds being received from state and federal sources.

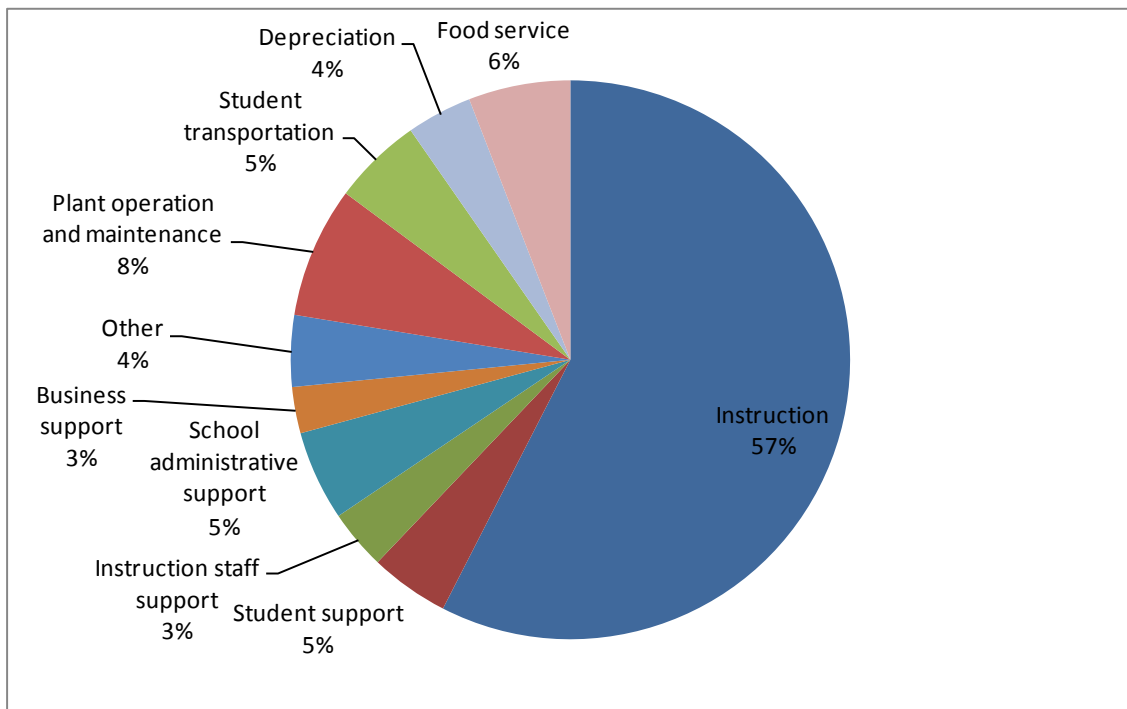
The current assets decreased by \$2,357,360 during the fiscal year and net capital assets increased by \$1,478,007. Total acquisitions of capital assets during the year were \$4,455,816, while depreciation of assets totaled \$2,977,809. This resulted in a net increase in capital assets of \$1,478,007. The net increase in the unfunded pension liability resulted in a net increase in long-term liabilities of \$3,542,903. The District made a prior period adjustment of the net position of \$1,214,444, which was a decrease due to an error in determination of the net pension liability in prior year. All of these factors resulted in a decrease in net position of \$430,767 for the year ended June 30, 2016.

The District's total revenues were \$78,329,583 and the total expenditures were \$77,545,906 which resulted in an increase in net position of \$783,677 before the prior period adjustments.

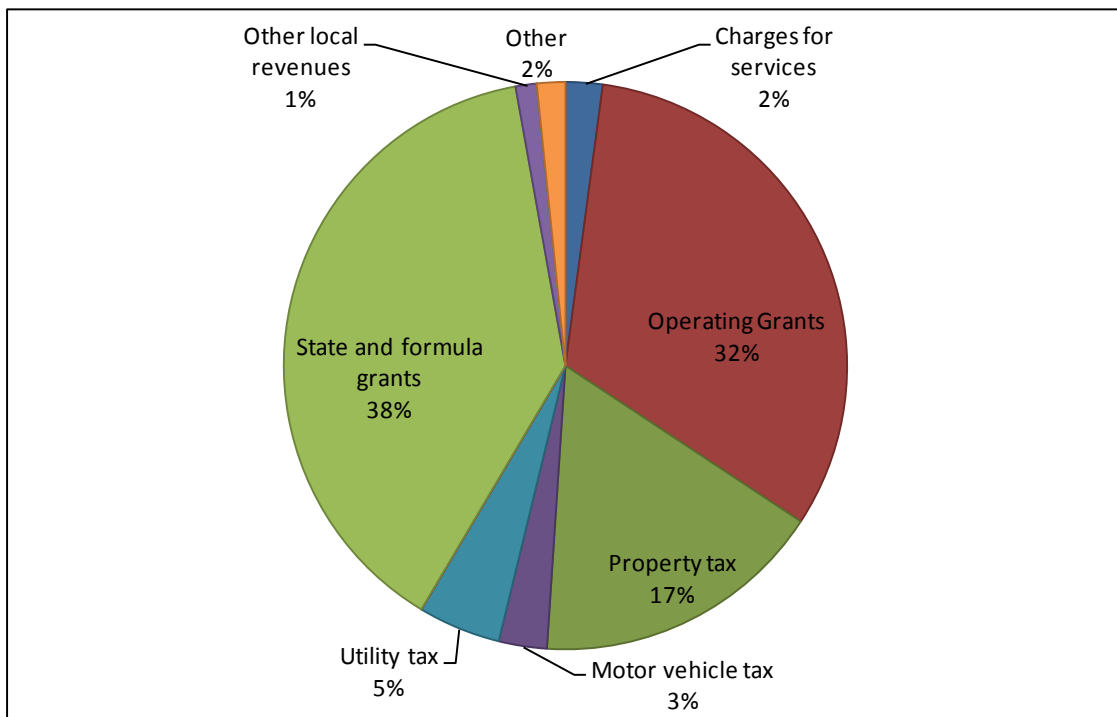
- State revenues accounted for 38.6 % of the total revenues while local taxes accounted for 25.7%.
- Expenditures totaled \$77,545,906, with \$44,610,864 or 57.5% of total being expended towards student instruction.

**HENDERSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Expenditures:



Revenues:



**HENDERSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Governmental Fund Highlights

- The General Fund revenues for the year were \$59.4 million, with \$40.8 million coming from state revenues, \$319k from federal and the remaining \$18.3 million from local sources.
- Total General Fund Expenditures were \$59.2 million, with instruction costs being the largest expense area at \$37 million.
- The net excess of revenues over expenditures was \$624,508 resulting in an increase in the General Fund balance.
- The Special Revenue fund expenditures for the year were \$8.3 million. Two major sources of revenues for this fund were State Grants totaling \$3.8 million and Federal Grants totaling \$4.5 million.
- The Other Governmental Funds also included debt service payments of \$2.4 million.
- Total ending fund balances as for June 30, 2016 were \$15.7 million in the General Fund and \$1.9 million in the Other Governmental Funds for a total of \$17.6 million.

