

HENDERSON COUNTY SCHOOL DISTRICT  
INDEPENDENT AUDITORS' REPORT ON  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Neel, Crafton  Phillips, LLP  
*Certified Public Accountants  
Business Consultants*

**HENDERSON COUNTY SCHOOL DISTRICT**  
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**For the Fiscal Year Ended June 30, 2010**

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education  
Henderson County School District  
Henderson, 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 Henderson County School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Henderson County School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget 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 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 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 Henderson County School District as of June 30, 2010, and the respective changes in financial position and cash flows for its proprietary funds 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 December 17, 2010, on our consideration of Henderson County School District's internal control structure and a report dated December 17, 2010, on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of those reports 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 10 is not a required part of the basic financial statements but is 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Henderson County School District's basic financial statements. The budgetary comparison information on page 40 and the combining non-major fund financial statements on pages 38 through 42 are presented for the purpose of additional analysis and are not a required part of the financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section, statistical tables and the budgetary comparison information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we express no opinion on it.

*Nard, Croft & Phillips, LLP*

Henderson, Kentucky  
December 17, 2010

**HENDERSON COUNTY BOARD OF EDUCATION  
Henderson, Kentucky  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

As management of the Henderson County School District (District), we offer readers of the District's financial statements in this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2010. We encourage our readers to consider information presented here in conjunction with additional information located within the body of the audit report.

**Financial Highlights:**

- The beginning Governmental Fund balance for the District was \$22,447,887. The ending fund balance was \$ 25,249,794 which was an increase of \$2,801,907.
- The District is in excellent financial condition as it has been able to withstand the financial pressures of a very tight state education budgets over the past several years without impairing the educational programs or facilities maintenance requirements for the District.
- The District's current assets increased by during the year, while current liabilities increased by \$2,985,490 resulting in a current ratio of 6.2% which is indicative of the District's solid financial position.
- The District continues to make significant investments in the operation and upgrades of technology utilized in instructional programs. The District committed \$700,000 towards computers, white boards, and instructional software during the 2009-2010 school year. The District also purchased new math text books for elementary and middle school students, while simultaneously implementing professional staff development for new standards in mathematics and reading.
- Funds were also expended towards the development and pre-construction activities of the Henderson Early Childhood Center, expected to be completed in late 2011.

**Overview of the Financial Statements:**

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

## **Overview of the Financial Statements, continued**

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

- The *Statement of Net Assets* present 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 a useful indicator of whether the financial position of the District is improving.
- The *Statement of Activities* presents information showing how the District's net 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 the related cash transactions. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

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

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

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

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

## **GOVERNMENT WIDE FINANCIAL ANALYSIS**

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

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



## GOVERNMENT WIDE FINANCIAL ANALYSIS, CONTINUED

### Net Assets As of June 30, 2010

	June 30, 2010	June 30, 2009	Change
Current Assets	\$ 30,306,922	\$ 27,231,432	\$ 3,075,490
Capital or non-current assets	30,666,748	32,243,967	(1,577,219)
<b>Total Assets</b>	<b>\$ 60,973,670</b>	<b>\$ 59,475,399</b>	<b>\$ 1,498,271</b>
Current liabilities	\$ 4,653,503	\$ 4,617,012	\$ 36,491
Non-current liabilities	17,347,286	17,306,525	40,761
<b>Total Liabilities</b>	<b>\$ 22,000,789</b>	<b>\$ 21,923,537</b>	<b>\$ 77,252</b>
Investments in capital assets, net	\$ 12,482,239	\$ 13,948,967	\$ (1,466,728)
Restricted	11,037,287	7,475,862	3,561,425
Unrestricted	15,452,655	16,127,033	(674,378)
<b>Total Net Assets</b>	<b>\$ 38,972,181</b>	<b>\$ 37,551,862</b>	<b>\$ 1,420,319</b>

