

HARDIN COUNTY BOARD OF EDUCATION

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

Year Ended June 30, 2008

HARDIN COUNTY BOARD OF EDUCATION

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YEAR ENDED JUNE 30, 2008

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Hardin County Board of Education
Elizabethtown, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hardin County Board of Education as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

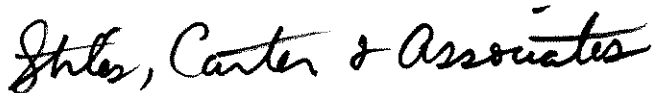
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract - General Audit Requirements*, *Appendix II of the Independent Auditor's Contract - State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract - Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 19, 2008, on our consideration of Hardin County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 10, and the Budgetary Comparison Information on pages 37 through 38, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hardin County Board of Education's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Also, the accompanying Schedule of Expenditures of Federal Awards on pages 51 through 53 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "J. H. Carter & Associates". The signature is written in a cursive, flowing style.

Certified Public Accountants
September 19, 2008

**HARDIN COUNTY BOARD OF EDUCATION - ELIZABETHTOWN, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

The discussion and analysis of Hardin County Board of Education's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to review the School District's financial performance as a whole; readers should also review the financial statements and notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- 1 The beginning General Fund fund balance was \$12.1 million. The ending fund balance was \$12.7 million. Revenues increased \$5.6 million and expenditures increased \$5.4 million compared to the previous fiscal year. Also, the General fund was responsible for paying \$400 thousand in energy bond debt service. In addition, the General Fund transferred \$163 thousand to the Special Revenue Fund for the technology grant match and transferred \$70 thousand to the Construction Fund.
- 2 The beginning Construction Fund fund balance was \$26.5 million. The ending fund balance was \$6.8 million. The major reason for the decrease in the fund balance was due to unspent bond proceeds recorded related to the construction of Heartland Elementary School and renovations to North Hardin High School that were spent during the current year.

USING THIS ANNUAL REPORT

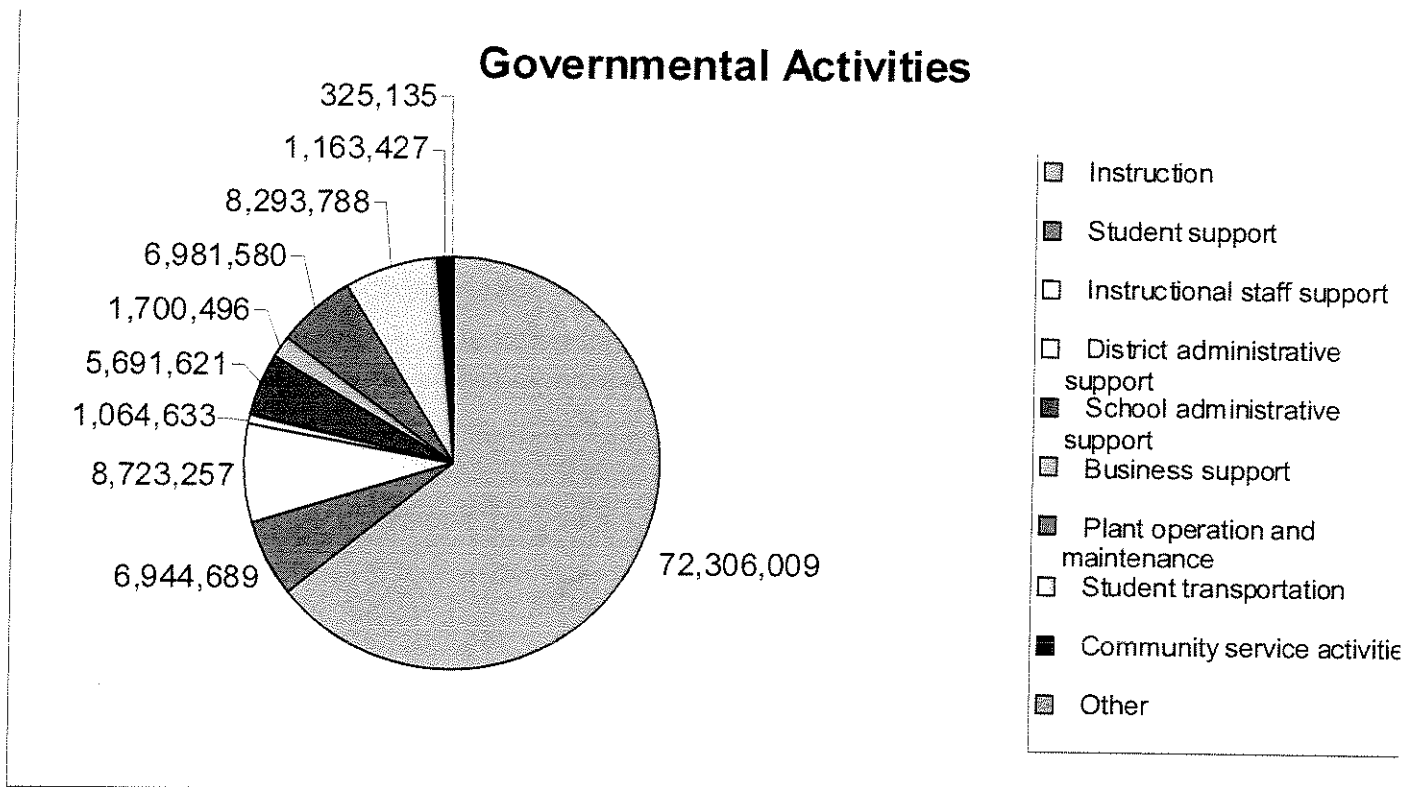
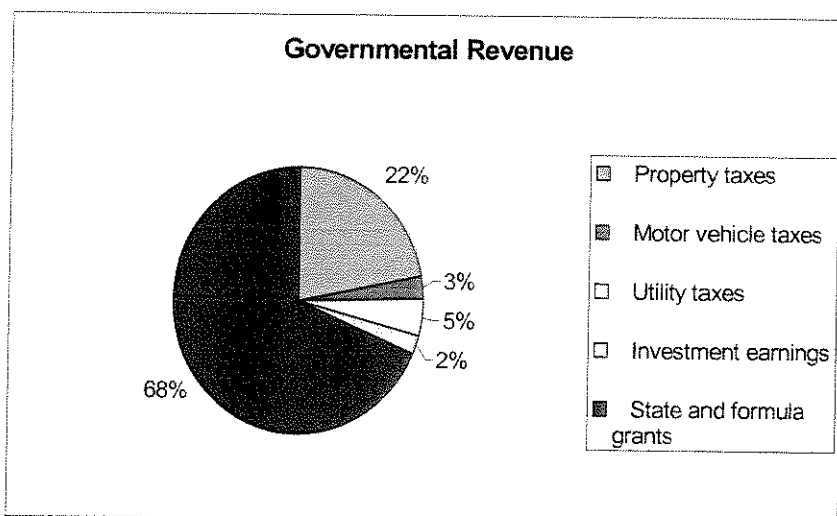
This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This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

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

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as one indicator of whether the financial position of the District is improving or deteriorating.

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

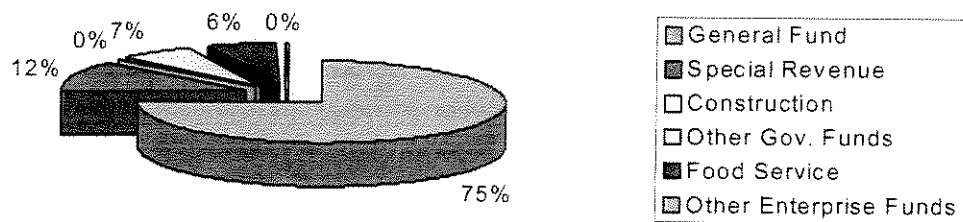
The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.



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

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

Fund Expenditures



proprietary funds are the food service, child care and educational television operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13 - 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 - 36 of this report.

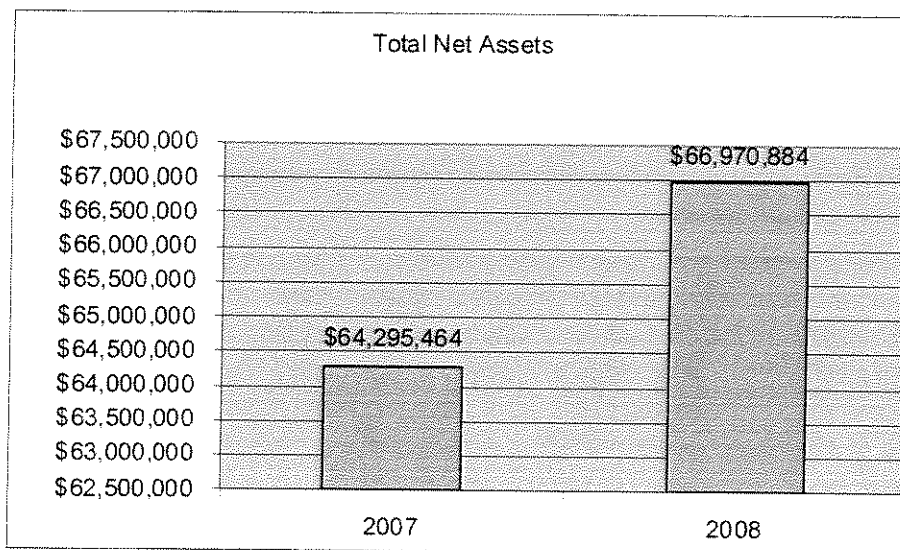
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as an indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$66.9 million as of June 30, 2008. The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are not be used to liquidate these liabilities.

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

Net Assets for the period ending June 30, 2008 and 2007
(Table 1)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$ 27,222,280	\$ 43,740,471	\$ 1,032,333	\$ 1,114,113	\$ 28,254,613	\$ 44,854,584
Capital Assets	133,507,761	115,817,154	806,692	767,210	134,314,453	116,584,364
Total Assets	160,730,041	159,557,625	1,839,025	1,881,323	162,569,066	161,438,948
Long-term Debt	82,459,958	87,277,486	-	-	82,459,958	87,277,486
Other Liabilities	11,299,199	9,752,445	26,613	113,523	11,325,812	9,865,968
Total Liabilities	93,759,157	97,029,931	26,613	113,523	93,785,770	97,143,454
Net Assets						
Investment in capital assets (net of debt)	49,363,506	26,912,384	806,692	767,210	50,170,198	27,679,594
Restricted	7,909,943	27,896,565	-	-	7,909,943	27,896,565
Unrestricted	9,697,435	7,718,745	1,005,720	1,000,590	10,703,155	8,719,335
Total Net Assets	\$ 66,970,884	\$ 62,527,694	\$ 1,812,412	\$ 1,767,800	\$ 68,783,296	\$ 64,295,494