Commentary on General Fund Budgetary Comparisons

- The actual revenues and expenditures both include \$13.5 million of on behalf payments. These represent payments for employee benefits paid at the state level on behalf of the Henderson County School District. The following comments are net of these on-behalf payments.
- Total revenues in relation to budgeted amounts were \$5.5 million unfavorable. The major revenue line items that were below amounts budgeted were intergovernmental state funds, most notably on-behalf payments. This large variance was due to KDE changing the method of how these on-behalf payments were calculated. This occurred after the Working Budget had been approved and finalized.
- Total expenditures were \$59.2 million, with expenditures in relation to budgeted amounts being \$17.3 million favorable. The budget included a contingency of \$5.8 million with no actual expenditures and the actual included \$13.5 million of on behalf payments with \$19 million of the corresponding budget.

21st Century Learning Environments

The condition of the physical infrastructure is integral to the core mission of the district. With the passing of the Nickel tax, the district will have the resources available to expand, improve, and maintain its properties. For every dollar raised, the state matches it at approximately \$0.68. This tax created a healthy bonding capacity for the district which allows us to begin construction on a new facility for Spottsville Elementary School. In addition to the increased bonding potential, the Nickel tax brought in additional revenue of \$1.5 million that will allow us to have cash available for upgrades to facilities.

Future Budgetary Considerations

In Kentucky, the public schools operate on a July 1, to June 30th fiscal year, other programs such as some federal programs, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have at least a 2% contingency. The district adopted a budget for fiscal year 2016, with a \$5,886,268, or 6.67%, 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.

**HENDERSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 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. In 2016, the contribution rate to the County Employees' Retirement System was 12.42% of annual covered payroll as relating to pensions, and 4.64% as relating to postemployment healthcare benefits. 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 our 1:1 initiative and the need to keep pace with an ever changing technological society. The District Technology Plan will help guide the district's technology decisions. The plan objectives, expectations, indicators, targets, and action plans are reviewed and modified in order to accommodate technology changes and/or funding challenges. The plan articulates our common vision and identifies strategies for the use of technology in developing critical thinking skills that are essential for academic and workplace success.

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

Henderson County School District
Government-Wide Financial Statements - Statement of Net Position
As of June 30, 2016

	Governmental Activities	Business Type Activities	Total
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 19,315,600	\$ 677,653	\$ 19,993,253
Inventory	-	109,821	109,821
Accounts receivable:			
Taxes - current	495,103	-	495,103
Accounts receivable	3,536	52,900	56,436
Intergovernmental - indirect	754,956	-	754,956
Total Current Assets	20,569,195	840,374	21,409,569
<u>Noncurrent Assets:</u>			
Capital assets, net	33,718,454	202,339	33,920,793
Total Noncurrent Assets	33,718,454	202,339	33,920,793
<u>Deferred Outflows of Resources:</u>			
Deferred outflows related to pension liability	3,451,131	-	3,451,131
Total Deferred Outflows of Resources	3,451,131	-	3,451,131
Total Assets and Deferred Outflows of Resources	\$ 57,738,780	\$ 1,042,713	\$ 58,781,493
<u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Accounts payable	\$ 790,599	\$ 10,037	\$ 800,636
Accrued payroll and related expenses	878,281	78,652	956,933
Unearned revenue	1,168,031	-	1,168,031
Current portion of bond obligations	1,780,000	-	1,780,000
Current portion of accrued sick leave	100,450	-	100,450
Interest payable	86,272	-	86,272
Total Current Liabilities	4,803,633	88,689	4,892,322
<u>Noncurrent Liabilities:</u>			
Noncurrent portion of bond obligations	19,439,910	-	19,439,910
Unfunded pension liability-CERS	18,767,532	-	18,767,532
Noncurrent portion of accrued sick leave	639,474	-	639,474
Total Noncurrent Liabilities	38,846,916	-	38,846,916
Total Liabilities	43,650,549	88,689	43,739,238
<u>Deferred Inflows of Resources:</u>			
Deferred inflows related to pension liability	28,314	-	28,314
Total Deferred Inflows of Resources	28,314	-	28,314
Total Liabilities and Deferred Inflows of Resources	43,678,863	88,689	43,767,552
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	\$ 12,498,544	\$ 202,339	\$ 12,700,883
Restricted	1,897,312	-	1,897,312
Unrestricted	(335,939)	751,685	415,746
Total Net Position	\$ 14,059,917	\$ 954,024	\$ 15,013,941

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, 2016

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Governmental Activities	Business Type Activities	Total
<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>					
<u>Governmental Activities:</u>						
Instruction	\$ 44,610,864	\$ 137,401	\$ 18,506,293	\$ (25,967,170)	\$ -	\$ (25,967,170)
Support services:						
Student	3,548,108	-	794,594	(2,753,514)	-	(2,753,514)
Instruction staff	2,681,559	-	164,842	(2,516,717)	-	(2,516,717)
District administrative	1,161,975	-	53,439	(1,108,536)	-	(1,108,536)
School administrative	4,034,673	-	856,499	(3,178,174)	-	(3,178,174)
Business	2,076,172	-	249,494	(1,826,678)	-	(1,826,678)
Plant operation and maintenance	5,882,103	-	412,202	(5,469,901)	-	(5,469,901)
Student transportation	4,006,519	-	412,202	(3,594,317)	-	(3,594,317)
Facilities acquisition and construction	221,972	-	-	(221,972)	-	(221,972)
Community service activities	626,562	-	-	(626,562)	-	(626,562)
Interest on long-term debt	598,688	-	-	(598,688)	-	(598,688)
Depreciation	2,934,834	-	-	(2,934,834)	-	(2,934,834)
Total Governmental Services	<u>72,384,029</u>	<u>137,401</u>	<u>21,449,565</u>	<u>(50,797,063)</u>	<u>-</u>	<u>(50,797,063)</u>
<u>Business Type Activities:</u>						
Food service	4,566,970	991,483	3,636,577	-	61,090	61,090
Daycare operations	<u>594,907</u>	<u>537,504</u>	<u>79,058</u>	<u>-</u>	<u>21,655</u>	<u>21,655</u>
Total Business Activities	<u>5,161,877</u>	<u>1,528,987</u>	<u>3,715,635</u>	<u>-</u>	<u>82,745</u>	<u>82,745</u>
 Total Activities	 <u>\$ 77,545,906</u>	 <u>\$ 1,666,388</u>	 <u>\$ 25,165,200</u>			 <u>\$ (50,714,318)</u>
<u>General Revenues:</u>						
Taxes:						
Property tax				\$ 13,155,076	\$ -	\$ 13,155,076
Motor vehicle tax				2,162,865	-	2,162,865
Utility tax				3,712,827	-	3,712,827
Unmined minerals				328,514	-	328,514
Franchise tax				804,480	-	804,480
Investment earnings				130,244	2,688	132,932
State and formula grants				30,242,099	-	30,242,099
Other local revenues				948,365	-	948,365
Disposal of assets				10,837	-	10,837
Transfers				226,372	(226,372)	-
Total General Revenues				<u>51,721,679</u>	<u>(223,684)</u>	<u>51,497,995</u>
Change in Net Position				924,616	(140,939)	783,677
Prior period adjustment				(1,214,444)	-	(1,214,444)
Net Position - Beginning				14,349,745	1,094,963	15,444,708
Net Position - Ending				<u>\$ 14,059,917</u>	<u>\$ 954,024</u>	<u>\$ 15,013,941</u>