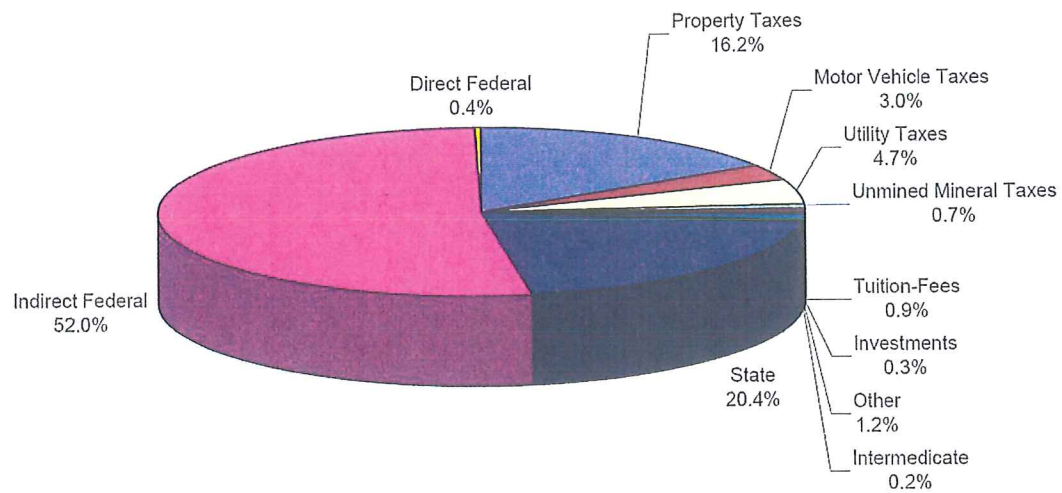
The current assets increased by \$3.1 million during the fiscal year while the capital assets decreased by \$3.5 million. Total revenues for the Governmental funds exceeded expenditures by \$2.8 million, which was a key factor in the increase in current assets. There were no major capital projects initiated during the fiscal year other than the normal replacement of equipment and computer technology. Total acquisitions of capital assets during the year were approximately \$1.5 million, while depreciation of assets totaled \$3.1 million. This resulted in a net decrease in capital assets of \$1.5 million. The scheduled debt retirement payments resulted in a net reduction in long-term debt of \$1.7 million. The reserve for capital projects increased by \$3.5 million. All of these factors resulted in an increase in net assets of \$1.4 million for the year ended June 30, 2010.

The District's total revenues were \$ 66,566,540 and the total expenditures were \$ 64,019,197 which resulted in an increase in assets of \$2,801,907.

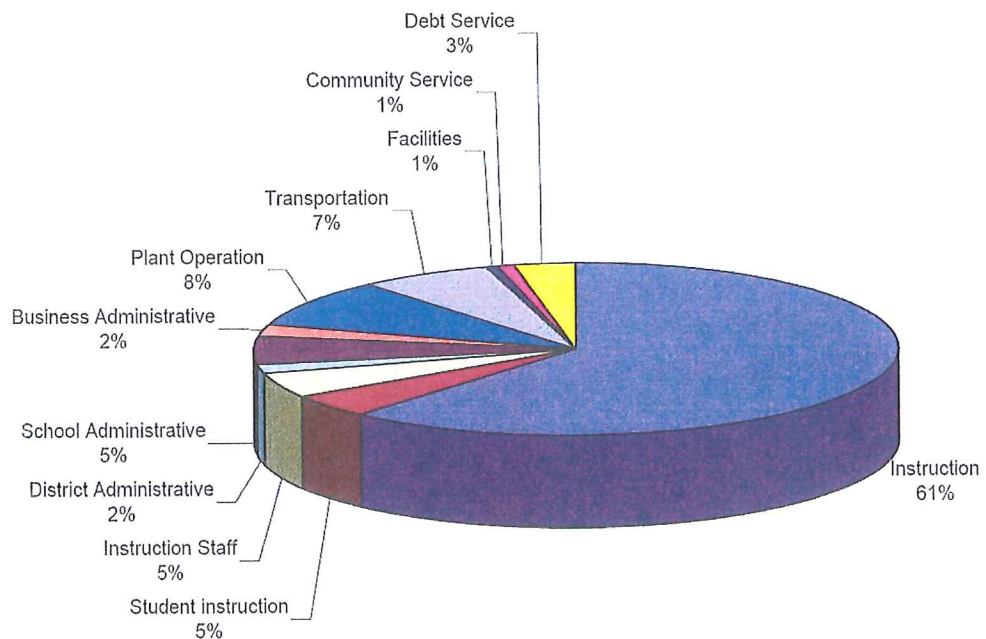
- State revenues accounted for 20% of the total revenues while local taxes accounted for 26%.
- Expenditures totaled \$64,019,197, with \$39,500,946 or 61% of total being expended towards student instruction.