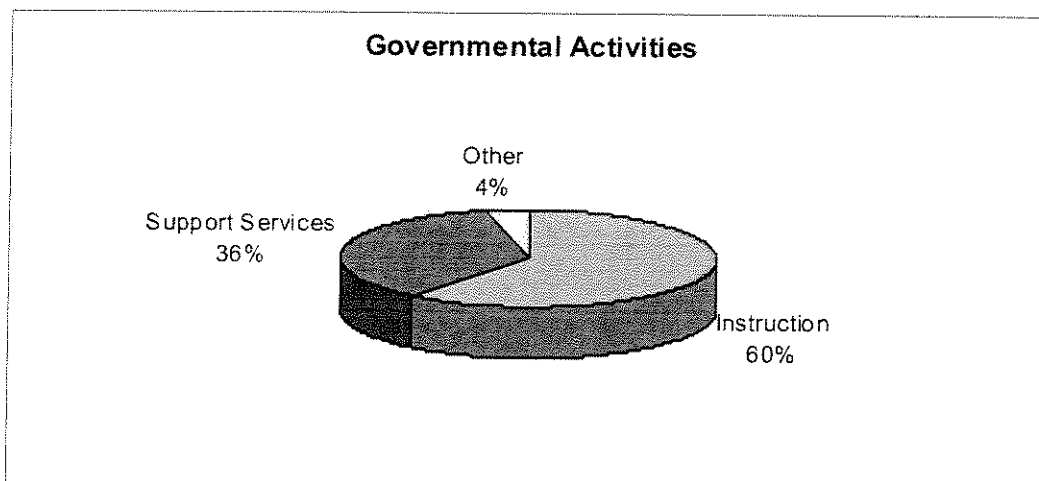


The following Table 2 presents a summary of changes in net assets for the fiscal years ended June 30, 2008 and 2007.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
REVENUES						
Program revenues						
Charges for services	\$ 118,962	\$ 132,476	\$ 3,192,071	\$ 3,205,029	\$ 3,311,033	\$ 3,337,505
Operating grants and contributions	18,591,996	17,133,678	4,966,995	4,668,026	23,558,991	21,801,704
Capital grants and contributions	2,417,879	2,510,157	-	-	2,417,879	2,510,157
General revenues						
Property taxes	22,657,090	20,971,054	-	-	22,657,090	20,971,054
Motor vehicle taxes	2,634,928	2,643,737	-	-	2,634,928	2,643,737
Utility taxes	4,931,720	4,414,167	-	-	4,931,720	4,414,167
Other taxes	5,564	3,794	-	-	5,564	3,794
Investment earnings	1,800,615	2,030,902	16,761	18,304	1,817,376	2,049,206
State and formula grants	70,227,241	65,957,548	-	-	70,227,241	65,957,548
Gain (loss) on asset disposal	(29,089)	(11,879)	(8,211)	(182)	(37,300)	(12,061)
Miscellaneous	347,483	455,117	-	34,806	347,483	489,923
Special items	-	51,086	-	-	-	51,086
Total revenues	123,704,389	116,291,837	8,167,616	7,925,983	131,872,005	124,217,820
EXPENSES						
Program Activities						
Instruction	72,306,009	66,297,896	-	-	72,306,009	66,297,896
Student support	6,944,689	6,376,376	-	-	6,944,689	6,376,376
Instructional staff support	8,723,257	7,814,388	-	-	8,723,257	7,814,388
District administrative support	1,064,633	971,724	-	-	1,064,633	971,724
School administrative support	5,691,621	5,386,035	-	-	5,691,621	5,386,035
Business support	1,700,496	1,635,055	-	-	1,700,496	1,635,055
Plant operation and maintenance	8,981,580	8,797,567	-	-	8,981,580	8,797,567
Student transportation	8,293,788	7,312,787	-	-	8,293,788	7,312,787
Community service activities	1,163,427	1,115,971	-	-	1,163,427	1,115,971
Other	325,135	97,424	-	-	325,135	97,424
Interest costs	3,971,564	3,531,473	-	-	3,971,564	3,531,473
Business-type Activities						
Food service	-	-	7,700,442	7,125,626	7,700,442	7,125,626
Childcare	-	-	443,489	450,551	443,489	450,551
Educational television	-	-	74,073	70,757	74,073	70,757
Total expenses	119,166,199	109,336,696	8,218,004	7,646,934	127,384,203	116,983,630
Transfers	(95,000)	(95,000)	95,000	95,000	-	-
Increase in net assets	\$ 4,443,190	\$ 6,860,141	\$ 44,612	\$ 374,049	\$ 4,487,802	\$ 7,234,190

Governmental Activities

Instruction comprises 60% of governmental program expenses. Support services expenses make up 36% of government expenses. The remaining expense for interest and other items accounts for the remaining 4% of total government expense.



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

	Governmental Activities Total Cost of Services		Net Cost of Services	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Instruction	\$ 72,306,009	\$ 66,297,896	\$ 58,071,230	\$ 52,521,342
Support Services	42,563,491	39,409,903	38,087,312	35,720,303
Other	325,135	97,424	325,135	97,424
Interest costs	<u>3,971,564</u>	<u>3,531,473</u>	<u>1,553,685</u>	<u>1,221,316</u>
Total expenses	<u><u>\$ 119,166,199</u></u>	<u><u>\$ 109,336,696</u></u>	<u><u>\$ 98,037,362</u></u>	<u><u>\$ 89,560,385</u></u>

Business-Type Activities

The business-type activities include the food service, child care and educational television operations. These programs had total revenues of \$8,167,616 and expenses of \$8,218,004 for fiscal year 2008. Of the revenues, \$3,192,071 was charges for services, \$4,966,995 was from State and Federal grants, \$16,761 was from investment earnings, (\$8,211) was a loss on disposal of assets. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of this activity. If it becomes necessary, the School District will make adjustments to the operations of this activity.

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$130,499,381 and expenditures and other financing uses of \$148,396,774. Net changes in fund balances for the year were most significant in the General Fund \$581,598 and the Construction Fund (\$19,706,164).

The increase in the General Fund was primarily due to closely monitoring expenses and not having to spend contingency funds. The decrease in the Construction Fund was due primarily to unspent bond proceeds for the construction of a Heartland Elementary School and renovations to North Hardin High School being spent during the current year.

General Fund-Budget Highlights

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

For the General Fund revenues were budgeted at \$79,300,828 with actual amounts of \$97,594,196. Budgeted expenditures of \$89,051,802 compare with actual expenditures of \$96,320,372. The most significant fluctuation is for on-behalf payments of \$16,234,616. If on-behalf payments were not included in revenues, revenues would be \$81,359,580, which is \$2,058,752 over budget. If on-behalf payments were not included in expenditures, expenditures would be \$80,085,756, which is \$8,966,046 under budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008 the School District had \$134,314,453 invested in land, land improvements, buildings, vehicles, equipment, and construction in progress, and \$133,507,761 in governmental activities. Table 4 shows fiscal year 2008 and 2007 balances.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Land	\$ 4,398,763	\$ 3,861,316	\$ 16,790	\$ 16,790	\$ 4,415,553	\$ 3,878,106
Land improvements	2,349,652	2,604,044	-	-	2,349,652	2,604,044
Buildings and improvements	88,983,650	91,510,932	51,652	58,023	89,035,302	91,568,955
Technology	1,695,854	1,730,700	1,049	2,776	1,696,903	1,733,476
Vehicles	3,430,794	3,653,647	-	-	3,430,794	3,653,647
General equipment	1,473,950	1,569,213	737,201	689,621	2,211,151	2,258,834
Total	102,332,663	104,929,852	806,692	767,210	103,139,355	105,697,062
Construction in progress	31,175,098	10,887,302	-	-	31,175,098	10,887,302
Total	<u>\$ 133,507,761</u>	<u>\$ 115,817,154</u>	<u>\$ 806,692</u>	<u>\$ 767,210</u>	<u>\$ 134,314,453</u>	<u>\$ 116,584,364</u>

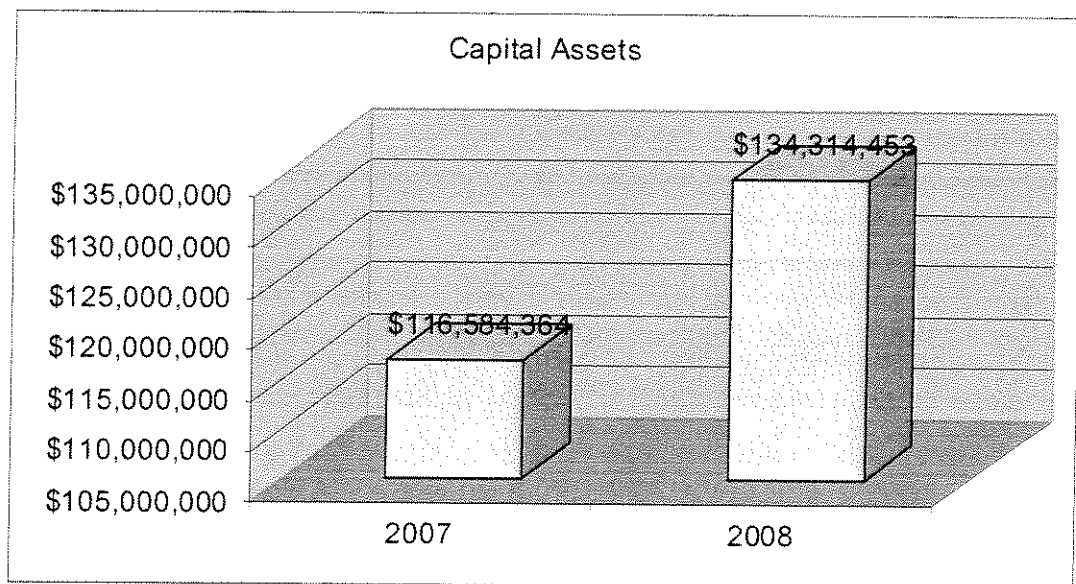


Table 5 shows the changes in capital assets for the fiscal years ended June 30, 2008 and 2007.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Beginning balance	\$ 115,817,154	\$ 107,802,208	\$ 767,210	\$ 845,221	\$ 116,584,364	\$ 108,647,429
Additions	23,045,256	13,074,563	174,101	49,671	23,219,357	13,124,234
Retirements	(503,738)	(206,657)	(8,211)	(182)	(511,949)	(206,839)
Depreciation	(4,850,911)	(4,852,960)	(126,408)	(127,500)	(4,977,319)	(4,980,460)
Ending balance	<u>\$ 133,507,761</u>	<u>\$ 115,817,154</u>	<u>\$ 806,692</u>	<u>\$ 767,210</u>	<u>\$ 134,314,453</u>	<u>\$ 116,584,364</u>

Construction continued on Rineyville Elementary School and Heartland Elementary school and on renovations to North Hardin High School. Also, construction of a new middle school began. These costs are in construction in progress at June 30, 2008.

Debt

At June 30, 2008, the School District had \$86,515,000 in bonds outstanding, of this amount \$12,375,696 is to be paid from KSFCC funding provided by the State of Kentucky. A total of \$5,240,000 is due within one year.

District Challenges for the Future

The primary challenges for Hardin County Schools are to continue to increase the level of achievement of our students, continue to maintain and improve the average daily attendance of our students, and continue to provide modern facilities for continuous growth in student enrollment.

The most important challenge is to increase the academic achievement of our students. The District has increased the funding in several areas to move toward this goal. The District has added to the funding support Thoughtful Education that is a three-year initiative. The District has implemented programs to control energy costs and is saving approximately \$500 thousand per year and has also streamlined telephone services to reduce costs. By making the district operations more efficient, money saved can be used to improve student achievement.

The second District challenge mentioned is maintaining and improving the average daily attendance. The District receives funding through the SEEK formula based on this count. Growth within the district is expected to increase, which will raise ADA; however, implementation

of the new attendance software, Infinite Campus, could impact ADA. While attendance is critical to the funding of the District, it is more important to note that good attendance has a direct relationship to student achievement. Maintaining excellence and emphasizing serving the public are the main factors influencing this district challenge.

The District is currently in the process of building a new middle school and other provisions are being made for future construction projects. The District must prepare for current enrollment growth and the anticipated growth in student population due to the impact of BRAC.

Adhering to the facilities plan is essential in providing excellent learning environments to meet the needs of all our students. The District must continuously look for revenues in these tough economic times to support facilities and future growth within the district.

Future Budgetary Implications

In Kentucky, the public schools fiscal year is July 1 - June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2008 - 2009 with a 2.86% contingency. Significant Board action that impacts the finances includes pay increases for all employees, additional spending for facility repairs outside of bonded building and renovation projects, and continued funding of Board initiatives. Rising operating costs such as fuel and utilities prove to be a budgetary challenge in future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. Questions about this report or additional information needed should be directed to Gary Milby, Associate Superintendent for Finance and Support (270) 769-8800, 65 W. A. Jenkins Road, Elizabethtown, Kentucky, 42701 or e-mail gary.milby@hardin.kyschools.us.

BASIC FINANCIAL STATEMENTS

HARDIN COUNTY BOARD OF EDUCATION

STATEMENT OF NET ASSETS

June 30, 2008

Assets	Governmental Activities	Business- Type Activities	Total
<u>Current Assets</u>			
Cash and cash equivalents	\$ 25,284,354	\$ 283,674	\$ 25,568,028
Inventory		285,190	285,190
Accounts receivable:			
Taxes-current	565,465		565,465
Taxes-delinquent	12,176		12,176
Accounts receivable	42,494	8,341	50,835
Intergovernmental-State	360,725		360,725
Intergovernmental-indirect Federal	940,890	455,128	1,396,018
Intergovernmental-Direct Federal	16,176		16,176
Total Current Assets	27,222,280	1,032,333	28,254,613
<u>Noncurrent Assets</u>			
Capital assets, net of accumulated depreciation	133,507,761	806,692	134,314,453
Total Noncurrent Assets	133,507,761	806,692	134,314,453
Total Assets	160,730,041	1,839,025	162,569,066
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable	3,891,879	26,613	3,918,492
Accrued liabilities	81,711		81,711
Deferred revenue	628,307		628,307
Current portion of bond obligations	5,240,000		5,240,000
Current portion of accrued sick leave	393,833		393,833
Interest payable	1,063,469		1,063,469
Total Current Liabilities	11,299,199	26,613	11,325,812
<u>Noncurrent Liabilities</u>			
Noncurrent portion of bond obligations	81,275,000		81,275,000
Less: Deferred amount on refunding	(1,177,455)		(1,177,455)
Less: Bond discount and expense	(1,193,290)		(1,193,290)
Noncurrent portion of accrued sick leave	3,555,703		3,555,703
Total Noncurrent Liabilities	82,459,958	-	82,459,958
Total Liabilities	93,759,157	26,613	93,785,770
<u>Net Assets</u>			
Invested in capital assets, net of related debt	49,363,506	806,692	50,170,198
Restricted for:			
Capital projects	6,389,599		6,389,599
Debt service	1,520,344		1,520,344
Unrestricted	9,697,435	1,005,720	10,703,155
Total Net Assets	\$ 66,970,884	\$ 1,812,412	\$ 68,783,296

See accompanying notes to financial statements.