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

Henderson County School District
Balance Sheet - Governmental Funds
As of June 30, 2016

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
<u>ASSETS AND RESOURCES:</u>				
Cash and cash equivalents	\$ 16,487,998	\$ 560,588	\$ 2,267,014	\$ 19,315,600
Accounts receivable:				
Taxes - current	495,103	-	-	495,103
Accounts receivable	3,536	-	-	3,536
Intergovernmental - State	-	754,956	-	754,956
Total Assets and Resources	<u>\$ 16,986,637</u>	<u>\$ 1,315,544</u>	<u>\$ 2,267,014</u>	<u>\$ 20,569,195</u>
<u>LIABILITIES AND FUND BALANCES:</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 333,289	\$ 92,814	\$ 364,496	\$ 790,599
Accrued payroll and related expenses	823,582	54,699	-	878,281
Current portion of accumulated sick leave	100,450	-	-	100,450
Unearned revenue	-	1,168,031	-	1,168,031
Total Liabilities	<u>1,257,321</u>	<u>1,315,544</u>	<u>364,496</u>	<u>2,937,361</u>
<u>FUND BALANCES:</u>				
Restricted	-	-	1,897,312	1,897,312
Committed	639,475	-	-	639,475
Assigned	3,018,531	-	-	3,018,531
Unassigned	12,071,310	-	5,206	12,076,516
Total Fund Balances	<u>15,729,316</u>	<u>-</u>	<u>1,902,518</u>	<u>17,631,834</u>
Total Liabilities and Fund Balances	<u>\$ 16,986,637</u>	<u>\$ 1,315,544</u>	<u>\$ 2,267,014</u>	<u>\$ 20,569,195</u>

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, 2016

Total fund balance per fund financial statements	\$	17,631,834
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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.

Gross capital assets	\$ 92,454,473	
Accumulated depreciation	<u>(58,736,019)</u>	33,718,454

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	\$ (18,767,532)	
Deferred outflows of resources	3,451,131	
Deferred inflows of resources	(28,314)	
Long-term debt	(21,219,910)	
Long-term portion sick leave accrual	(639,474)	
Accrued interest expense	<u>(86,272)</u>	<u>(37,290,371)</u>

Net position for governmental activities	\$	<u><u>14,059,917</u></u>
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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, 2016

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
<u>REVENUES:</u>				
From local sources:				
Taxes:				
Property	\$ 10,165,861	\$ -	\$ 2,989,215	\$ 13,155,076
Motor vehicle and watercraft	2,162,865	-	-	2,162,865
Utilities	3,712,827	-	-	3,712,827
Unmined minerals	328,514	-	-	328,514
Franchise	804,480	-	-	804,480
Tuition and fees	137,401	-	-	137,401
Earnings on investments	124,327	-	5,917	130,244
Other local revenues	779,987	35,514	132,865	948,366
Intergovernmental - intermediate	103,364	24,948	-	128,312
Intergovernmental - state	40,810,877	3,768,278	2,186,984	46,766,139
Intergovernmental - indirect federal	-	4,412,197	-	4,412,197
Intergovernmental - direct federal	319,440	90,230	-	409,670
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	59,449,943	8,331,167	5,314,981	73,096,091
	<hr/>	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES:</u>				
Instruction	37,266,416	6,374,195	121,480	43,762,091
Support services:				
Student	3,211,143	336,965		3,548,108
Instruction staff	1,733,566	947,993	-	2,681,559
District administrative	972,909	189,066	-	1,161,975
School administrative	4,034,673	-	-	4,034,673
Business	2,076,172	-	-	2,076,172
Plant operation and maintenance	5,882,103	-	6,179	5,888,282
Student transportation	4,004,923	1,595	-	4,006,518
Facilities acquisition and construction	-	-	4,580,282	4,580,282
Community service activities	-	626,562	-	626,562
Debt service	-	-	2,382,641	2,382,641
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	59,181,905	8,476,376	7,090,582	74,748,863
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (Deficit) of Revenues Over Expenditures	268,038	(145,209)	(1,775,601)	(1,652,772)
	<hr/>	<hr/>	<hr/>	<hr/>
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in	502,500	156,867	3,542,127	4,201,494
Operating transfers out	(156,867)	(11,658)	(3,806,597)	(3,975,122)
Disposal of assets	10,837	-	-	10,837
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources	356,470	145,209	(264,470)	237,209
	<hr/>	<hr/>	<hr/>	<hr/>
Change in fund balance	624,508	-	(2,040,071)	(1,415,563)
Fund Balance, June 30, 2015	15,104,808	-	3,942,589	19,047,397
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance, June 30, 2016	\$ 15,729,316	\$ -	\$ 1,902,518	\$ 17,631,834
	<hr/>	<hr/>	<hr/>	<hr/>

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 -
Governmental Funds to the Statement of Activities
For the fiscal year ended June 30, 2016

Net change in total fund balances per fund financial statements	\$	(1,415,563)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources but they are presented as assets in the statement of financial position and depreciated over their estimated economic lives. The difference is the amount by which depreciation exceeds capital outlays for the year.

Depreciation expense	\$	(2,934,834)	
Capital outlay		4,358,310	1,423,476

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.