## Government Wide Financial Analysis

### Revenues:



### Expenditures:



## **Governmental Fund Highlights**

- The General Fund revenues for the year were \$ 50.2 million, with \$ 33.5 million coming from state revenues and the remaining \$16.7 million from local sources.
- Total General Fund Expenditures were \$49.5 million, with instruction costs being the largest area at \$ 30.2 million.
- The net excess of revenues over expenditures was \$2.8 million resulting in an increase in the fund balance of a like amount for the 2010 fiscal year.

The Special Revenue fund expenditures for the year were \$12.4 million. Two major sources of revenues for this fund was State Grants totaling \$3.1million., and Federal Grants totaling \$10.4 million.

The Other Governmental Funds also included debt services payments of \$1.9 million, with \$ 1.7 million being for principal and the remainder for interest.

Total ending fund balances as for June 30, 2010 were \$ 19.6 million in the General Fund, \$ 1.4 million in the Special Revenue fund and \$4.2 million in the other governmental funds for a total of \$25.2 million

## **Commentary on General Fund Budgetary Comparisons**

- The actual revenues and expenditures both include \$ 9.3 million of on behalf payments that are not included in the original or final budgets. These represent payments for employee benefits paid at the state level on behalf of the Henderson County School District. The following comments below are net of these on-behalf payments.
- Total revenues in relation to budgeted amounts were \$ 3.5 million in excess of budgeted amounts. The major revenue line items exceeding amounts budgeted were property taxes from all sources by \$1.6 million, investment income by \$.5 million, and state funding by \$1.3 million.
- Total expenditures were \$49.4 million below amounts budgeted by \$2 million. However, the budget included a contingency with no expenditures and the actual included \$9.2 million of on behalf payments with no corresponding budget. Actual expenditures were \$ 2 million favorable in relation to the budget.

### **Future Budgetary Considerations**

In Kentucky, the public schools operate on a July 1, to June 30<sup>th</sup> fiscal year, other programs such as some federal programs, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have at least a 2% contingency. The district adopted a budget for fiscal year 2011, with a 5 % contingency. However, current economic conditions are of concern. The local budget contingency includes reserved funds for state economic shortfalls which will be used, if necessary, to protect the current level of direct classroom instruction. The District intends to take a conservative approach to expenditures as it has in the previous years.

### **District Challenges for the Future**

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

The State of Kentucky's financial concerns due to a stagnant economy will have a significant impact on the availability of funds allocated to public education. The school districts have already experienced reductions in funding and allocation of some expenses that were traditionally paid by the state. Since 13% of the District's funding is provided by the State sources, the financial outlook for public schools is dependent upon the State's financial condition and budgetary funds. The outlook for the next few years is a major concern for the Board and management.

The District's tests scores as with the previous year are on the rise, but must continue to improve to meet the increasing requirements of the federal "No Child Left Behind" legislation. Several new programs have been initiated in the past few years that will continue to impact test scores in a positive manner in the future. However, many of the programs, such as full day kindergarten, expanded pre-school programs, curriculum specialists, and enrichment teams are not funded by the State budget. The District will again be challenged to continue to find the resources to fund these important educational programs.