HARDIN COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

FUNCTIONS/PROGRAMS

Governmental Activities:

Instruction	\$ 72,306,009		
Support services:			
Student	6,944,689		
Instruction staff	8,723,257		
District administrative	1,064,633		
School administrative	5,691,621		
Business	1,700,496		
Plant operation and maintenance	8,981,580		
Student transportation	8,293,788		
Community service activities	1,163,427		
Other	325,135		
Interest on long-term debt	3,971,564		

Total Governmental Activities

Business-Type Activities:

Food service	7,700,442		
Child care	443,489		
Educational television	74,073		

Total Business-Type Activities

Total Primary Government

Program Revenues			
Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	
\$ 105,343	\$ 14,129,436	\$ -	
	165,848		
	2,525,671		
	106,628		
	7,986		
13,619	558,852		
	1,097,575		
		2,417,879	
	18,591,996	2,417,879	
118,962			
2,761,869	4,889,247		
366,609	70,500		
63,593	7,248		
3,192,071	4,966,995		
\$ 3,311,033	\$ 23,558,991	\$ 2,417,879	

General Revenues:

Taxes:	
Property taxes	22,657,090
Motor vehicle taxes	2,634,928
Utility taxes	4,931,720
Other taxes	5,564
Investment earnings	1,800,615
State and formula grants	70,227,241
Loss on disposal of fixed assets	(29,089)
Miscellaneous	347,483
Total general revenues	102,575,552
Transfers	(95,000)
Change in net assets	4,443,190
Net assets - beginning	62,527,694
Net assets - ending	\$ 66,970,884

Net (Expenses) Revenues and Changes in Net Assets			
Governmental Activities	Business-Type Activities	Total	
\$ (58,071,230)	\$ -	\$ (58,071,230)	
(6,778,841)		(6,778,841)	
(6,197,586)		(6,197,586)	
(1,064,633)		(1,064,633)	
(5,584,993)		(5,584,993)	
(1,700,496)		(1,700,496)	
(8,973,594)		(8,973,594)	
(7,721,317)		(7,721,317)	
(65,852)		(65,852)	
(325,135)		(325,135)	
(1,553,685)		(1,553,685)	
(98,037,362)	-	(98,037,362)	
	(49,326)	(49,326)	
	(6,380)	(6,380)	
	(3,232)	(3,232)	
-	(58,938)	(58,938)	
(98,037,362)	(58,938)	(98,096,300)	
22,657,090		22,657,090	
2,634,928		2,634,928	
4,931,720		4,931,720	
5,564		5,564	
1,800,615	16,761	1,817,376	
70,227,241		70,227,241	
(29,089)	(8,211)	(37,300)	
347,483		347,483	
102,575,552	8,550	102,584,102	
(95,000)	95,000	-	
4,443,190	44,612	4,487,802	
62,527,694	1,767,800	64,295,494	
\$ 66,970,884	\$ 1,812,412	\$ 68,783,296	

FUND FINANCIAL STATEMENTS

HARDIN COUNTY BOARD OF EDUCATION

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2008

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 13,280,077	\$ -	\$ 9,381,390	\$ 3,083,912	\$ 25,745,379
Accounts receivable:					
Taxes - current	565,465				565,465
Taxes - delinquent	12,176				12,176
Accounts receivable	17,778	24,716			42,494
Intergovernmental - State	10,524	350,201			360,725
Intergovernmental - indirect Federal		940,890			940,890
Intergovernmental - Direct Federal		16,176			16,176
Total Assets	<u>\$ 13,886,020</u>	<u>\$ 1,331,983</u>	<u>\$ 9,381,390</u>	<u>\$ 3,083,912</u>	<u>\$ 27,683,305</u>
Liabilities and Fund Balances:					
Liabilities					
Accounts payable	\$ 1,139,187	\$ 210,079	\$ 2,542,613	\$ -	\$ 3,891,879
Cash overdraft		461,025			461,025
Accrued liabilities	81,711				81,711
Deferred revenue		628,307			628,307
Total Liabilities	1,220,898	1,299,411	2,542,613	-	5,062,922
Fund Balances					
Reserved for:					
Encumbrances	306,360	32,572	449,178	128,779	916,889
Debt service				1,520,344	1,520,344
Construction			6,389,599		6,389,599
Sick leave	950,000				950,000
Unreserved:					
Undesignated, reported in:					
General fund	11,408,762				11,408,762
Capital projects funds				1,434,789	1,434,789
Total Fund Balances	<u>12,665,122</u>	<u>32,572</u>	<u>6,838,777</u>	<u>3,083,912</u>	<u>22,620,383</u>
Total Liabilities and Fund Balances	<u>\$ 13,886,020</u>	<u>\$ 1,331,983</u>	<u>\$ 9,381,390</u>	<u>\$ 3,083,912</u>	<u>\$ 27,683,305</u>

See accompanying notes to financial statements.

HARDIN COUNTY BOARD OF EDUCATION

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2008

Total fund balance per fund financial statements	\$ 22,620,383
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Amounts reported for governmental activities in the statement of net
assets 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 assets.	133,507,761
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Certain liabilities are not reported in this fund financial statement because
because they are not due and payable, but they are presented
in the statement of net assets:

Bonds payable	(86,515,000)
Bond discount and expense	1,193,290
Deferred amount on refunding	1,177,455
Interest payable	(1,063,469)
Accrued sick leave	(3,949,536)

Net assets for governmental activities	<u>\$ 66,970,884</u>
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See accompanying notes to financial statements.

HARDIN COUNTY BOARD OF EDUCATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2008

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes:					
Property	\$ 17,559,112	\$ -	\$ -	\$ 5,097,978	\$ 22,657,090
Motor vehicle	2,634,928				2,634,928
Utilities	4,931,720				4,931,720
Other taxes	5,564				5,564
Earnings on investments	969,345	5,750	811,008	14,512	1,800,615
Other local revenues	466,445	117,380			583,825
Intergovernmental - State	70,524,240	6,510,623		5,103,778	82,138,641
Intergovernmental - Indirect Federal	57,848	8,303,410			8,361,258
Intergovernmental - Direct Federal	444,994	174,843			619,837
Total Revenues	97,594,196	15,112,006	811,008	10,216,268	123,733,478
Expenditures:					
Instruction	58,313,656	11,026,382			69,340,038
Support services:					
Student	6,778,841	165,848			6,944,689
Instruction staff	6,197,586	2,525,671			8,723,257
District administrative	907,421				907,421
School administrative	5,561,184	106,628			5,667,812
Business	1,684,775				1,684,775
Plant operation and maintenance	8,639,662	7,986		282,454	8,930,102
Student transportation	7,535,180	558,852			8,094,032
Facilities acquisition and construction	544,409		20,737,968		21,282,377
Community service activities	65,852	1,097,575			1,163,427
Other	91,806			766	92,572
Debt service:					
Principal				5,075,000	5,075,000
Interest				3,664,783	3,664,783
Total Expenditures	96,320,372	15,488,942	20,737,968	9,023,003	141,570,285
Excess (Deficit) of Revenues over Expenditures	1,273,824	(376,936)	(19,926,960)	1,193,265	(17,836,807)
Other Financing Sources (Uses):					
Proceeds from sale of fixed assets	34,414				34,414
Transfers in		162,613	220,796	6,348,080	6,731,489
Transfers out	(726,640)			(6,099,849)	(6,826,489)
Total Other Financing Sources (Uses)	(692,226)	162,613	220,796	248,231	(60,586)
Net Change in Fund Balances	581,598	(214,323)	(19,706,164)	1,441,496	(17,897,393)
Fund Balance, July 1, 2007	12,083,524	246,897	26,544,941	1,642,416	40,517,778
Fund Balance, June 30, 2008	\$ 12,665,122	\$ 32,574	\$ 6,838,777	\$ 3,083,912	\$ 22,620,385

See accompanying notes to financial statements.

HARDIN COUNTY BOARD OF EDUCATION

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

Year Ended June 30, 2008

Net change in total fund balances per fund financial statements	\$ (17,897,393)
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 activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	17,754,108
Bond payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets.	5,075,000
In the statement of activities, only the gain (loss) on sale of fixed assets is reported, whereas in the governmental funds, the proceeds for the sale increased financial resources.	(63,503)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>(425,022)</u>
Change in net assets of governmental activities	<u>\$ 4,443,190</u>

See accompanying notes to financial statements.

HARDIN COUNTY BOARD OF EDUCATION

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

June 30, 2008

	Food Service Fund	Other Enterprise Funds	Total Enterprise Funds
Assets			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 200,664	\$ 83,010	\$ 283,674
Inventory	285,190		285,190
Accounts receivable	8,341		8,341
Intergovernmental receivable - Indirect Federal	455,128		455,128
Total Current Assets	949,323	83,010	1,032,333
<u>Noncurrent Assets</u>			
Capital assets, net of accumulated depreciation	806,692		806,692
Total Noncurrent Assets	806,692	-	806,692
Total Assets	1,756,015	83,010	1,839,025
Liabilities			
<u>Current Liabilities</u>			
Accounts payable	20,581	6,032	26,613
Total Current Liabilities	20,581	6,032	26,613
<u>Net Assets</u>			
Invested in capital assets, net of related debt	806,692		806,692
Unrestricted	928,742	76,978	1,005,720
Total Net Assets	\$ 1,735,434	\$ 76,978	\$ 1,812,412

See accompanying notes to financial statements.

HARDIN COUNTY BOARD OF EDUCATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

Year Ended June 30, 2008

	Food Service Fund	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues			
Lunchroom sales	\$ 2,743,015	\$ -	\$ 2,743,015
Other revenue	18,854		18,854
Tuition and fees		430,202	430,202
Total Operating Revenues	2,761,869	430,202	3,192,071
Operating Expenses			
Salaries and wages	3,855,556	456,000	4,311,556
Materials and supplies	3,557,349	27,582	3,584,931
Depreciation	126,408		126,408
Other operating expenses	161,129	33,980	195,109
Total Operating Expenses	7,700,442	517,562	8,218,004
Operating (loss)	(4,938,573)	(87,360)	(5,025,933)
Non-Operating Revenues (Expenses)			
Federal grants	3,799,860		3,799,860
Donated commodities	361,756		361,756
State grants	84,645		84,645
State on-behalf payments	642,986	77,748	720,734
Interest income	16,761		16,761
Loss on disposal of fixed assets	(8,211)		(8,211)
Total Non-Operating Revenues (Expenses) Before Transfers	4,897,797	77,748	4,975,545
Transfers in	95,000		95,000
Changes in net assets	54,224	(9,612)	44,612
Net Assets, July 1, 2007	1,681,210	86,590	1,767,800
Net Assets, June 30, 2008	\$ 1,735,434	\$ 76,978	\$ 1,812,412

See accompanying notes to financial statements.