Bond principal payments	\$	1,735,000	
Amortization expense		4,457	1,739,457

Change in noncurrent portion of accrued sick leave		23,357
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Change in interest payable		19,841
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Change in GASB 68 (Including deferred inflows and outflows)

Pension expense	\$	(2,100,382)	
Actual contributions		1,234,430	(865,952)

Change in net position after effect of change in accounting principle	\$	924,616
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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, 2016

	Food Service Fund	Child Care Fund	Adult Education Fund	Total
<u>ASSETS</u>				
Current Assets:				
Cash and cash equivalents	\$ 349,840	\$ 327,493	\$ 320	\$ 677,653
Inventory	109,821	-	-	109,821
Accounts receivable	52,900	-	-	52,900
Total Current Assets	512,561	327,493	320	840,374
Noncurrent Assets:				
Capital assets	1,489,168	47,516	-	1,536,684
Less: accumulated depreciation	(1,311,537)	(22,808)	-	(1,334,345)
Total Noncurrent Assets	177,631	24,708	-	202,339
Total Assets	\$ 690,192	\$ 352,201	\$ 320	\$ 1,042,713
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts payable	\$ 7,337	\$ 2,700	\$ -	\$ 10,037
Accrued payroll and related expenses	34,600	44,052	-	78,652
Total Current Liabilities	41,937	46,752	-	88,689
<u>NET POSITION:</u>				
Invested in capital assets	177,631	24,708	-	202,339
Unrestricted	470,624	280,741	320	751,685
Net Position	648,255	305,449	320	954,024
Total Liabilities and Net Position	\$ 690,192	\$ 352,201	\$ 320	\$ 1,042,713

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, 2016

	Food Service Fund	Child Care Fund	Adult Education Fund	Total
<u>OPERATING REVENUES:</u>				
Lunchroom sales	\$ 943,106	\$ -	\$ -	\$ 943,106
Other operating revenues	48,377	537,504	-	585,881
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Revenues	991,483	537,504	-	1,528,987
	<hr/>	<hr/>	<hr/>	<hr/>
<u>OPERATING EXPENSES:</u>				
Salaries and wages	1,352,627	399,087	-	1,751,714
Materials and supplies	2,388,194	15,645	-	2,403,839
Depreciation	41,073	1,901	-	42,974
Other operating expenses	785,076	178,274	-	963,350
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Expenses	4,566,970	594,907	-	5,161,877
	<hr/>	<hr/>	<hr/>	<hr/>
Operating Loss	(3,575,487)	(57,403)	-	(3,632,890)
	<hr/>	<hr/>	<hr/>	<hr/>
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
Federal grants	3,016,442	-	-	3,016,442
Donated commodities	294,916	-	-	294,916
State grants	37,537	-	-	37,537
Other state	287,682	79,058	-	366,740
Interest income	2,688	-	-	2,688
	<hr/>	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues	3,639,265	79,058	-	3,718,323
	<hr/>	<hr/>	<hr/>	<hr/>
Loss Before Other Financing Sources/Uses	63,778	21,655	-	85,433
	<hr/>	<hr/>	<hr/>	<hr/>
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers out	(226,372)	-	-	(226,372)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Uses	(226,372)	-	-	(226,372)
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net position	(162,594)	21,655	-	(140,939)
	<hr/>	<hr/>	<hr/>	<hr/>
Net position, June 30, 2015	810,849	283,794	320	1,094,963
	<hr/>	<hr/>	<hr/>	<hr/>
Net position, June 30, 2016	\$ 648,255	\$ 305,449	\$ 320	\$ 954,024
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, 2016

	Food Service Fund	Child Care Fund	Adult Education Fund	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash receipts from:				
Lunchroom sales	\$ 943,106	\$ -	\$ -	\$ 943,106
Other activities	48,377	537,507	-	585,884
Cash payments for:				
Employees	(1,352,799)	(399,599)	-	(1,752,398)
Supplies	(2,042,281)	(15,100)	-	(2,057,381)
Other operating expenses	(785,076)	(178,278)	-	(963,354)
Net Cash Used In Operating Activities	(3,188,673)	(55,470)	-	(3,244,143)
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>				
Receipt of interest income	2,688	-	-	2,688
Operating transfers out	(226,372)	-	-	(226,372)
Cash received for operating grants	3,317,723	79,058	-	3,396,781
Net Cash Provided By Non-Capital Financing Activities	3,094,039	79,058	-	3,173,097
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</u>				
Purchase of equipment	(97,505)	-	-	(97,505)
Net cash used by capital financing activities	(97,505)	-	-	(97,505)
Net Increase (Decrease) In Cash And Cash Equivalents	(192,139)	23,588	-	(168,551)
Cash and Cash Equivalents, June 30, 2015	541,979	303,905	320	846,204
Cash and Cash Equivalents, June 30, 2016	\$ 349,840	\$ 327,493	\$ 320	\$ 677,653

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, 2016

	Food Service Fund	Child Care Fund	Adult Education Fund	Total
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED</u>				
<u>IN OPERATING ACTIVITIES:</u>				
Operating income (loss)	\$ (3,575,487)	\$ (57,403)	\$ -	\$ (3,632,890)
<u>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH</u>				
<u>USED IN OPERATING ACTIVITIES:</u>				
Depreciation	41,073	1,901	-	42,974
Changes in operating assets and liabilities				
Inventory	57,016	-	-	57,016
Donated commodities	294,916	-	-	294,916
Accounts payable	(6,019)	544.00	-	(5,475)
Accrued expenses	(172)	(512)	-	(684)
Net Cash Provided (Used) In Operating Activities	<u>\$ (3,188,673)</u>	<u>\$ (55,470)</u>	<u>\$ -</u>	<u>\$ (3,244,143)</u>
<u>SCHEDULE OF NON-CASH FINANCING ACTIVITIES:</u>				
Donated commodities received from federal government	<u>\$ 294,916</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 294,916</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, 2016

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 767,489
Accounts receivable	<u>-</u>
Total Assets	<u>\$ 767,489</u>
<u>LIABILITIES</u>	
Accounts payable	\$ -
Due to student groups	<u>767,489</u>
Total Liabilities	<u>767,489</u>
Net Position	<u>\$ -</u>

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

Henderson County School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

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
For the fiscal year ended June 30, 2016

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 District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B) The Special Revenue (Grant) Fund accounts 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 (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 - 3) The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

**Henderson County School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D) Debt Service Fund

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.

E) District 21 Revenue Fund:

This fund essentially is used to hold monies transferred from school activity funds to be spent for the purpose of allowable student activities.

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 Accounting Procedures for Kentucky School Activity Funds.

BASIS OF ACCOUNTING

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

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

Non-exchange 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

**Henderson County School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016**

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

Revenues – Exchange and Non-exchange Transactions, continued –

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.