## **Report Purpose and Contact Information**

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

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

HENDERSON COUNTY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 24,050,532	\$ 2,179,135	\$ 26,229,667
Investments - Certificates of deposit	-	-	-
Inventory	-	105,733	105,733
Accounts receivable	-	-	-
Taxes - current	184,545	-	184,545
Accounts receivable	1,870,008	58,500	1,928,508
Employees	114	-	114
Accrued interest	-	-	-
Intergovernmental - Indirect	-	-	-
Federal	1,768,336	-	1,768,336
Prepaid expenses	90,019	-	90,019
Total Current Assets	<u>27,963,554</u>	<u>2,343,368</u>	<u>30,306,922</u>
<u>Noncurrent Assets</u>			
Capital assets, net	30,009,755	286,862	30,296,617
Bond issue cost, net	370,131	-	370,131
Total Noncurrent Assets	<u>30,379,886</u>	<u>286,862</u>	<u>30,666,748</u>
Total Assets	<u>\$ 58,343,440</u>	<u>\$ 2,630,230</u>	<u>\$ 60,973,670</u>
<b>LIABILITIES</b>			
<u>Current Liabilities</u>			
Accounts payable	\$ 1,146,433	\$ 44,275	\$ 1,190,708
Accrued payroll and related expenses	619,357	125,410	744,767
Deferred revenue	723,271	-	723,271
Current portion of bond obligations	1,668,809	-	1,668,809
Current portion of accrued sick leave	224,699	-	224,699
Interest payable	101,249	-	101,249
Total Current Liabilities	<u>4,483,818</u>	<u>169,685</u>	<u>4,653,503</u>
<u>Noncurrent Liabilities</u>			
Noncurrent portion of bond obligations	16,515,000	-	16,515,000
Noncurrent portion of accrued sick leave	832,286	-	832,286
Total Noncurrent Liabilities	<u>17,347,286</u>	<u>-</u>	<u>17,347,286</u>
Total Liabilities	<u>\$ 21,831,104</u>	<u>\$ 169,685</u>	<u>\$ 22,000,789</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	\$ 12,196,077	\$ 286,862	\$ 12,482,939
Restricted for:			
Capital projects	4,800,400	-	4,800,400
Other purposes (nonexpendable)	6,131,154	105,733	6,236,887
Unrestricted	13,384,705	2,067,950	15,452,655
Total Net Assets	<u>\$ 36,512,336</u>	<u>\$ 2,460,545</u>	<u>\$ 38,972,881</u>

See Accompanying Notes to Financial Statements

HENDERSON COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2010

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities
Governmental Activities:						
Instruction	\$ 39,500,946	\$ 568,618	\$ 13,559,028	\$ -	\$ (25,373,300)	\$ (25,373,300)
Support services:						
Student	2,892,055	-	-	-	(2,892,055)	(2,892,055)
Instruction staff	2,971,533	-	-	-	(2,971,533)	(2,971,533)
District administrative	1,033,772	-	-	-	(1,033,772)	(1,033,772)
School administrative	3,426,176	-	-	-	(3,426,176)	(3,426,176)
Business	1,302,678	-	-	-	(1,302,678)	(1,302,678)
Plant operation and maintenance	5,916,787	-	-	-	(5,916,787)	(5,916,787)
Student transportation	4,204,172	-	-	-	(4,204,172)	(4,204,172)
Facilities acquisition and construction	338,848	-	-	-	(338,848)	(338,848)
Community service activities	571,186	-	-	-	(571,186)	(571,186)
Interest on long-term debt	243,572	-	-	-	(243,572)	(243,572)
Depreciation	3,023,682	-	-	-	(3,023,682)	(3,023,682)
Amortization loan cost	42,861	-	-	-	(42,861)	(42,861)
Transfers	4,460,940	-	-	-	(4,460,940)	(4,460,940)
Total Governmental Services	69,929,208	568,618	13,559,028	-	(55,801,562)	(55,801,562)
Business Type Activities:						
Food service	4,052,644	1,487,033	2,757,405	-	-	191,794
Other	1,289,505	1,177,984	163,364	-	-	51,843
Transfers	234,802	-	-	-	-	(234,802)
Total Business Activities	5,576,951	2,665,017	2,920,769	-	-	8,835
Total Primary Government	\$ 75,506,159	\$ 3,233,635	\$ 16,479,797	\$ -	\$ (55,792,727)	\$ (55,792,727)
General Revenues:						
Taxes:						
Property tax						
Motor vehicle tax						
Utility tax						
Unmined minerals						
Investment earnings						
State and formula grants						
Other local revenues						
Gain on sales of fixed assets						
Transfers in						
Change in net assets						
Net Assets - Beginning as adjusted						
Net Assets - Ending						