HARDIN COUNTY BOARD OF EDUCATION

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2008

	Food Service Fund	Other Enterprise Funds	Total Enterprise Funds
Cash Flows from Operating Activities			
Cash received from:			
Lunchroom sales	\$ 2,739,474	\$ -	\$ 2,739,474
Tuition and fees		430,202	430,202
Other activities	18,854		18,854
Cash paid to/for:			
Employees	(3,212,570)	(378,252)	(3,590,822)
Supplies	(3,249,250)	(31,152)	(3,280,402)
Other activities	(161,129)	(33,980)	(195,109)
Net Cash Used by Operating Activities	(3,864,621)	(13,182)	(3,877,803)
Cash flows from Non-Capital Financing Activities			
Federal grants	3,806,227		3,806,227
State grants	84,645		84,645
Transfers from other funds	95,000		95,000
Net Cash Provided by Non-Capital Financing Activities	3,985,872	-	3,985,872
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	(174,101)	-	(174,101)
Cash Flows from Investing Activities			
Receipt of interest income	16,761		16,761
Net decrease in cash and cash equivalents	(36,089)	(13,182)	(49,271)
Balances, beginning of year	236,753	96,192	332,945
Balances, end of year	\$ 200,664	\$ 83,010	\$ 283,674
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (4,938,573)	\$ (87,360)	\$ (5,025,933)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	126,408		126,408
Donated commodities	361,756		361,756
State on-behalf payments	642,986	77,748	720,734
Change in assets and liabilities:			
Accounts receivable	(3,541)		(3,541)
Inventory	29,683		29,683
Accounts payable	(83,340)	(3,570)	(86,910)
Net Cash Used by Operating Activities	\$ (3,864,621)	\$ (13,182)	\$ (3,877,803)
Schedule of Non-cash Transactions			
Donated commodities received from federal government	\$ 361,756	\$ -	\$ 361,756
Capital asset disposals (net)	\$ 8,211	\$ -	\$ 8,211
State on-behalf payments	\$ 642,986	\$ 77,748	\$ 720,734

See accompanying notes to financial statements.

HARDIN COUNTY BOARD OF EDUCATION

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

June 30, 2008

	Private Purpose Trust Funds	Agency Fund
Assets		
Cash and cash equivalents	\$ 186,697	\$ 1,140,653
Accounts receivable		13,523
Total Assets	<u>\$ 186,697</u>	<u>\$ 1,154,176</u>
Liabilities		
Accounts payable	\$ -	\$ 35,437
Due to student groups		1,118,739
Total Liabilities	<u>\$ -</u>	<u>\$ 1,154,176</u>
Net Assets Held in Trust	<u>\$ 186,697</u>	<u>\$ -</u>

See accompanying notes to financial statements.

HARDIN COUNTY BOARD OF EDUCATION

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

Year Ended June 30, 2008

	Private Purpose Trust Funds
Additions	
Net interest and investment gains	\$ 8,029
Other additions	5,693
Deductions	
Expenses paid	<u>(13,212)</u>
Change in net assets	510
Net Assets, beginning of year	<u>186,187</u>
Net Assets, end of year	<u><u>\$ 186,697</u></u>

See accompanying notes to financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

HARDIN COUNTY BOARD OF EDUCATION

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Hardin County Board of Education ("Board"), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Hardin County Board of Education ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies, which may influence operations and primary accountability for fiscal matters. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the District has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

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

Hardin County School District Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Hardin 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) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors. The Corporation is blended into the District's financial statements.

Basis of Presentation

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

Government-wide Financial Statements – The statement of net assets 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.

HARDIN COUNTY BOARD OF EDUCATION

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

The District has the following funds:

I. Governmental Fund Types

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

HARDIN COUNTY BOARD OF EDUCATION

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 51 through 53. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (D) The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

- 1. The Food Service Fund is used to account for school food service activities, including the National School Lunch and Breakfast Programs, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. This is a major fund of the District.
- 2. The School Age Child Care program is used to account for funds received from tuition fees charges for after school care of students.
- 3. The Educational Television program is used to account for funds received from production services and the sale of recorded media.

HARDIN COUNTY BOARD OF EDUCATION

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

III. Fiduciary Fund Type (Agency Fund)

- A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.
- B. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

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.

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

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

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

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

HARDIN COUNTY BOARD OF EDUCATION

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting - Continued

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

Property Taxes

Property Tax Revenues – Property taxes are normally 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 usual collection date is the period from November 1 through December 31. Property tax bills paid prior to December 1 received a two percent discount. Property taxes received after December 31, are considered to be delinquent and the County Attorney can file a lien against the property.

The property tax rates assessed for the year ended June 30, 2008, to finance operations were \$.501 per \$100 valuation for real property, \$.501 per \$100 valuation for business personal property and \$.540 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the 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 assets 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 assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of 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.

HARDIN COUNTY BOARD OF EDUCATION

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	5-15 years
Food service equipment	5-12 years

Interfund Balances

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

Budgetary Process

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

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

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

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. All budget appropriations lapse at year-end.

Encumbrances

Encumbrances are not liabilities and, therefore, are not reported as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2008.

HARDIN COUNTY BOARD OF EDUCATION

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

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

Inventories

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

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

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

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Receivables

The District recognizes revenues as receivable when they are measurable and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions.

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.

HARDIN COUNTY BOARD OF EDUCATION

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, sick leave, capital projects and debt service requirements.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets 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 assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restrictions for capital projects and debt service were present at year-end.

Operating Revenues and Expenses

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

Contributions of Capital

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

Interfund Activity

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

HARDIN COUNTY BOARD OF EDUCATION

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. At June 30, 2008, none of the District's bank balance of \$53,169,229 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

HARDIN COUNTY BOARD OF EDUCATION

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE D – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
Non-Depreciable Assets:				
Land	\$ 3,861,316	\$ 537,447	\$ -	\$ 4,398,763
Construction in progress	10,887,302	20,728,032	(440,236)	31,175,098
Depreciable Assets:				
Land improvements	5,189,885		(23,542)	5,166,343
Buildings and improvements	124,949,862	441,961	(59,169)	125,332,654
Technology equipment	9,236,098	683,648	(2,459,944)	7,459,802
Vehicles	10,790,537	493,164	(472,805)	10,810,896
General equipment	7,373,758	161,004	(40,215)	7,494,547
Totals at historical cost	172,288,758	23,045,256	(3,495,911)	191,838,103
Accumulated depreciation:				
Land improvements	2,585,841	252,528	(21,678)	2,816,691
Buildings and improvements	33,438,930	2,948,733	(38,659)	36,349,004
Technology equipment	7,505,398	683,279	(2,424,729)	5,763,948
Vehicles	7,136,890	716,017	(472,805)	7,380,102
General equipment	5,804,545	250,354	(34,302)	6,020,597
Total accumulated depreciation	56,471,604	4,850,911	(2,992,173)	58,330,342
Governmental Activities Capital Assets - Net	<u>\$ 115,817,154</u>	<u>\$ 18,194,345</u>	<u>\$ (503,738)</u>	<u>\$ 133,507,761</u>
Depreciation was charged to governmental functions as follows:				
Instruction	\$ 4,008,445			
District administration	38,971			
School administration	23,809			
Business support	15,721			
Plant	69,091			
Transportation	694,874			
	<u>\$ 4,850,911</u>			
<u>Business-Type Activities</u>				
Non-Depreciable Assets:				
Land	\$ 16,790	\$ -	\$ -	\$ 16,790
Depreciable Assets:				
Land improvements	20,202			20,202
Buildings and improvements	318,523			318,523
Technology equipment	142,840		(43,898)	98,942
Vehicles	49,012			49,012
General equipment	2,723,048	174,101	(135,323)	2,761,826
Totals at historical cost	3,270,415	174,101	(179,221)	3,265,295
Accumulated depreciation:				
Land improvements	20,202			20,202
Buildings and improvements	260,500	6,371		266,871
Technology equipment	140,064	1,727	(43,898)	97,893
Vehicles	49,012			49,012
General equipment	2,033,427	118,310	(127,112)	2,024,625
Total accumulated depreciation	2,503,205	126,408	(171,010)	2,458,603
Business-type Activities Capital Assets - Net	<u>\$ 767,210</u>	<u>\$ 47,693</u>	<u>\$ (8,211)</u>	<u>\$ 806,692</u>

HARDIN COUNTY BOARD OF EDUCATION

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE E – LONG-TERM OBLIGATIONS

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

Issue Date	Proceeds	Rates
September 1998	\$ 15,885,000	3.50% - 4.25%
February 2000	19,760,000	5.00% - 5.75%
July 2001A	9,405,000	4.10% - 4.75%
July 2001B	2,415,000	3.75% - 4.25%
December 2002	2,915,000	1.25% - 3.20%
July 2003	9,310,000	1.75% - 4.00%
June 2004	9,290,000	3.50% - 4.50%
February 2005	2,910,000	2.50% - 3.70%
June 2005 Energy	5,455,000	3.30% - 4.20%
June 2005 Refunding	17,350,000	3.00% - 4.00%
June 2006	14,145,000	4.00% - 4.375%
June 2007	17,430,000	4.00% - 4.75%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Hardin 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.

The District has "participation agreements" with the Kentucky School Facilities 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.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2008, for debt service (principal and interest) are as follows:

Year	Principal	Interest	Participation	District's Portion
2009	\$ 5,240,000	\$ 3,502,164	\$ 2,413,477	\$ 6,328,687
2010	5,435,000	3,295,518	2,409,828	6,320,690
2011	4,600,000	3,105,040	1,394,356	6,310,684
2012	4,340,000	2,931,414	954,900	6,316,514
2013	4,465,000	2,762,499	914,906	6,312,593
2014-2018	24,360,000	11,063,819	3,818,908	31,604,911
2019-2023	26,495,000	5,672,331	2,781,208	29,386,123
2024-2027	11,580,000	931,441	1,088,552	11,422,889
	<u>\$ 86,515,000</u>	<u>\$ 33,264,226</u>	<u>\$ 15,776,135</u>	<u>\$ 104,003,091</u>

HARDIN COUNTY BOARD OF EDUCATION

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE E – LONG-TERM OBLIGATIONS – CONTINUED

Accumulated Unpaid Sick Leave Benefits

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

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

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

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

Long-term liability for the year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Amounts Due Within One Year
Revenue bonds payable	\$ 91,590,000	\$ -	\$ 5,075,000	\$ 86,515,000	\$ 5,240,000
Accrued sick leave	3,831,296	515,389	397,149	3,949,536	393,833
	<u>\$ 95,421,296</u>	<u>\$ 515,389</u>	<u>\$ 5,472,149</u>	<u>\$ 90,464,536</u>	<u>\$ 5,633,833</u>

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

NOTE F – RETIREMENT PLANS

All the District's eligible employees participate in the Kentucky Teacher's Retirement System (KTRS), a statewide multiple-employer public employee retirement system covering all employees of local school districts within the State of Kentucky. KTRS is a cost sharing public employee retirement system with one exception: all risks and costs are not shared by the District but are the liability of the State of Kentucky. KTRS is funded through state and employee contributions and the District has no legal obligation for paying benefits. As discussed below, the District may be required in certain situations to make limited contributions on behalf of certain employees.

The State of Kentucky contributes 13.105% of the employee's gross earnings except for those District employees being paid from and participating in federally funded programs. During the years ended June 30, 2008, 2007 and 2006, contributions of \$7,263,297, \$6,821,850 and \$6,552,367 were made by the State of Kentucky and \$429,778, \$307,825 and \$306,185 in contributions were passed through the District's federally funded programs. Contributions by the employees are 9.855% of gross earnings and are withheld by the District. The contribution rate is actuarially determined. Such withholdings during the years ended June 30, 2008, 2007 and 2006, totaled \$5,785,216, \$5,361,537 and \$5,156,031 and were paid by the District to the State of Kentucky. The District has no other liability under the plan. The District's total payroll for all employees during the years ended June 30, 2008, 2007 and 2006 was \$76,703,180 \$71,448,124, and \$68,982,753 and \$58,703,359, \$54,404,235 and \$52,332,045 of such amount related to employees covered by the retirement plan. All payments were made to the retirement system in the amount of the annually required contributions.

HARDIN COUNTY BOARD OF EDUCATION

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE F – RETIREMENT PLANS – CONTINUED

Additional information and historical trend information can be obtained from the separately issued Teacher Retirement System of Kentucky Comprehensive Annual Financial Report by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS). Funding for the Plan is provided through payroll withholdings of 5% and a District contribution for the years ended June 30, 2008, 2007 and 2006 of 16.18%, 13.19% and 10.98% of the employee's total compensation subject to contribution. The contribution rate is actuarially determined. The District's contribution requirement for CERS for the years ended June 30, 2008, 2007 and 2006, was \$3,749,850, \$3,051,557, and 2,596,409 which consisted of \$2,845,658, \$2,189,380 and \$1,760,155 from the District and \$904,192, \$862,177 and \$830,254 from the employees. The total covered payroll for CERS during the years ended June 30, 2008, 2007 and 2006 was \$17,595,407, \$16,602,101 and \$16,024,512. Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents. All payments were made to the retirement system in the amount of the annually required contributions.