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, 2016, 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
For the fiscal year ended June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS(CONTINUED)

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

<u>Depreciation</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Buildings and improvements	25 - 50 Years
Land improvements	20 Years
Technology equipment	5 Years
Vehicles	5 -10 Years
Audio-visual equipment	15 Years
Food service equipment	10 - 12 Years
Furniture and fixtures	7 Years
Rolling stock	15 Years
Other	10 Years

INTER-FUND BALANCES

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

ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

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

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

For governmental fund financial statements the current portion of unpaid 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
For the fiscal year ended June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETARY PROCESS(CONTINUED)

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

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

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

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

The Food Service Fund uses the specific identification method.

PREPAID ASSETS

Payments made that will benefit periods beyond June 30, 2016, 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
For the fiscal year ended June 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCES(CONTINUED)

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

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

Unassigned - Includes positive fund balances within the General Fund which have not been classified in any of the above mentioned categories.

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
For the fiscal year ended June 30, 2016**

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.

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 \$20,760,742. 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, 2016, 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, 2016:

Financial Institution:

Independence Bank	\$ 19,993,253
Independence Bank-Activity Funds	<u>767,489</u>
Totals	<u><u>\$ 20,760,742</u></u>

Allocation per Financial Statements:

Governmental Funds	\$ 19,315,600
Business Type Funds	677,653
Agency Funds	<u>767,489</u>
Totals	<u><u>\$ 20,760,742</u></u>

Henderson County School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

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, 2016, was as follows:

	Balance			Balance
<u>GOVERNMENTAL ACTIVITIES:</u>	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2016</u>
Land	\$ 989,487	\$ -	\$ -	\$ 989,487
Land improvements	3,399,886	-	-	3,399,886
Building and improvements	69,326,295	3,694,606	-	73,020,901
Technology	5,292,700	-	(6,881)	5,285,819
Machinery and equipment	7,565,960	592,052	(304,301)	7,853,711
General equipment	1,836,164	71,652	(3,147)	1,904,669
Construction in progress	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Totals at historical cost	88,410,492	4,358,310	(314,329)	92,454,473
	<hr/>	<hr/>	<hr/>	<hr/>
Land improvements	(2,637,877)	(90,086)	-	(2,727,963)
Building and improvements	(42,435,170)	(1,936,639)	-	(44,371,809)
Technology	(4,095,304)	(442,226)	6,881	(4,530,649)
Machinery and equipment	(5,332,954)	(425,688)	304,301	(5,454,341)
General equipment	(1,614,209)	(40,195)	3,147	(1,651,257)
	<hr/>	<hr/>	<hr/>	<hr/>
Less: accumulated depreciation	(56,115,514)	(2,934,834)	314,329	(58,736,019)
	<hr/>	<hr/>	<hr/>	<hr/>
Governmental activities, net	<u>\$ 32,294,978</u>	<u>\$ 1,423,476</u>	<u>\$ -</u>	<u>\$ 33,718,454</u>

**Henderson County School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016**

NOTE 3 – CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<u>BUSINESS TYPE ACTIVITIES:</u>				
Buildings and improvements	\$ 47,516	\$ -	\$ -	\$ 47,516
Food service equipment	1,280,904	97,506	(5,969)	1,372,441
Technology equipment	116,728	-	-	116,728
Totals at historical cost	1,445,148	97,506	(5,969)	1,536,685
Buildings and improvements	(20,908)	(1,901)	-	(22,809)
Food service equipment	(1,175,771)	(14,789)	5,969	(1,184,591)
Technology equipment	(100,661)	(26,285)	-	(126,946)
Less: accumulated depreciation	(1,297,340)	(42,975)	5,969	(1,334,346)
Business type activities, net	\$ 147,808	\$ 54,531	\$ -	\$ 202,339

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 Date	Issue Name	Original Amount	Interest Rate	Maturity 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 Board of Education Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

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
For the fiscal year ended June 30, 2016

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, 2016, for debt service (principal and interest) are as follows:

Fiscal Year	Henderson County School District		Kentucky School Facility Construction Commission		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
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
Totals	\$ 17,591,324	\$ 4,561,651	\$ 3,543,703	\$ 486,800	\$ 21,135,027	\$ 5,048,451

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

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016	Due Within One Year
<u>Governmental Activities:</u>					
Long-term debt- School Building Revenue Bonds	\$ 22,870,027	\$ -	\$ (1,735,000)	\$ 21,135,027	\$ 1,780,000
<u>Compensated Absences:</u>					
Accrued Sick Leave	871,729	-	(131,805)	739,924	100,450
Total Long-Term Liabilities	\$ 23,741,756	\$ -	\$ (1,866,805)	\$ 21,874,951	\$ 1,880,450

Henderson County School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016

NOTE 4 – BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

Advance Refunding:

During the fiscal year ended June 30, 2015, 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, 2016:

	General Fund	Construction Fund	FSPK Fund	SEEK Capital Outlay Fund	District 21 Activity Fund	Totals
<u>RESTRICTED:</u>						
Construction	\$ -	\$ 449,703	\$ 588,625	\$ 858,984	\$ -	\$ 1,897,312
Total Restricted	-	449,703	588,625	858,984	-	1,897,312
<u>COMMITTED:</u>						
Sick leave	639,475	-	-	-	-	639,475
<u>ASSIGNED:</u>						
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	18,531	-	-	-	-	18,531
Total Assigned	3,018,531	-	-	-	-	3,018,531
<u>UNASSIGNED:</u>	12,071,310	-	-	-	5,206	12,076,516
Total Fund Balances	\$ 15,729,316	\$ 449,703	\$ 588,625	\$ 858,984	\$ 5,206	\$ 17,631,834

**Henderson County School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016**

NOTE 7 –RETIREMENT PLANS

Teachers' Retirement System of the Commonwealth of Kentucky

General Information about the Pension Plan

Plan description: Teaching-certified employees of the District are provided pensions through the Teachers' Retirement System of the Commonwealth of Kentucky (KTRS), a cost-sharing multiple-employer defined benefit plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that 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 12.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 16.105% 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.

In order to fund the post-retirement healthcare benefit, 6.44% of the gross annual payroll of employees is contributed. The member contributes 3.75%, the District contributes 3.00%, and the State contributes (0.31)%. 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, 2016, 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
For the fiscal year ended June 30, 2016**

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>264,542,143</u>
Total	<u>\$ 264,542,143</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 June 30, 2014. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2015, the District's proportion was 1.136823 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$5,471,093 and revenue of \$5,471,093 for on-behalf 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 expenses, including inflation.	7.50	Percent
Municipal Bond Index Rate		
Prior Measurement Date	4.35	Percent
Measurement Date	3.82	Percent
Year FNP is projected to be depleted	2039	
Single Equivalent Interest Rate, net of pension plan investment expense, including inflation		
Prior Measurement Date	5.23	Percent
Measurement Date	4.88	Percent
Post retirement benefit increases	1.50	Percent 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
For the fiscal year ended June 30, 2016**

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.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
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 4.88%. 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 2039 plan year end and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent interest rate. 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 at the measurement date of 4.88% was calculated using the Municipal Bond Index Rate as of the measurement date (3.82%). This change in the discount rate is considered a change in actuarial assumptions or other inputs 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
For the fiscal year ended June 30, 2016**

NOTE 7 –RETIREMENT PLANS (CONTINUED)

County Employees' Retirement System

General Information about the Pension Plan

Plan description: Substantially all other employees (classified personnel) 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, 2016, the District's required contribution rate was 12.42% 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 \$1,234,430 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$18,767,532 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the District's proportion was 0.436502%.