See Accompanying Notes to Financial Statements

HENDERSON COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
<b>ASSETS AND RESOURCES:</b>				
Cash and cash equivalents	\$ 18,404,138	\$ 1,403,323	\$ 4,243,071	\$ 24,050,532
Investments - certificate of deposit	-	-	-	-
Accounts receivable	-	-	-	-
Taxes - current	184,545	-	-	184,545
Accounts receivable	1,583,777	286,231	-	1,870,008
Employees	114	-	-	114
Interfund	956,701	(956,701)	-	-
Accrued interest	-	-	-	-
Intergovernmental - State	-	-	-	-
Intergovernmental - Indirect	-	-	-	-
Federal	-	1,768,336	-	1,768,336
Prepaid expenses	90,019	-	-	90,019
<b>Total Assets and Resources</b>	<b>\$ 21,219,294</b>	<b>\$ 2,501,189</b>	<b>\$ 4,243,071</b>	<b>\$ 27,963,554</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities				
Accounts payable	\$ 889,634	\$ 256,799	\$ -	\$ 1,146,433
Accrued payroll and related expenses	328,375	118,387	-	446,762
Employee withholding taxes	172,595	-	-	172,595
Current portion of accumulated sick leave	224,699	-	-	224,699
Deferred revenue	-	723,271	-	723,271
<b>Total Liabilities</b>	<b>1,615,303</b>	<b>1,098,457</b>	<b>-</b>	<b>2,713,760</b>
<b>FUND BALANCES:</b>				
Reserved for:				
Revenue decline	1,607,000	-	-	1,607,000
Program expansions	429,000	-	-	429,000
Equipment and repairs	1,822,000	-	-	1,822,000
Sick leave	547,651	-	-	547,651
Encumbrances	1,975,670	-	-	1,975,670
Construction	-	-	2,978,400	2,978,400
KSFCC Escrow	-	-	1,571,833	1,571,833
SFCC	-	-	-	-
Unreserved:				
Undesignated, reported in:				
General fund	13,222,670	-	-	13,222,670
Other governmental funds	-	1,402,732	-	1,402,732
Debt service funds	-	-	-	-
FSPK	-	-	(307,162)	(307,162)
<b>Total Fund Balances</b>	<b>19,603,991</b>	<b>1,402,732</b>	<b>4,243,071</b>	<b>25,249,794</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 21,219,294</b>	<b>\$ 2,501,189</b>	<b>\$ 4,243,071</b>	<b>\$ 27,963,554</b>

See Accompanying Notes to Financial Statements



HENDERSON COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET-  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
Year Ended June 30, 2010

Total fund balance per fund financial statements	\$ 25,249,794
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.	30,009,755
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets, as follows:	
Long-term debt	(18,183,809)
Bond issue costs, net of accumulated amortization	370,131
Long-term portion sick leave accrual	(832,286)
Accrued interest payable on long-term debt	<u>(101,249)</u>
Net assets for governmental activities	<u>\$ 36,512,336</u>