The County Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

Deferred Compensation

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

NOTE G – COMMITMENTS

During the year ended June 30, 2008, the Board continued with construction contracts for the construction of Rineyville Elementary School, Heartland Elementary School and renovations to North Hardin High School and entered into contracts to construct a new middle school.

NOTE H – CONTINGENCIES

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

HARDIN COUNTY BOARD OF EDUCATION

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE I – LITIGATION

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

NOTE J – INSURANCE AND RELATED ACTIVITIES

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

NOTE K – RISK MANAGEMENT

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, general liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated including workers' compensation insurance. Premiums for these policies are based upon the District's experience to date.

To obtain insurance for workers' compensation and errors and omissions, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts 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.

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

NOTE L – DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures/expenses resulting in a corresponding reduction of fund balance/net assets:

Special Revenue Fund	\$ 214,323
Construction Fund	19,706,164
School Age Child Care	6,380
Educational Television	3,232

HARDIN COUNTY BOARD OF EDUCATION

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2008

NOTE M – COBRA

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

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	Technology Match	\$ 162,613
General	Construction	Construction	70,000
Nonmajor Governmental	Nonmajor Governmental	Debt Service	5,949,053
General	Nonmajor Governmental	Debt Service	399,027
General	Food Service	Breakfast	95,000
Nonmajor Governmental	Construction	Construction	150,796

NOTE O – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund balances at June 30, 2008.

NOTE P – ON-BEHALF PAYMENTS

The District receives on-behalf payments from the State of Kentucky for items including retirement and insurance. The amount received for the fiscal year ended June 30, 2008, was \$15,939,496. These payments were recorded as follows:

General Fund	\$ 16,234,616
Food Service Fund	642,986
School Age Child Care Fund	70,500
Educational Television Fund	7,248

NOTE Q – SUBSEQUENT EVENTS

On July 8, 2008, the District issued \$30,365,000 in revenue bonds at a net interest cost of 4.67% for renovations to North Hardin High School and construction of a new middle school. The bonds are payable through August 1, 2028. On July 18, 2008, the District purchased a parcel of land for \$452,920. On August 7, 2008, the District agreed to purchase a building to replace the Central Office Annex for \$900,000.

REQUIRED SUPPLEMENTARY INFORMATION

HARDIN COUNTY BOARD OF EDUCATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL

GENERAL FUND

Year Ended June 30, 2008

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues			
From local sources:			
Taxes:			
Property	\$ 16,515,000	\$ 17,015,000	\$ 17,559,112
Motor vehicle	2,300,000	2,356,383	2,634,928
Utilities	3,900,000	4,000,000	4,931,720
Other	3,000	3,000	5,564
Earnings on investments	1,000,000	1,000,000	969,345
Other local revenues	262,224	309,124	466,445
Intergovernmental - State	55,243,352	54,237,158	70,524,240
Intergovernmental - Indirect Federal			57,848
Intergovernmental - Direct Federal	325,000	380,163	444,994
Total Revenues	<u>79,548,576</u>	<u>79,300,828</u>	<u>97,594,196</u>
Expenditures			
Instruction	50,876,938	50,910,137	58,313,656
Support services:			
Student	5,701,677	5,715,928	6,778,841
Instruction staff	5,392,721	5,419,993	6,197,586
District administrative	1,005,486	1,154,399	907,421
School administrative	4,343,591	4,416,730	5,561,184
Business	1,588,019	1,609,512	1,684,775
Plant operation and maintenance	9,408,024	8,960,644	8,639,662
Student transportation	7,362,432	7,362,682	7,535,180
Facilities acquisition and construction	515,000	567,000	544,409
Community service activities	87,191	120,665	65,852
Other	2,909,112	2,814,112	91,806
Total Expenditures	<u>89,190,191</u>	<u>89,051,802</u>	<u>96,320,372</u>
Excess (Deficit) of Revenues over Expenditures	<u>(9,641,615)</u>	<u>(9,750,974)</u>	<u>1,273,824</u>
Other Financing Sources (Uses)			
Proceeds from sale of fixed assets	10,000	10,000	34,414
Transfers out	(651,028)	(726,640)	(726,640)
Total Other Financing Sources (Uses)	<u>(641,028)</u>	<u>(716,640)</u>	<u>(692,226)</u>
Net Change in Fund Balance	<u>(10,282,643)</u>	<u>(10,467,614)</u>	<u>581,598</u>
Fund Balance, July 1, 2007	<u>10,282,643</u>	<u>10,467,614</u>	<u>12,083,524</u>
Fund Balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,665,122</u>

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES

Both inflows and outflows are equally different in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds by the amount of on-behalf payments of \$16,234,616.

HARDIN COUNTY BOARD OF EDUCATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL

SPECIAL REVENUE FUND

Year Ended June 30, 2008

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues			
Earnings on investments	\$ -	\$ 675	\$ 5,750
Other local revenues	120,458	123,013	117,380
Intergovernmental - State	5,864,523	5,829,273	6,510,623
Intergovernmental - Indirect Federal	7,314,221	7,750,243	8,303,410
Intergovernmental - Direct Federal	138,856	138,856	174,843
Total Revenues	<u>13,438,058</u>	<u>13,842,060</u>	<u>15,112,006</u>
Expenditures			
Instruction	9,590,509	9,949,193	11,026,382
Support services:			
Student	51,951	159,913	165,848
Instruction staff	2,402,370	2,210,254	2,525,671
School administrative	72,224	104,676	106,628
Plant operation and maintenance	-	-	7,986
Student transportation	500,414	488,757	558,852
Community service activities	1,072,590	1,091,880	1,097,575
Total Expenditures	<u>13,690,058</u>	<u>14,004,673</u>	<u>15,488,942</u>
Excess (Deficit) of Revenues over Expenditures	(252,000)	(162,613)	(376,936)
Other Financing Sources (Uses)			
Transfers in	252,000	162,613	162,613
Total Other Financing Sources (Uses)	<u>252,000</u>	<u>162,613</u>	<u>162,613</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	-	-	(214,323)
Fund Balance, July 1, 2007	<u>-</u>	<u>-</u>	<u>246,897</u>
Fund Balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,574</u>

SUPPLEMENTARY INFORMATION

HARDIN COUNTY BOARD OF EDUCATION

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2008

	Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Assets:				
Cash and cash equivalents	\$ 968,417	\$ 595,151	\$ 1,520,344	\$ 3,083,912
Total Assets	<u>\$ 968,417</u>	<u>\$ 595,151</u>	<u>\$ 1,520,344</u>	<u>\$ 3,083,912</u>
Liabilities and Fund Balances:				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-
Fund Balances				
Reserved for:				
Debt service			1,520,344	1,520,344
Encumbrances	128,779			128,779
Unreserved:				
Undesignated, reported in:				
Capital projects funds	839,638	595,151		1,434,789
Total Fund Balances	<u>968,417</u>	<u>595,151</u>	<u>1,520,344</u>	<u>3,083,912</u>
Total Liabilities and Fund Balances	<u>\$ 968,417</u>	<u>\$ 595,151</u>	<u>\$ 1,520,344</u>	<u>\$ 3,083,912</u>

HARDIN COUNTY BOARD OF EDUCATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2008

	Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues				
From local sources:				
Taxes:				
Property	\$ -	\$ 5,097,978	\$ -	\$ 5,097,978
Earnings on investments	1,180	11,963	1,369	14,512
Intergovernmental - State	1,250,870	1,435,029	2,417,879	5,103,778
Total Revenues	1,252,050	6,544,970	2,419,248	10,216,268
Expenditures				
Plant operation and maintenance	282,454			282,454
Other		766		766
Debt service:				
Principal			5,075,000	5,075,000
Interest			3,664,783	3,664,783
Total Expenditures	282,454	766	8,739,783	9,023,003
Excess (Deficit) of Revenues over Expenditures	969,596	6,544,204	(6,320,535)	1,193,265
Other Financing Sources (Uses)				
Transfers in			6,348,080	6,348,080
Transfers out	(150,796)	(5,949,053)		(6,099,849)
Total Other Financing Sources (Uses)	(150,796)	(5,949,053)	6,348,080	248,231
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	818,800	595,151	27,545	1,441,496
Fund balance, July 1, 2007	149,617	-	1,492,799	1,642,416
Fund balance, June 30, 2008	<u>\$ 968,417</u>	<u>\$ 595,151</u>	<u>\$ 1,520,344</u>	<u>\$ 3,083,912</u>

HARDIN COUNTY BOARD OF EDUCATION

**COMBINING STATEMENT OF NET ASSETS - NONMAJOR PROPRIETARY FUNDS
- ENTERPRISE FUNDS**

June 30, 2008

	<u>School Age Child Care</u>	<u>Educational Television</u>	<u>Total Nonmajor Enterprise Funds</u>
Assets			
<u>Current Assets</u>			
Cash and cash equivalents	<u>\$ 56,125</u>	<u>\$ 26,885</u>	<u>\$ 83,010</u>
Total Current Assets	<u>56,125</u>	<u>26,885</u>	<u>83,010</u>
 Liabilities			
<u>Current Liabilities</u>			
Accounts payable	<u>4,942</u>	<u>1,090</u>	<u>6,032</u>
Total Current Liabilities	<u>4,942</u>	<u>1,090</u>	<u>6,032</u>
 <u>Net Assets</u>			
Unrestricted	<u>51,183</u>	<u>25,795</u>	<u>76,978</u>
Total Net Assets	<u>\$ 51,183</u>	<u>\$ 25,795</u>	<u>\$ 76,978</u>

HARDIN COUNTY BOARD OF EDUCATION**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
NONMAJOR ENTERPRISE FUNDS - PROPRIETARY FUNDS**

Year Ended June 30, 2008

	School Age Child Care	Educational Television	Total Nonmajor Enterprise Funds
Operating Revenues			
Tuition and fees	\$ 366,609	\$ 63,593	\$ 430,202
Total Operating Revenues	366,609	63,593	430,202
Operating Expenses			
Salaries and wages	414,378	41,622	456,000
Materials and supplies	19,633	7,949	27,582
Other operating expenses	9,478	24,502	33,980
Total Operating Expenses	443,489	74,073	517,562
Operating loss	(76,880)	(10,480)	(87,360)
Non-Operating Revenues (Expenses)			
State on-behalf payments	70,500	7,248	77,748
Total Non-Operating Revenues (Expenses)	70,500	7,248	77,748
Change in net assets	(6,380)	(3,232)	(9,612)
Net Assets, July 1, 2007	57,563	29,027	86,590
Net Assets, June 30, 2008	\$ 51,183	\$ 25,795	\$ 76,978

HARDIN COUNTY BOARD OF EDUCATION

COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS - PROPRIETARY FUNDS

Year Ended June 30, 2008

	School Age Child Care	Educational Television	Total Other Enterprise Funds
Cash Flows from Operating Activities			
Cash received from:			
Tuition and fees	\$ 366,609	\$ 63,593	\$ 430,202
Cash paid to/for:			
Employees	(343,878)	(34,374)	(378,252)
Supplies	(20,459)	(10,693)	(31,152)
Other activities	(9,478)	(24,502)	(33,980)
Net Cash Used by Operating Activities	<u>(7,206)</u>	<u>(5,976)</u>	<u>(13,182)</u>
Net decrease in cash and cash equivalents	(7,206)	(5,976)	(13,182)
Balances, beginning of year	<u>63,331</u>	<u>32,861</u>	<u>96,192</u>
Balances, end of year	<u>\$ 56,125</u>	<u>\$ 26,885</u>	<u>\$ 83,010</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (76,880)	\$ (10,480)	\$ (87,360)
Adjustments to reconcile operating loss to net cash used by operating activities:			
State on-behalf payments	70,500	7,248	77,748
Change in assets and liabilities:			
Accounts payable	(826)	(2,744)	(3,570)
Net cash used by operating activities	<u>\$ (7,206)</u>	<u>\$ (5,976)</u>	<u>\$ (13,182)</u>
Schedule of non-cash transactions:			
State on-behalf payments	<u>\$ 70,500</u>	<u>\$ 7,248</u>	<u>\$ 77,748</u>