For the year ended June 30, 2016, the District recognized pension expense of \$2,100,382. At June 30, 2016, the District reported deferred inflows of resources related to pensions from the following sources:

**Henderson County School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 155,965	\$ -
Changes of assumptions	1,892,500	-
Net difference between projected and actual investment earnings on pension plan investments	168,236	-
Changes in proportion and differences between District contributions and proportional share of contributions	-	28,314
District contributions subsequent to the measurement date	<u>1,234,430</u>	<u>-</u>
Total	<u><u>\$ 3,451,131</u></u>	<u><u>\$ 28,314</u></u>

The \$1,234,430 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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ 846,900
2018	846,900
2019	452,528
2020	42,059
2021	-
Thereafter	-

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

Inflation	3.25%
Salary Increases	4.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

**Henderson County School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016**

NOTE 7 –RETIREMENT PLANS (CONTINUED)

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

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

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 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Asset Class	Target Allocation	Long-term expected Real Rate of Return
Combined Equity	44%	5.4%
Combined Fixed Income	19%	1.5%
Real Return (Diversified Inflation Strategies)	10%	3.5%
Real Estate	5%	4.5%
Absolute Return (Diversified Hedge Funds)	10%	4.3%
Private Equity	10%	8.5%
Cash Equivalent	2%	-2.5%
	<u>100%</u>	

Discount rate: The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 28 year amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected through 2117.

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 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate the is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

**Henderson County School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016**

NOTE 7 –RETIREMENT PLANS (CONTINUED)

	Decrease (6.5%)	Discount Rate (7.5%)	Increase (8.5%)
District's proportionate share of the net pension liability as of June 30, 2016	<u>\$ 23,959,084</u>	<u>\$ 18,767,532</u>	<u>\$ 14,321,425</u>

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.

Postemployment Healthcare Benefits

Plan description: In addition to the pension benefits described above, KRS provides postemployment healthcare benefits through the Kentucky Retirement Systems Insurance Fund (Insurance Fund). The Insurance Fund was established to provide hospital and medical insurance for those receiving benefits the Kentucky Employees Retirement System (KERS), the County Employees Retirement System (CERS), and the State Police Retirement System (SPRS). The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. For the fiscal year ended June 30, 2015 (the date of the latest available information), insurance premiums withheld from benefit payments for these benefits from CERS were \$22.6 million and \$1.7 million for non-hazardous and hazardous employees, respectively. For the fiscal year ended June 30, 2014, insurance premiums withheld from benefit payments for those receiving benefits from CERS were \$24.2 million and \$1.9 million for non-hazardous and hazardous employees, respectively. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous employees killed in the line of duty. As of June 30, 2015, the Insurance Fund had 108,952 retirees and beneficiaries for whom benefits were available.

The amount of contributions paid by the Insurance Fund is based on years of service. For employees participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are shown below:

<u>Years of Service</u>	<u>% Paid by Insurance Fund</u>
20 or more	100%
15 - 19	75%
10 - 14	50%
4 - 9	25%
Less than 4	0%

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for those who began participating on or after July 1, 2003. Once employees reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually based on the retiree COLA, which is updated annually

**Henderson County School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Postemployment Healthcare Benefits, continued

due to changes in the Consumer Price Index for all urban consumers. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692, and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Funding policy: In prior years, the employer's required medical insurance contribution rate was being increased annually by a percentage that would result in advance-funding the medical liability on an actuarially determined basis using the entry age normal method within a 20 year period measured from 1987. In November 1992, the Board adopted a fixed percentage rate and suspended future increases under the current medical premium funding policy until the next experience study could be performed. In May 1996, the Board adopted a policy to increase the insurance contribution rate by the amount needed to achieve the target rate for full entry age normal funding within 20 years.

The District is required to contribute at an actuarially determined rate. As of June 30, 2016, 2015, and 2014, the District's required contribution rate was 4.64%, 4.92%, and 5.15%, respectively, 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 the Insurance Fund from the District were \$461,172, \$508,663, and \$525,330 for the years ended June 30, 2016, 2015, and 2014, respectively.

On August 6, 2012, the Board voted to cease self-funding of healthcare benefits for most Medicare eligible retirees. The Board elected to contract with Humana Insurance Company to provide healthcare benefits to retirees through a fully insured Medicare Advantage Plan. The Humana Medicare Advantage Plan became effective January 1, 2013.

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.

**Henderson County School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016**

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.

NOTE 11 – TRANSFER OF FUNDS

The following transfers were made during the fiscal year ended June 30, 2016:

<u>From:</u>	<u>To:</u>	<u>Amount</u>
General Fund	Special Revenue	\$ 156,867
Special Revenue	General Fund	11,658
Food Service	General Fund	226,372
Construction Fund	General Fund	264,470
FSPK	Construction	1,700,968
FSPK	Debt Service	1,841,159
		<u>\$ 4,201,494</u>

NOTE 12 – ON-BEHALF PAYMENTS

For the year ended June 30, 2016, total payments of \$13,545,453 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 13 – 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.

**Henderson County School District
Notes to the Basic Financial Statements
For the fiscal year ended June 30, 2016**

NOTE 14 – PRIOR PERIOD ADJUSTMENT-GOVERNMENT WIDE FINANCIAL STATEMENTS

The net assets for the fiscal year ended June 30, 2015 were adjusted for an error in the determination of the net pension liability. The adjustment decreased net position by \$1,214,444.

NOTE 15 – SUBSEQUENT EVENTS

In accordance with ASC 855, subsequent events were evaluated through November 1, 2016 the date these financial statements were issued.

a. Planned Construction of New School

The District has approved the construction of a new elementary school and site preparation is currently in progress as of the date of this report. The estimated cost of the new building is approximately \$17 million. The project will be financed via the issuance of general obligation bonds in the near future.