See Accompanying Notes to Financial Statements

HENDERSON COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2010

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
From local sources				
Taxes				
Property	\$ 9,455,962	\$ -	\$ 1,359,257	\$ 10,815,219
Motor vehicle	1,995,493	-	-	1,995,493
Utilities	3,153,861	-	-	3,153,861
Unmined minerals	462,542	-	-	462,542
Tuition and fees	568,618	-	-	568,618
Earnings on investments	112,200	-	92,059	204,259
Other local revenues	707,793	77,252	-	785,045
Intergovernmental - intermediate	160,742	-	-	160,742
Intergovernmental - state	9,229,753	3,134,826	1,194,449	13,559,028
Intergovernmental - indirect federal	24,227,704	10,394,923	-	34,622,627
Intergovernmental - direct federal	123,220	115,886	-	239,106
<b>Total Revenues</b>	<b>50,197,888</b>	<b>13,722,887</b>	<b>2,645,765</b>	<b>66,566,540</b>
<b>EXPENDITURES:</b>				
Instruction	30,181,497	9,319,449	-	39,500,946
Support services:				
Student	1,984,021	908,034	-	2,892,055
Instruction staff	1,663,922	1,307,611	-	2,971,533
District Administrative	1,033,772	-	-	1,033,772
School administrative	3,295,031	131,145	-	3,426,176
Business	1,302,678	-	-	1,302,678
Plant operation and maintenance	5,832,847	22,661	-	5,855,508
Student transportation	3,990,938	213,234	-	4,204,172
Facilities acquisition and construction	211,283	-	127,565	338,848
Community service activities	-	571,186	-	571,186
Debt service	-	-	1,922,323	1,922,323
<b>Total Expenditures</b>	<b>49,495,989</b>	<b>12,473,320</b>	<b>2,049,888</b>	<b>64,019,197</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>701,899</b>	<b>1,249,567</b>	<b>595,877</b>	<b>2,547,343</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of fixed assets	19,762	-	-	19,762
Operating transfers in	84,802	153,165	4,457,775	4,695,742
Operating transfers out	(594,370)	-	(3,866,570)	(4,460,940)
Refunding bonds issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(489,806)</b>	<b>153,165</b>	<b>591,205</b>	<b>254,564</b>
<b>Excess (deficit) of revenue and other financing sources over expenditures and other financing uses</b>	<b>212,093</b>	<b>1,402,732</b>	<b>1,187,082</b>	<b>2,801,907</b>
Fund balance, June 30, 2009	19,391,898	-	3,055,989	22,447,887
Fund balance, June 30, 2010	<u>\$ 19,603,991</u>	<u>\$ 1,402,732</u>	<u>\$ 4,243,071</u>	<u>\$ 25,249,794</u>

See Accompanying Notes to Financial Statements

HENDERSON COUNTY SCHOOL DISTRICT  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2010

Net change in total fund balances per fund financial statements	\$ 2,801,907
-----------------------------------------------------------------	--------------

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 depreciation plus loss on disposal of fixed assets expense exceeds capital outlays for the year.	(3,023,682)
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Bond issue costs are reported as expenditures in the fund financial statement but are presented as assets in the statement of activities and amortized over the life of the bond issue.	(42,681)
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Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets.	1,780,000
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Generally, expenditures recognized in this fund statement are limited to only those that use current resources, but expenses are recognized in the statement of activities when incurred.	<u>(162,708)</u>
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Change in net assets of governmental activities	<u>\$ 1,352,836</u>
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See Accompanying Notes to Financial Statements