HARDIN COUNTY BOARD OF EDUCATION

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

AGENCY FUNDS

June 30, 2008

	Bluegrass Middle School	Brown Street Education Center	Central Hardin High School	Creekside Elementary	East Hardin Middle School	G.C. Burkhead Elementary
Assets						
Cash and cash equivalents	\$ 53,741	\$ 4,766	\$ 141,877	\$ 25,042	\$ 78,511	\$ 50,545
Accounts receivable	188	120	7,144	108	1,685	175
Total Assets	<u>\$ 53,929</u>	<u>\$ 4,886</u>	<u>\$ 149,021</u>	<u>\$ 25,150</u>	<u>\$ 80,196</u>	<u>\$ 50,720</u>
Liabilities						
Accounts payable	\$ 2,536.00	\$ -	\$ 15,925	\$ 427	\$ 311	\$ -
Due to student groups	51,393	4,886	133,096	24,723	79,885	50,720
Total Liabilities	<u>\$ 53,929</u>	<u>\$ 4,886</u>	<u>\$ 149,021</u>	<u>\$ 25,150</u>	<u>\$ 80,196</u>	<u>\$ 50,720</u>
	Heartland Elementary	J.T. Alton Middle School	Howe Valley Elementary	John Hardin High School	Lakewood Elementary	Lincoln Trail Elementary
Assets						
Cash and cash equivalents	\$ 5,000	\$ 106,507	\$ 22,709	\$ 105,936	\$ 27,315	\$ 66,203
Accounts receivable	-	234	126	418	282	-
Total Assets	<u>\$ 5,000</u>	<u>\$ 106,741</u>	<u>\$ 22,835</u>	<u>\$ 106,354</u>	<u>\$ 27,597</u>	<u>\$ 66,203</u>
Liabilities						
Accounts payable	\$ -	\$ 7,016	\$ 43	\$ 7,160	\$ -	\$ 256
Due to student groups	5,000	99,725	22,792	99,194	27,597	65,947
Total Liabilities	<u>\$ 5,000</u>	<u>\$ 106,741</u>	<u>\$ 22,835</u>	<u>\$ 106,354</u>	<u>\$ 27,597</u>	<u>\$ 66,203</u>
	Meadowview Elementary	New Highland Elementary	North Hardin High School	Parkway Elementary	Radcliff Middle School	Rineyville Elementary
Assets						
Cash and cash equivalents	\$ 19,676	\$ 32,124	\$ 206,874	\$ 18,324	\$ 30,746	\$ 62,351
Accounts receivable	-	248	648	294	192	396
Total Assets	<u>\$ 19,676</u>	<u>\$ 32,372</u>	<u>\$ 207,522</u>	<u>\$ 18,618</u>	<u>\$ 30,938</u>	<u>\$ 62,747</u>
Liabilities						
Accounts payable	\$ 111	\$ 53	\$ 645	\$ 227	\$ -	\$ -
Due to student groups	19,565	32,319	206,877	18,391	30,938	62,747
Total Liabilities	<u>\$ 19,676</u>	<u>\$ 32,372</u>	<u>\$ 207,522</u>	<u>\$ 18,618</u>	<u>\$ 30,938</u>	<u>\$ 62,747</u>
	Vine Grove Elementary	West Hardin Middle School	Woodland Elementary	Agency Fund		
Assets						
Cash and cash equivalents	\$ 31,057	\$ 30,655	\$ 20,694	\$ 1,140,653		
Accounts receivable	174	339	752	13,523		
Total Assets	<u>\$ 31,231</u>	<u>\$ 30,994</u>	<u>\$ 21,446</u>	<u>\$ 1,154,176</u>		
Liabilities						
Accounts payable	\$ -	\$ 486	\$ 241	\$ 35,437		
Due to student groups	31,231	30,508	21,205	1,118,739		
Total Liabilities	<u>\$ 31,231</u>	<u>\$ 30,994</u>	<u>\$ 21,446</u>	<u>\$ 1,154,176</u>		

HARDIN COUNTY BOARD OF EDUCATION

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES

CENTRAL HARDIN HIGH SCHOOL

YEAR ENDED JUNE 30, 2008

NAME OF ACTIVITY	CASH BALANCES July 1, 2007	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2008	ACCOUNTS RECEIVABLE AND DUE FROM OTHER FUNDS June 30, 2008	ACCOUNTS PAYABLE AND DUE TO OTHER FUNDS June 30, 2008	FUND BALANCES June 30, 2008
Academic Team	\$ -	\$ 4,158.00	\$ 4,158.00	\$ -	\$ -	\$ -	\$ -
Agriculture Department	5,724	5,670	3,136	8,258	-	-	8,258
Art Club	944	384	600	728	-	-	728
Art Department	7	20	-	27	-	-	27
Astronomy Club	606	683	572	717	-	21	696
Athletic Fund	3,928	20,868	19,068	5,728	2,111	591	7,248
B.A.D. Club	382	60	-	442	-	-	442
Band	-	2,295	2,067	228	-	-	228
Baseball	246	7,900	8,006	140	1,406	-	1,546
Beta Club	1,892	5,780	5,090	2,582	-	-	2,582
Bookstore	1,210	23	49	1,184	-	-	1,184
Boy's Basketball	6,015	30,794	31,265	5,544	-	576	4,968
Bruin Book Club	-	50	-	50	-	-	50
Bruin Educator's Club	143	1,036	1,179	-	-	-	-
Business Education Dept.	4,092	1,582	1,621	4,053	-	-	4,053
Cheerleaders	-	560	560	-	-	-	-
Chess Club	119	-	-	119	-	-	119
CHHS Young Democrats	248	255	177	326	-	-	326
Chorus	147	2,698	2,685	160	-	-	160
Close Up Foundation	-	-	-	-	-	-	-
Concessions Athletics	300	12,169	12,351	118	-	-	118
Counseling Dept.	2,757	12,028	10,939	3,846	-	-	3,846
Cross Country	957	3,737	2,840	1,854	5	-	1,859
Dance Team	106	-	106	-	-	-	-
Disaster Relief	-	571	571	-	-	-	-
Elbert Watts Scholarship	-	-	-	-	-	-	-
English Club	110	266	253	123	-	-	123
English Department	1,273	5,029	5,451	851	-	725	126
Environmental Club	-	-	-	-	-	-	-
Facility Usage	-	-	-	-	-	-	-
FACS	690	82	73	699	-	-	699
Faculty Flower Fund	284	1,034	682	636	-	-	636
Faculty Gift Fund	59	-	-	59	-	-	59
FBLA	1,419	1,254	1,472	1,201	-	-	1,201
FCA	420	440	513	347	-	-	347
FCCLA	732	7,146	7,210	668	-	-	668
FFA	9,057	59,994	62,236	6,815	-	-	6,815
Football	3,852	38,267	36,769	5,350	1	1,795	3,556
Foreign Language Dept.	244	2,925	2,925	244	-	-	244
French Club	155	296	388	63	-	-	63
German Club	501	748	796	453	38	-	491
Girl's Basketball	106	10,383	10,278	211	-	-	211
Golf	-	2,362	2,362	-	-	-	-
Grade 10	51	-	-	51	-	-	51
Grade 11	6	-	-	6	-	-	6
Grade 12	3,648	22,164	19,676	6,136	-	-	6,136
Grade 9	-	-	-	-	-	-	-
Journalism	9	7,139	7,148	-	550	-	550
Jr. ROTC	15,220	25,347	27,698	12,869	-	7,100	5,769
Junior Beta Club	-	-	-	-	-	-	-
Library	2,038	1,333	1,129	2,242	-	1,057	1,185
Math Department	806	410	129	1,087	-	-	1,087
Matmaids	414	-	-	414	-	-	414
Medical Career Club	-	-	-	-	-	-	-
MMD Department	674	869	768	775	-	-	775
Multi Cultural Enrichment	-	-	-	-	-	-	-
Physical Education Dept.	300	-	-	300	-	-	300

HARDIN COUNTY BOARD OF EDUCATION

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES

CENTRAL HARDIN HIGH SCHOOL-CONCLUDED

YEAR ENDED JUNE 30, 2008

NAME OF ACTIVITY	CASH BALANCES July 1, 2007	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2008	ACCOUNTS RECEIVABLE AND DUE FROM OTHER FUNDS June 30, 2008	ACCOUNTS PAYABLE AND DUE TO OTHER FUNDS June 30, 2008	FUND BALANCES June 30, 2008
Project Graduation Fund	3,941	11,525	13,886	1,580	-	-	1,580
School Concessions-Faculty	84	7,826	7,854	56	539	15	580
School Concessions-Student	1,814	9,705	11,518	1	48	-	49
School Fund	8,120	94,376	91,678	10,818	2,140	1,106	11,852
Science Department	573	1,245	1,261	557	-	-	557
Science Honor Society	129	349	-	478	25	-	503
Soccer Boy's	3,829	2,735	4,255	2,309	-	634	1,675
Soccer Girl's	1,883	3,343	3,512	1,714	-	644	1,070
Social Studies Department	78	4,365	320	4,123	-	-	4,123
Softball	67	7,505	7,259	313	-	140	173
Spanish Club	1,661	909	493	2,077	-	-	2,077
Special Education Dept.	37	152	75	114	-	-	114
Speech	-	1,513	1,513	-	-	-	-
Student Council	1,859	6,029	5,042	2,846	-	200	2,646
Swim Team	379	2,803	1,920	1,262	-	-	1,262
Tech Ed. Dept.	317	75	228	164	-	-	164
Teenage Republican Party	229	75	-	304	-	-	304
Tennis	414	1,115	1,529	-	-	-	-
Textbooks	5,019	4,462	453	9,028	-	-	9,028
TMH Department	1,737	1,822	1,710	1,849	-	-	1,849
Track Boy's	1,695	283	1,749	229	-	203	26
Track Girl's	1,733	8,709	8,576	1,866	-	-	1,866
TSA Club	2,479	13,292	15,142	629	281	-	910
Varsity Club	2,438	3,713	4,843	1,308	-	-	1,308
Volleyball	1,501	3,094	3,722	873	-	320	553
Wrestling	1,079	8,279	8,626	732	-	-	732
Y Club	1,356	17,470	17,868	958	-	-	958
Yearbook	3,290	27,393	14,528	16,155	-	798	15,357
Youth in Charge	780	1,900	850	1,830	-	-	1,830
Sub Total	120,412	546,871	525,406	141,877	7,144	15,925	133,096
Interfund Transfers	-	42,376	42,376	-	-	-	-
TOTAL	<u>\$ 120,412</u>	<u>\$ 504,495</u>	<u>\$ 483,030</u>	<u>\$ 141,877</u>	<u>\$ 7,144</u>	<u>\$ 15,925</u>	<u>\$ 133,096</u>

HARDIN COUNTY BOARD OF EDUCATION

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES

JOHN HARDIN HIGH SCHOOL

YEAR ENDED JUNE 30, 2008

NAME OF ACTIVITY	CASH BALANCES July 1, 2007	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2008	ACCOUNTS RECEIVABLE AND DUE FROM OTHER FUNDS June 30, 2008	ACCOUNTS PAYABLE AND DUE TO OTHER FUNDS June 30, 2008	FUND BALANCES June 30, 2008
Academic Team	\$ 694	\$ 3,300	\$ 3,994	\$ -	\$ -	\$ -	\$ -
Agriculture Department	9,707	8,563	10,970	7,300	-	-	7,300
Art Club	92	200	121	171	-	-	171
Art Department	-	-	-	-	-	-	-
Arts & Humanities Dept.	-	-	-	-	-	-	-
ASL Club	30	-	-	30	-	-	30
Athletic Concession	-	25,688	25,688	-	-	-	-
Athletic Fund	2,084	8,406	8,611	1,879	-	-	1,879
Badminton	-	159	144	15	-	-	15
Band	68	4,143	4,211	-	-	-	-
Band Equipment/Usage	75	2,000	1,980	95	-	-	95
Baseball	2,093	4,213	6,306	-	-	-	-
Basketball-Boy's	9,693	13,832	18,529	4,996	-	-	4,996
Basketball-Girl's	1,172	26,078	25,681	1,569	-	119	1,450
Business Education Dept.	120	-	120	-	-	-	-
CATS Incentive	72	-	72	-	-	-	-
Cheerleading	1,849	15,513	15,845	1,517	-	-	1,517
Chess Club	-	-	-	-	-	-	-
Chorus	2,048	10,839	11,998	889	-	-	889
Counseling Department	1,888	11,670	11,535	2,023	-	-	2,023
Cross Country	1,742	5,392	3,106	4,028	-	-	4,028
Cultural Arts Fund	-	1,044	1,044	-	-	-	-
Deca	-	9,299	9,299	-	128	-	128
Drama Club	2,565	2,106	3,491	1,180	-	-	1,180
English Department	403	150	188	365	-	-	365
European Trip	-	1,442	1,442	-	-	-	-
Excel Program	-	25	25	-	-	-	-
Facility Rentals	250	407	-	657	-	-	657
Faculty Awards	393	73	321	145	-	-	145
Faculty Concessions	-	6,553	6,358	195	-	-	195
Faculty Flower Fund	857	-	180	677	-	-	677
Faculty Social Fund	-	-	-	-	-	-	-
Faculty Steward Fund	-	829	474	355	-	-	355
Family & Consumer Sciences	176	2,091	2,267	-	-	-	-
FBLA	-	1,520	1,385	135	-	-	135
FCA	470	295	237	528	-	-	528
FCCLA	735	10,244	10,485	494	-	-	494
FEA	361	115	462	14	-	-	14
FFA	1,634	27,651	28,571	714	-	-	714
Football	7,929	68,809	66,761	9,977	-	1,018	8,959
Football Fundraiser	2,104	5,242	6,990	356	-	-	356
Foreign Language Dept.	60	-	-	60	-	-	60
French Club	-	346	346	-	-	-	-
General Funds	5,074	13,065	17,334	805	-	-	805
Girl Talk Club	-	180	92	88	-	-	88
Golf	210	23	233	-	-	-	-
Grade 10	-	1,271	1,185	86	-	-	86
Grade 11	125	3,379	2,674	830	-	-	830
Grade 12	2,095	15,485	14,724	2,856	-	1,678	1,178
Grade 9	160	5,105	5,265	-	-	-	-
Guitar Hero Club	-	194	189	5	-	-	5
International Club	264	1,189	1,414	39	-	-	39
Investments	-	-	-	-	-	-	-
Journalism	689	-	689	-	-	-	-
JROTC	3,730	11,379	9,088	6,021	-	-	6,021
Just For Justin	-	-	-	-	-	-	-
Lady Dawg Club	637	3,840	3,945	532	-	-	532
Library/Media Center	734	1,309	1,607	436	-	-	436
Lifesmarts Club	-	60	-	60	-	-	60
Literacy First	2	41	41	2	-	-	2
Math Department	431	302	489	244	-	-	244
Matmaids	88	-	-	88	-	-	88
National Honor Society	11	1,383	1,394	-	-	-	-