Henderson County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund
For the year ended June 30, 2016

	BUDGETED AMOUNTS			Variance with Final Budget
	Original	Final	Actual	
<u>REVENUES:</u>				
From local sources				
Taxes:				
Property	\$ 9,588,254	\$ 9,588,254	\$ 10,165,861	\$ 577,607
Motor vehicle and watercraft	2,049,573	2,049,573	2,162,865	113,292
Utilities	3,500,000	3,500,000	3,712,827	212,827
Unmined minerals	450,000	450,000	328,514	(121,486)
Franchise	725,000	725,000	804,480	79,480
Tuition and fees	100,000	100,000	137,401	37,401
Earnings on investments	106,000	106,000	124,327	18,327
Other local revenues	586,450	586,450	779,987	193,537
Intergovernmental - intermediate	70,000	70,000	103,364	33,364
Intergovernmental - state	47,456,741	47,456,741	40,810,877	(6,645,864)
Intergovernmental - direct federal	296,000	296,000	319,440	23,440
Total Revenues	64,928,018	64,928,018	59,449,943	(5,478,075)
<u>EXPENDITURES:</u>				
Instruction	43,501,470	43,501,470	37,266,416	6,235,054
Support services:				
Student	3,589,086	3,589,086	3,211,143	377,943
Instruction staff	2,352,145	2,352,145	1,733,566	618,579
District administrative	1,063,826	1,063,826	972,909	90,917
School administrative	5,242,222	5,242,222	4,034,673	1,207,549
Business	2,325,071	2,325,071	2,076,172	248,899
Plant operation & maintenance	7,641,043	7,641,043	5,882,103	1,758,940
Student transportation	4,871,732	4,871,732	4,004,923	866,809
Community services	8,710	8,710	-	8,710
Contingency	5,886,268	5,886,268	-	5,886,268
Total Expenditures	76,481,573	76,481,573	59,181,905	17,299,668
Deficiency of Revenues Over Expenditures	(11,553,555)	(11,553,555)	268,038	11,821,593
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in	203,967	203,967	502,500	298,533
Operating transfers out	(160,000)	(160,000)	(156,867)	3,133
Fixed Asset Disposal	-	-	10,837	10,837
Total Other Financing Sources (Uses)	43,967	43,967	356,470	312,503
Change in fund balance	(11,509,588)	(11,509,588)	624,508	12,134,096
Fund balance, June 30, 2015	15,678,093	15,678,093	15,104,808	(573,285)
Fund balance, June 30, 2016	\$ 4,168,505	\$ 4,168,505	\$ 15,729,316	\$ 11,560,811

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See Independent Auditors' Report.

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, 2016

	BUDGETED AMOUNTS			Variance with Final Budget
	Original	Final	Actual	
<u>REVENUES:</u>				
Other local revenues	\$ 19,696	\$ 19,696	\$ 35,514	\$ 15,818
Intergovernmental - State	3,955,051	3,955,051	3,768,278	(186,773)
Intergovernmental - Federal	4,252,835	4,252,835	4,527,375	274,540
Total Revenues	8,227,582	8,227,582	8,331,167	103,585
<u>EXPENDITURES:</u>				
Instruction	5,536,640	5,536,640	6,374,195	(837,555)
Support Services:				
Student	378,847	378,847	336,965	41,882
Instruction Staff	931,155	931,155	947,993	(16,838)
District Administrative	907,470	907,470	189,066	718,404
Student Transportation	4,410	4,410	1,595	2,815
Community Service	618,439	618,439	626,562	(8,123)
Total Expenditures	8,376,961	8,376,961	8,476,376	(99,415)
Excess (Deficit) of Revenues Over Expenditures	(149,379)	(149,379)	(145,209)	4,170
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in	156,857	156,857	156,867	10
Operating transfers out	(10,334)	(10,334)	(11,658)	(1,324)
Total Other Financing Sources	146,523	146,523	145,209	(1,314)
Change in fund balance	(2,856)	(2,856)	-	2,856
Fund Balance (Deficit), June 30, 2015	-	-	-	-
Fund Balance, June 30, 2016	\$ (2,856)	\$ (2,856)	\$ -	\$ 2,856

See Independent Auditors' Report.

Henderson County School District
Combining Balance Sheet - Non-Major Governmental Funds
As of June 30, 2016

	Construction Fund	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	District 21 Activity Fund	Total Non-Major Governmental Funds
<u>ASSETS AND RESOURCES:</u>						
Cash and cash equivalents	\$ 811,977	\$ 588,625	\$ 858,984	\$ -	\$ 7,428	\$ 2,267,014
Total Assets and Resources	<u>\$ 811,977</u>	<u>\$ 588,625</u>	<u>\$ 858,984</u>	<u>\$ -</u>	<u>\$ 7,428</u>	<u>\$ 2,267,014</u>
<u>LIABILITIES:</u>						
Accounts payable	\$ 362,274	\$ -	\$ -	\$ -	\$ 2,222	\$ 364,496
Total Liabilities	<u>362,274</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,222</u>	<u>364,496</u>
<u>FUND BALANCES:</u>						
Restricted	449,703	588,625	858,984	-	-	1,897,312
Unassigned	-	-	-	-	5,206	5,206
Total Fund Balances	<u>449,703</u>	<u>588,625</u>	<u>858,984</u>	<u>-</u>	<u>5,206</u>	<u>1,902,518</u>
Total Liabilities and Fund Balances	<u>\$ 811,977</u>	<u>\$ 588,625</u>	<u>\$ 858,984</u>	<u>\$ -</u>	<u>\$ 7,428</u>	<u>\$ 2,267,014</u>

See Independent Auditors' Report.

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, 2016

	Construction Fund	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	District 21 Activity Fund	Total Non-major Governmental Funds
<u>REVENUES:</u>						
From local sources:						
Taxes:						
Property	\$ -	\$ 2,989,215	\$ -	\$ -	\$ -	\$ 2,989,215
Other	-	-	-	-	132,865	132,865
Earnings on investments	-	2,828	3,083	6	-	5,917
Intergovernmental - State	33,295	957,291	654,922	541,476	-	2,186,984
Intergovernmental - Federal	-	-	-	-	-	-
Total Revenues	<u>33,295</u>	<u>3,949,334</u>	<u>658,005</u>	<u>541,482</u>	<u>132,865</u>	<u>5,314,981</u>
<u>EXPENDITURES:</u>						
Facilities and construction	4,580,282	-	-	-	-	4,580,282
Other	-	-	-	-	127,659	127,659
Debt service	-	-	-	2,382,641	-	2,382,641
Total Expenditures	<u>4,580,282</u>	<u>-</u>	<u>-</u>	<u>2,382,641</u>	<u>127,659</u>	<u>7,090,582</u>
Excess (Deficiency) of Revenues Over Expenditure:	<u>(4,546,987)</u>	<u>3,949,334</u>	<u>658,005</u>	<u>(1,841,159)</u>	<u>5,206</u>	<u>(1,775,601)</u>
<u>OTHER FINANCING SOURCES (USES):</u>						
Operating transfers in	1,700,968	-	-	1,841,159	-	3,542,127
Operating transfers out	(264,470)	(3,542,127)	-	-	-	(3,806,597)
Total Other Financing Sources (Uses)	<u>1,436,498</u>	<u>(3,542,127)</u>	<u>-</u>	<u>1,841,159</u>	<u>-</u>	<u>(264,470)</u>
Change in fund balance	(3,110,489)	407,207	658,005	-	5,206	(2,040,071)
Fund balance, June 30, 2015	<u>3,560,192</u>	<u>181,418</u>	<u>200,979</u>	<u>-</u>	<u>-</u>	<u>3,942,589</u>
Fund balance, June 30, 2016	<u>\$ 449,703</u>	<u>\$ 588,625</u>	<u>\$ 858,984</u>	<u>\$ -</u>	<u>\$ 5,206</u>	<u>\$ 1,902,518</u>