HENDERSON COUNTY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2010

	<u>Food Service Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 1,917,892	\$ 261,243	\$ 2,179,135
Investments - certificates of deposit	-	-	-
Inventory	105,733	-	105,733
Accounts receivable	58,500	-	58,500
Accrued interest	-	-	-
Total Current Assets	<u>2,082,125</u>	<u>261,243</u>	<u>2,343,368</u>
<b>NONCURRENT ASSETS:</b>			
Capital assets	1,373,672	47,516	1,421,188
Less: accumulated depreciation	<u>(1,122,923)</u>	<u>(11,403)</u>	<u>(1,134,326)</u>
Total Noncurrent Assets	<u>250,749</u>	<u>36,113</u>	<u>286,862</u>
Total Assets	<u><u>\$ 2,332,874</u></u>	<u><u>\$ 297,356</u></u>	<u><u>\$ 2,630,230</u></u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 36,259	\$ 8,016	\$ 44,275
Accrued payroll and related expenses	<u>30,725</u>	<u>94,685</u>	<u>125,410</u>
Total Current Liabilities	<u>66,984</u>	<u>102,701</u>	<u>169,685</u>
<b>NET ASSETS:</b>			
Invested in capital assets	250,749	36,113	286,862
Reserved for inventories	105,733	-	105,733
Unrestricted	<u>1,909,408</u>	<u>158,542</u>	<u>2,067,950</u>
Total Net Assets	<u>\$ 2,265,890</u>	<u>\$ 194,655</u>	<u>\$ 2,460,545</u>
Total Liabilities and Net Assets	<u><u>\$ 2,332,874</u></u>	<u><u>\$ 297,356</u></u>	<u><u>\$ 2,630,230</u></u>

See Accompanying Notes to Financial Statements

HENDERSON COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2010

	Food Service Fund	Other Enterprise Funds	Total
<b>OPERATING REVENUES:</b>			
Lunchroom sales	\$ 1,463,495	\$ -	\$ 1,463,495
Other operating revenues	23,538	1,177,984	1,201,522
<b>Total Operating Revenues</b>	<b>1,487,033</b>	<b>1,177,984</b>	<b>2,665,017</b>
<b>OPERATING EXPENSES:</b>			
Salaries and wages	1,764,058	1,287,605	3,051,663
Materials and supplies	2,125,767	-	2,125,767
Depreciation	66,751	1,900	68,651
Other operating expenses	96,068	-	96,068
<b>Total Operating Expenses</b>	<b>4,052,644</b>	<b>1,289,505</b>	<b>5,342,149</b>
<b>Operating income (loss)</b>	<b>(2,565,611)</b>	<b>(111,521)</b>	<b>(2,677,132)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Federal grants	2,216,150	-	2,216,150
Donated commodities	260,967	-	260,967
State grants	280,288	163,364	443,652
Other state	-	-	-
Interest income	59,348	-	59,348
<b>Total Non-Operating Revenues</b>	<b>2,816,753</b>	<b>163,364</b>	<b>2,980,117</b>
<b>Net Income (Loss) Before Other Financing Sources</b>	<b>251,142</b>	<b>51,843</b>	<b>302,985</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	-	-
Operating transfers out	(234,802)	-	(234,802)
<b>Total other financing sources (uses)</b>	<b>(234,802)</b>	<b>-</b>	<b>(234,802)</b>
<b>Net income (loss)</b>	<b>16,340</b>	<b>51,843</b>	<b>68,183</b>
<b>Retained earnings, June 30, 2009</b>	<b>2,249,550</b>	<b>142,812</b>	<b>2,392,362</b>
<b>Retained earnings, June 30, 2010</b>	<b>\$ 2,265,890</b>	<b>\$ 194,655</b>	<b>\$ 2,460,545</b>