HARDIN COUNTY BOARD OF EDUCATION

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES

JOHN HARDIN HIGH SCHOOL-CONCLUDED

YEAR ENDED JUNE 30, 2008

NAME OF ACTIVITY	CASH BALANCES July 1, 2007	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2008	ACCOUNTS RECEIVABLE AND DUE FROM OTHER FUNDS June 30, 2008	ACCOUNTS PAYABLE AND DUE TO OTHER FUNDS June 30, 2008	FUND BALANCES June 30, 2008
North Hardin Hope	-	-	-	-	-	-	-
Pep Club	-	3,042	3,042	-	-	-	-
Physical Education Dept.	-	11	11	-	-	-	-
Project Graduation	281	10,699	10,469	511	-	-	511
Relay for Life	137	1,319	1,456	-	-	-	-
SADD Club	232	212	300	144	-	-	144
Scholarship	-	-	-	-	-	-	-
School Concessions	5,144	2,622	7,445	321	-	-	321
School Store	10	-	-	10	-	-	10
Science Club	-	216	-	216	-	-	216
Science Department	26	158	100	84	-	-	84
Science / AP Chemistry	399	160	529	30	-	-	30
Scrapbooking Club	-	35	18	17	-	-	17
Small Learning Group G	-	7,600	7,600	-	-	-	-
Soccer-Boys	621	10,794	7,681	3,734	-	3,734	-
Soccer-Girls	1,962	7,681	9,029	614	-	-	614
Social Studies Dept.	104	724	562	266	-	-	266
Softball	1,004	13,388	10,954	3,438	-	-	3,438
Special Education Dept.	99	829	483	445	-	-	445
Special Education Learning	427	-	373	54	-	-	54
Speech	-	1,234	1,234	-	-	-	-
Student Council	421	316	478	259	-	-	259
Student Flower Fund	-	-	-	-	-	-	-
Student School Fund	3,996	7,636	10,798	834	-	-	834
Swimming	-	35	35	-	-	-	-
Tech Education Dept.	2	-	-	2	-	-	2
Tech Student Association	730	60	130	660	-	-	660
Teenage Republicans	260	-	-	260	-	-	260
Tennis	3,264	4,531	7,614	181	290	394	77
The Big Read	-	689	303	386	-	-	386
Textbooks	1,958	893	49	2,802	-	-	2,802
Three-Point Club	6,812	12,285	7,845	11,252	-	-	11,252
Track	110	4,217	4,327	-	-	-	-
Uganda Missions	-	-	-	-	-	-	-
Unite to Read Program	-	-	-	-	-	-	-
Volleyball	5,443	3,874	2,620	6,697	-	-	6,697
Weightlifting Club	-	142	-	142	-	-	142
Winter Guard	8	-	-	8	-	-	8
Wrestling	421	4,985	5,406	-	-	-	-
Y Club	719	10,223	9,633	1,309	-	-	1,309
Yearbooks	12,589	15,429	9,214	18,804	-	217	18,587
Sub Total	112,793	462,481	469,338	105,936	418	7,160	99,194
Interfund Transfers	-	51,072	51,072	-	-	-	-
TOTAL	<u>\$ 112,793</u>	<u>\$ 462,481</u>	<u>\$ 469,338</u>	<u>\$ 105,936</u>	<u>\$ 418</u>	<u>\$ 7,160</u>	<u>\$ 99,194</u>

HARDIN COUNTY BOARD OF EDUCATION

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES

NORTH HARDIN HIGH SCHOOL

YEAR ENDED JUNE 30, 2008

NAME OF ACTIVITY	CASH BALANCES	RECEIPTS	DISBURSE- MENTS	CASH BALANCES	ACCOUNTS RECEIVABLE AND DUE FROM OTHER FUNDS	ACCOUNTS PAYABLE AND DUE TO OTHER FUNDS	FUND BALANCES
	July 1, 2007			June 30, 2008	June 30, 2008	June 30, 2008	June 30, 2008
Academic Team	\$ 2,926	\$ 1,435	\$ 808	\$ 3,553	\$ -	\$ -	\$ 3,553
Agriculture Department	6,405	1,365	2,003	5,767	-	-	5,767
Art Club	1,072	913	705	1,280	-	-	1,280
Art Department	-	-	-	-	-	-	-
Athletic Fund	1,478	90,917	91,985	410	-	-	410
Athletic Uniforms	19,993	20,406	21,245	19,154	-	-	19,154
B & G Drill Team/JROTC	-	-	-	-	-	-	-
Beta Club	4,180	3,311	2,495	4,996	-	-	4,996
Band	1,958	26,409	27,044	1,323	-	-	1,323
Baseball	781	9,285	8,184	1,882	-	-	1,882
Bingo Fund	-	135,792	135,792	-	-	-	-
Boys Basketball	2,764	11,119	9,817	4,066	-	-	4,066
Business Education Dept.	-	-	-	-	-	-	-
Cheerleaders	3,753	9,300	11,856	1,197	-	-	1,197
Chess Club	156	-	-	156	-	-	156
Chorus	5,298	5,902	9,365	1,835	-	-	1,835
Counseling Department	253	4,904	4,661	496	-	-	496
Cross Country/Boys	1,660	3,443	3,839	1,264	-	-	1,264
Cross Country/Girls	1,235	12,843	9,381	4,697	-	-	4,697
Dance Team	4,371	2,613	4,281	2,703	-	-	2,703
Drama Club	395	507	503	399	-	-	399
English Department	276	880	840	316	-	-	316
Faculty Concessions	30	6,068	5,964	134	474	-	608
Faculty Flower Fund	536	717	1,253	-	-	-	-
Family & Consumer Sciences	3,093	7,089	6,664	3,518	-	-	3,518
FBLA	400	948	731	617	-	-	617
FCA	176	350	76	450	-	-	450
FCCLA	2,741	7,124	9,034	831	-	-	831
FFA	1,454	12,470	13,554	370	-	-	370
Football	2,512	15,981	12,431	6,062	-	415	5,647
Foreign Language Department	135	290	425	-	-	-	-
French Club	2,638	419	889	2,168	-	-	2,168
Future Educators of America	435	1,030	927	538	-	-	538
German Club	2,939	673	882	2,730	-	-	2,730
Girls Basketball	13,636	17,874	19,469	12,041	-	-	12,041
Golf	1,194	7,830	6,248	2,776	-	-	2,776
Grade 10	2,231	2,778	4,589	420	-	-	420
Grade 11	2,098	6,297	6,717	1,678	-	-	1,678
Grade 12	5,185	27,658	21,945	10,898	-	-	10,898
Grade 9	779	3,353	4,132	-	-	-	-
Instructional/Operations	1,205	5,269	5,711	763	-	-	763
Journalism	372	9,317	8,629	1,060	-	-	1,060
JROTC	-	-	-	-	-	-	-
JROTC Teams	1,858	8,538	8,212	2,184	-	-	2,184
JROTC Rifle Team	-	-	-	-	-	-	-
KJHS Club	456	332	81	707	-	-	707
Library/Media Center	311	1,038	1,123	226	-	-	226
Martial Arts	124	359	96	387	-	-	387
Math Department	1,225	662	435	1,452	-	-	1,452
Matmaids	-	-	-	-	-	-	-
National Honor Society	2,245	5,576	4,449	3,372	-	-	3,372
NHHS Bingo	64,560	268,617	294,849	38,328	-	-	38,328
Nurse	-	-	-	-	-	-	-
Pep Club	1,561	3,973	3,610	1,924	-	-	1,924

HARDIN COUNTY BOARD OF EDUCATION

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES

NORTH HARDIN HIGH SCHOOL-CONCLUDED

YEAR ENDED JUNE 30, 2008

NAME OF ACTIVITY	CASH BALANCES July 1, 2007	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2008	ACCOUNTS RECEIVABLE AND DUE FROM OTHER FUNDS June 30, 2008	ACCOUNTS PAYABLE AND DUE TO OTHER FUNDS June 30, 2008	FUND BALANCES June 30, 2008
Photography Club	319	479	-	798	-	-	798
Physical Education Dept.	-	140	140	-	-	-	-
Prom Shop	41	-	-	41	-	-	41
SADD	-	5,536	5,436	100	-	-	100
School Concessions	685	9,175	9,860	-	174	-	174
School Fund	626	10,735	10,000	1,361	-	-	1,361
School Store	5,040	4,818	5,673	4,185	-	58	4,127
Science Club	2,601	1,207	712	3,096	-	-	3,096
Science Department	2,923	1,324	1,621	2,626	-	-	2,626
Soccer/Boys	6,533	12,516	11,483	7,566	-	172	7,394
Soccer/Girls	7,529	4,731	8,886	3,374	-	-	3,374
Social Studies Dept.	-	-	-	-	-	-	-
Softball	3,695	9,151	12,136	710	-	-	710
Spanish Club	2,287	718	30	2,975	-	-	2,975
Spanish Travel	-	-	-	-	-	-	-
Special Education Dept.	1,471	4,434	3,300	2,605	-	-	2,605
Speech	13	100	100	13	-	-	13
Student Council	2,040	3,052	2,127	2,965	-	-	2,965
Swimming	4,705	1,435	2,893	3,247	-	-	3,247
Student Support Services	817	320	372	765	-	-	765
Tech Ed Department	48	-	-	48	-	-	48
Tennis	1,715	1,435	2,139	1,011	-	-	1,011
Textbooks	673	3,810	4,040	443	-	-	443
Track/Boys	4,549	8,008	10,260	2,297	-	-	2,297
Track/Girls	2,422	2,870	3,616	1,676	-	-	1,676
Travel	12	-	-	12	-	-	12
TSA Club	1,786	3,665	1,950	3,501	-	-	3,501
Volleyball	5,502	10,540	12,349	3,693	-	-	3,693
Witten Scholarship	-	-	-	-	-	-	-
Wrestling	99	4,349	3,547	901	-	-	901
Y Club	798	14,614	14,845	567	-	-	567
Yearbooks	13,835	31,701	40,406	5,130	-	-	5,130
Youth in Charge	123	353	435	41	-	-	41
Sub Total	247,970	915,190	956,286	206,874	648	645	206,877
Interfund Transfers	-	164,687	164,687	-	-	-	-
TOTAL	\$ 247,970	\$ 750,503	\$ 791,599	\$ 206,874	\$ 648	\$ 645	\$ 206,877

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

HARDIN COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2008

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster -			
Passed Through State Department of Education			
National School Lunch	10.555	7750002-07	\$ 605,260
		7750002-08	1,999,591
School Breakfast Program	10.553	7760005-07	249,954
		7760005-08	829,446
Summer Food Service Program for Children	10.559	7690024-07	52,977
		7740023-07	62,632
TOTAL CHILD NUTRITION CLUSTER			3,799,860
<u>OTHER U.S. DEPARTMENT OF AGRICULTURE PROGRAMS</u>			
Passed Through State Dept. of Agriculture			
Food Donation	10.550	057502-02	361,756
TOTAL U.S. DEPT. OF AGRICULTURE			4,161,616
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Special Education Cluster -			
Passed Through State Department of Education			
Special Education - Grants to States	84.027	3377	186,248
		3378	2,673,672
			2,859,920
Special Education - Preschool Grants	84.173	3438	137,968
TOTAL SPECIAL EDUCATION CLUSTER			2,997,888
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>			
Impact Aid	84.041	N/A	444,994
Passed Through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	*	800,492
		3107	196,660
		3107D	7,041
		3107M	1,163
		3107T	1,959,770
		3108	235,926
		3108D	27,402
		3108M	7,298
		3147	125,097
		3148	28,649
		3206	83,575
		3207	31,318
		3208	
			3,504,391

* Denotes major federal program
The accompanying notes are an integral part of this schedule.