See Independent Auditors' Report.

Henderson County School District
Statement of Receipts, Disbursements, and Fund Balance - Elementary and Middle Schools -Activity Funds
For the year ended June 30, 2016

	Cash Balance	Receipts	Disbursements	Cash Balance	Accounts	Accounts	Fund Balance
	July 1, 2015	For Year	For Year	June 30, 2016	Receivable	Payable	June 30, 2016
<u>SCHOOL ACTIVITY FUNDS:</u>							
Bend Gate Elementary	\$ 8,048	\$ 428	\$ -	\$ 8,476	\$ -	\$ -	\$ 8,476
Cairo Elementary	19,048	29,349	27,985	20,412	-	-	20,412
Central Learning Center	2,336	5,149	5,781	1,704	-	-	1,704
Chandler Elementary	8,404	33,308	28,972	12,740	-	-	12,740
East Heights Elementary	23,110	55,486	49,010	29,586	-	-	29,586
Jefferson Elementary	13,906	25,738	24,453	15,191	-	-	15,191
Niagara Elementary	16,970	30,767	33,886	13,851	-	-	13,851
South Heights Elementary	13,400	58,808	65,216	6,992	-	-	6,992
Spottsville Elementary	12,260	41,107	43,998	9,369	-	-	9,369
Thelma B. Johnson ELC	6,677	16,922	21,122	2,477	-	-	2,477
North Middle School	60,747	197,615	199,053	59,309	-	-	59,309
South Middle School	42,042	229,654	226,345	45,351	-	-	45,351
Totals	\$ 226,948	\$ 724,331	\$ 725,821	\$ 225,458	\$ -	\$ -	\$ 225,458

See Independent Auditors' Report.

Henderson County School District
Statement of Receipts, Disbursements, and Fund Balance-Henderson County High School-Activity Funds
For the fiscal year ended June 30, 2016

<u>Accounts</u>	Balance July 1, 2015	Receipts For Year	Disbursements For Year	Cash Balance June 30, 2016	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2016
Henderson County High School:							
Athletic	\$ 71,191	\$ 250,668	\$ 238,364	\$ 83,495	\$ -	\$ -	\$ 83,495
Band	43,092	138,741	134,966	46,867	-	-	46,867
Bookstore	11,233	9,625	5,519	15,339	-	-	15,339
Clubs	204,899	451,245	479,853	176,291	-	-	176,291
General Fund	108,203	194,064	217,579	84,688	-	-	84,688
Industrial Technology	138	-	-	138	-	-	138
Media	81,640	32,483	21,075	93,048	-	-	93,048
Memorial Funds	227	1,100	1,000	327	-	-	327
School concessions	1,564	10,023	9,130	2,457	-	-	2,457
Supplies	1,156	1,932	1,437	1,651	-	-	1,651
Speech and drama	5,391	4,785	3,324	6,852	-	-	6,852
Student council	19	1,874	294	1,599	-	-	1,599
Textbooks	3,298	51,062	51,788	2,572	-	-	2,572
Scholarship Funds	22,394	20,313	16,000	26,707	-	-	26,707
Totals	\$ 554,445	\$ 1,167,915	\$ 1,180,329	\$ 542,031	\$ -	\$ -	\$ 542,031

See Independent Auditors' Report.

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>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.00%	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>264,542,143</u>	<u>222,594,552</u>
Total	<u>\$ 264,542,143</u>	<u>\$ 222,594,552</u>
District's covered-employee payroll	\$ 35,630,694	\$ 35,915,858
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	42.50%	45.59%

*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>2016</u>	<u>2015</u>
Statutorily required contribution	\$ -	\$ -
Contributions in relation to the statutorily required contribution	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 35,630,694	\$ 35,915,858
Contributions as a percentage of covered- employee payroll	0.00%	0.00%

*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>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.436502%	0.437600%
District's proportionate share of the net pension liability	\$ 18,767,532	\$ 14,197,000
District's covered-employee payroll	\$ 9,939,050	\$ 10,338,682
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	188.83%	137.32%
Plan fiduciary net position as a percentage of the total pension liability	59.97%	66.80%

*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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 1,234,430	\$ 1,318,182	\$ 1,401,559	\$ 1,222,320
Contributions in relation to the statutorily required contribution	<u>(1,234,430)</u>	<u>(1,318,182)</u>	<u>(1,401,559)</u>	<u>(1,222,320)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered-employee payroll	\$ 9,939,050	\$ 10,338,682	\$ 10,200,575	\$ 9,685,578
Contributions as a percentage of covered-employee payroll	12.42%	12.75%	13.74%	12.62%

*Information prior to 2013 is not available.

**Notes to Required Supplementary Information
For the fiscal year ended June 30, 2016**

Kentucky Teachers' Retirement System:

Changes of assumptions: The following changes in actuarial assumptions were made for amounts reported in fiscal year 2016:

	<u>FY 2016</u>	<u>Prior Period</u>
Municipal Bond Index Rate	3.82%	4.35%
Single Equivalent Interest Rate	4.88%	5.23%

There was a change in the Municipal Bond Index Rate for the prior measurement date to the measurement date, so as required under GASB 68, the Single Equivalent Interest Rate was calculated using the Municipal Bond Index Rate as of the measurement date.

County Employees' Retirement System:

Changes of assumptions: The following changes in actuarial assumptions were made for amounts reported in fiscal year 2016:

	<u>FY 2016</u>	<u>Prior Periods</u>
Inflation	3.25%	3.50%
Salary Increase	4.00%	4.50%
Investment Rate of Return	7.50%	7.75%

For amounts reported in fiscal year 2016, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

For periods prior to fiscal year 2016, 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.