HARDIN COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONCLUDED

YEAR ENDED JUNE 30, 2008

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
Migrant Education - State Grant Program	84.011	3117 3117R 3118 3118R	42,553 16,290 41,413 9,108
			<u>109,364</u>
English Language Acquisition Grants	84.365	3456 3457 3458	2,872 38,352 20,658
			<u>61,882</u>
Vocational Education - Basic Grants to States	84.048	3486A 3487 3487A 3488	5,516 9,053 4,260 122,965
			<u>141,794</u>
Safe and Drug Free Schools and Communities - State Grants	84.186	4067 4068	11,331 49,637
			<u>60,968</u>
State Grants for Innovative Programs	84.298	3347 3348	1,922 18,070
			<u>19,992</u>
Improving Teacher Quality - State Grants	84.367 *	4017 4018	68,010 601,998
			<u>670,008</u>
Education Technology - State Grants	84.318	42556 4257 4258	34,283 6,812 26,393
			<u>67,488</u>
Twenty-First Century Community Learning Centers	84.287	5506	15,086
Norm Referenced Testing	84.369	3977	6,026
Passed Through Cabinet for Workforce Development			
Adult Education - State Grant Program	84.002	3658S 3708 3738 3738S 3818	31,292 12,632 128,690 8,266 4,280
			<u>185,160</u>

HARDIN COUNTY BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONCLUDED

YEAR ENDED JUNE 30, 2008

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
Passed through Green River Regional Co-op Fund for the Improvement of Education	84.215	5187 5188	258,991 <u>163,823</u>
			422,814
Passed through State Department for Juvenile Justice Title I Grants to Local Educational Agencies	84.010	3138	37,885
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>8,745,740</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
National Guard Civilian Youth Opportunities	12.404	5048	<u>174,843</u>
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>174,843</u>
<u>U.S. DEPARTMENT OF COMMERCE</u>			
Passed Through Central Kentucky Pride: Congressionally Identified Awards and Projects	11.469	2708	<u>2,664</u>
TOTAL U.S. DEPARTMENT OF COMMERCE			<u>2,664</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 13,084,863</u>

HARDIN COUNTY BOARD OF EDUCATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2008

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Hardin County Board of Education and is presented on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

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

NOTE C - SUBRECIPIENTS

There were no subrecipients during the fiscal year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I-Summary of Auditor's Results

Section I-Summary of Auditor's Results

Section II – Financial Statement of Findings

See item 2008-01 in Section II – Federal Award Findings and Questioned Costs.

Section III – Federal Award Findings and Questioned Costs

REFERENCE NUMBER 2008-01

DEPARTMENT OF EDUCATION – Improving Teacher Quality – CFDA No. 84.367 – Grant period – Year ending June 30, 2008.

Criteria: – Personnel activity reports and/or periodic certifications to substantiate payroll charges are required to be completed under the provisions of OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments."

Condition: – Documentation of preparation of personnel activity reports and/or periodic certifications was not completed for all employees charged to the Improving Teacher Quality grant.

Cause: - Program administrators did not follow the payroll documentation requirements under OMB Circular A-87.

Effect: – The personnel costs for which documentation was not present may be disallowed.

Questioned Costs: – \$10,796

Recommendation: –Hardin County School District should ensure that program administrators follow the documentation requirements for payroll charges to federal programs.

Management Response: – The District will strengthen procedures to ensure that the OMB A-87 payroll documentation requirements are met.

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

HARDIN COUNTY BOARD OF EDUCATION

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2008

There were no prior year audit findings.

**REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

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Members of the Board of Education
Hardin County Board of Education
Elizabethtown, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hardin County Board of Education as of and for the year ended June 30, 2008, which collectively comprise Hardin County Board of Education's basic financial statements and have issued our report thereon dated September 19, 2008. 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 requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I, II and III of the *Independent Auditor's Contract*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hardin County Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2008-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 2008-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hardin County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2008-01.

We noted certain matters that we reported to management of Hardin County Board of Education in a separate letter dated September 19, 2008.

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

A handwritten signature in black ink that reads "Jiles, Carter & Associates". The signature is written in a cursive, flowing style.

Certified Public Accountants
September 19, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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Compliance

We have audited the compliance of Hardin County Board of Education with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Hardin County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Hardin County Board of Education's management. Our responsibility is to express an opinion on Hardin County Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I, II and III of the Independent Auditor's Contract. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hardin County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Hardin County Board of Education's compliance with those requirements.

As described in item 2008-01 in the accompanying schedule of findings and questioned costs, Hardin County Board of Education did not comply with requirements regarding payroll documentation that are applicable to its Teacher Quality grant. Compliance with such requirements is necessary, in our opinion, for Hardin County Board of Education to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Hardin County Board of Education complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Hardin County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Hardin County Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hardin County Board of Education's internal control over compliance.

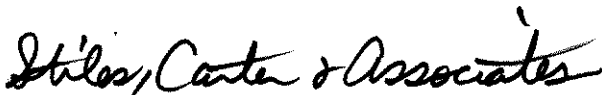
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-01 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item 2008-01 to be a material weaknesses.

Hardin County Board of Education's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Hardin County Board of Education's response and, accordingly, we express no opinion on it.

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



Certified Public Accountants
September 19, 2008

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America Counts on CPAsSM

Members of the Board of Education of
Hardin County Board of Education
Elizabethtown, Kentucky

In planning and performing our audit of the basic financial statements of Hardin County Board of Education for the year ended June 30, 2008, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated September 19, 2008, contains our report on the District's internal control. This letter does not affect our report dated September 19, 2008, on the financial statements of the Hardin County Board of Education.

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

Stiles, Carter & Associates

Certified Public Accountants
September 19, 2008

HARDIN COUNTY BOARD OF EDUCATION

COMMENTS

June 30, 2008

UNCORRECTED PRIOR YEAR COMMENTS – NONE

CURRENT YEAR COMMENTS

BLUEGRASS MIDDLE SCHOOL

Multiple Receipt Forms

We noted that multiple receipt forms were not signed and/or dated by the School Treasurer.

Management Response

I (the Treasurer) sign and date each multiple receipt form as they come through. If I did not, it may have been an oversight on my part or it could have been attached to others where they were continuation of several pages. I will continue to sign each multiple receipt form as it is turned in to me in order to be in compliance with audit regulations.

Activity Fund Deficit Balance

8th Grade Team Fund 1 maintained by School Treasurer had a deficit balance at the end of the school year.

Management Response

This was an oversight on my (the treasurer) part. I looked through each account to make sure that funding was sufficient. I transfer funds out of student general accounts if the need arises. This school year, I only had one account that I saw was in a deficit balance of \$271.62 with the outstanding accounts payable. I must have overlooked the deficit of \$7.66 in 8th grade team 1. I usually watch them very closely, but overlooked this one. I will continue to watch for deficit balances as the school year ends.

EAST HARDIN MIDDLE SCHOOL

Deposit Ticket Preparation

We noted that deposit tickets are not prepared by either (1) listing the names and amounts of checks on the deposit tickets or (2) having copies of the checks produced.

Management Response

In the past calculator tapes have been attached to each deposit slip. Beside each check amount on the calculator tape was hand written the name of who the check was from. To comply with a new request from auditors, beginning July 1, 2008, a photocopy of all checks has been affixed to deposit tickets.

HARDIN COUNTY BOARD OF EDUCATION

COMMENTS – CONTINUED

June 30, 2008

CURRENT YEAR COMMENTS - CONTINUED

EAST HARDIN MIDDLE SCHOOL – CONTINUED

Purchase Order/Invoice Preparation

We noted that Purchase Orders were dated after the date on the Invoice sent by various vendors.

Management Response

Staff members have been informed in the past that this practice is unacceptable. A copy of this email, containing auditor's comments, has been forwarded to all staff members with a warning that violations in the future will put them at risk of having to pay for such purchases with their personal funds.

NORTH HARDIN HIGH SCHOOL

Booster Clubs

We noted that the following booster clubs did not have a completed 2007 – 2008 Annual Financial Report on file with North Hardin: Band, Boy's Basketball, Baseball, Cheerleaders, Cross Country, Football, Cadet/Parent Association, Soccer, Girl's Soccer, Softball, Track, Volleyball, and Wrestling. We noted that the following booster clubs did not have a completed 2007 – 2008 Budget on file with North Hardin: Band, Boy's Basketball, Baseball, Cheerleaders, Cross Country, Football, Cadet/Parent Association, Soccer, Girl's Soccer, Softball, Track, Volleyball, and Wrestling. We noted that the following booster clubs did not have a list of 2007 – 2008 Officers on file with North Hardin: Boy's Basketball, Cross Country, Football, Girl's Soccer, and Wrestling.

Management Response

We have taken the necessary steps to make sure we have a 08-09 Annual Financial Report, 08-09 proposed budget, and an 08-09 List of Officers for all boosters clubs. We have been making progress toward accomplishing this goal for the 08-09 school year. We collected 08-09 proposed budgets before the end of the 07-08 school year. Lists of booster club officers have been turned in as clubs have completed their elections for the 08-09 school year. We will be collecting annual financial reports toward the end of this school year.

WEST HARDIN MIDDLE SCHOOL

Multiple Receipt Forms

We noted that Multiple Receipt Forms were either not completed for collection of student money or improperly completed.

Management Response

This will be corrected immediately. All future collections of student money will be documented correctly on Multiple Receipt Forms.

HARDIN COUNTY BOARD OF EDUCATION

COMMENTS – CONTINUED

June 30, 2008

CURRENT YEAR COMMENTS - CONTINUED

WEST HARDIN MIDDLE SCHOOL – CONTINUED

Deposit Ticket Preparation

We noted that deposit tickets are not prepared by either (1) listing the names and amounts of checks on the deposit tickets or (2) having copies of the checks produced.

Management Response

In the future, copies will be made of all checks being deposited.

Deposit of Funds

We noted numerous instances in which deposits of money were not made on a timely basis.

Management Response

All deposits will be made in a timely manner from now on.

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State Committee for School District Audits
Members of the Board of Education
Hardin County Board of Education
Elizabethtown, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hardin County Board of Education as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements, as listed in the accompanying table of contents, and have issued our report thereon dated September 19, 2008. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under auditing standards generally accepted in the United States of America, the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I, II and III of the *Independent Auditors' Contract*.

As stated in our engagement letter dated May 28, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Hardin County Board of Education's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Hardin County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Hardin County Board of Education's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on Hardin County Board of Education's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Hardin County Board of Education's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 28, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Hardin County Board of Education are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was :

Management's estimate of the accrued sick leave is based on expected future employee retirements. We evaluated the key factors and assumptions used to develop the accrued sick leave estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. There have been no disagreements during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 19, 2008.

Management Consultations With Other Independent Accountants

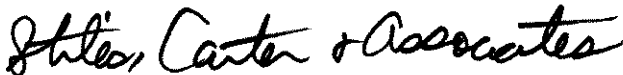
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

During our audit, we noted instances of material weaknesses in internal control and material noncompliance over the Teacher Quality Grant. These items are reported in the Schedule of Findings and Questioned costs as item 2008-01.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This report is intended solely for the use of the members of the Board of Education, Kentucky State Committee for School District Audits and management and is not intended and should not be used by anyone other than these specified parties.



Certified Public Accountants
September 19, 2008