See Accompanying Notes to Financial Statements

HENDERSON COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2010

	Food Service Fund	Other Enterprise Funds	Total
<b>OPERATING REVENUES:</b>			
Lunchroom sales	\$ 1,463,495	\$ -	\$ 1,463,495
Other operating revenues	23,538	1,177,984	1,201,522
<b>Total Operating Revenues</b>	<b>1,487,033</b>	<b>1,177,984</b>	<b>2,665,017</b>
<b>OPERATING EXPENSES:</b>			
Salaries and wages	1,764,058	1,287,605	3,051,663
Materials and supplies	2,125,767	-	2,125,767
Depreciation	66,751	1,900	68,651
Other operating expenses	96,068	-	96,068
<b>Total Operating Expenses</b>	<b>4,052,644</b>	<b>1,289,505</b>	<b>5,342,149</b>
<b>Operating income (loss)</b>	<b>(2,565,611)</b>	<b>(111,521)</b>	<b>(2,677,132)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Federal grants	2,216,150	-	2,216,150
Donated commodities	260,967	-	260,967
State grants	280,288	163,364	443,652
Other state	-	-	-
Interest income	59,348	-	59,348
<b>Total Non-Operating Revenues</b>	<b>2,816,753</b>	<b>163,364</b>	<b>2,980,117</b>
<b>Net Income (Loss) Before Other Financing Sources</b>	<b>251,142</b>	<b>51,843</b>	<b>302,985</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	-	-
Operating transfers out	(234,802)	-	(234,802)
<b>Total other financing sources (uses)</b>	<b>(234,802)</b>	<b>-</b>	<b>(234,802)</b>
<b>Net income (loss)</b>	<b>16,340</b>	<b>51,843</b>	<b>68,183</b>
<b>Retained earnings, June 30, 2009</b>	<b>2,249,550</b>	<b>142,812</b>	<b>2,392,362</b>
<b>Retained earnings, June 30, 2010</b>	<b>\$ 2,265,890</b>	<b>\$ 194,655</b>	<b>\$ 2,460,545</b>

See Accompanying Notes to Financial Statements

Henderson County School District  
Statement of Cash Flows-Proprietary Funds  
For the year ended June 30, 2010

	Food Service Fund	Other Enterprise Funds	Total
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Cash receipts from :			
Lunchroom sales	\$ 1,487,033	\$ -	\$ 1,487,033
Other activities	-	1,177,984	1,177,984
Cash payments for:			
Employees	(1,760,285)	(1,301,182)	(3,061,467)
Supplies	(1,945,391)	-	(1,945,391)
<b>Net cash provided (used) by operating activities</b>	<b>(2,218,643)</b>	<b>(123,198)</b>	<b>\$ (2,341,841)</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>			
Purchases of capital assets	(18,166)	-	(18,166)
<b>Net cash used by capital and related financing activities</b>	<b>(18,166)</b>	<b>-</b>	<b>(18,166)</b>
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>			
Operating transfers out	(234,802)	-	
Cash received for operating grants	2,458,250	163,364	2,621,614
<b>Net cash provided by non-capital financing activities</b>	<b>2,223,448</b>	<b>163,364</b>	<b>2,621,614</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Receipt of interest income	59,348	-	59,348
<b>Net cash provided by investing activities</b>	<b>59,348</b>	<b>-</b>	<b>59,348</b>
Net Increase (decrease) in cash and cash equivalents	45,987	40,166	86,153
Cash and cash equivalents, June 30, 2009	1,871,905	221,077	2,092,982
<b>Cash and cash equivalents, June 30, 2010</b>	<b>\$ 1,917,892</b>	<b>\$ 261,243</b>	<b>\$ 2,179,135</b>

Henderson County School District  
Statement of Cash Flows-Proprietary Funds, continued  
For the year ended June 30, 2010

	<u>Food Service Fund</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
<b><u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</u></b>			
Operating income (loss)	\$ (2,565,611)	(111,521)	\$ (2,677,132)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	66,751	1,900	68,651
Donated commodities	260,967	-	260,967
Changes in operating assets and liabilities			
Inventory		-	-
Accounts receivable	3,093	-	3,093
Accounts payable	12,384	(4,876)	7,508
Accrued expenses	3,773	(8,701)	(4,928)
	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used in operating activities:	<u>\$ (2,218,643)</u>	<u>\$ (123,198)</u>	<u>\$ (2,341,841)</u>
<b><u>SCHEDULE OF NON-CASH FINANCING ACTIVITIES</u></b>			
Donated commodities received from federal government	<u>\$ 260,967</u>	<u>\$ -</u>	<u>\$ 260,967</u>



HENDERSON COUNTY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 Year Ended June 30, 2010

		Agency Fund
		<u>          </u>
	<u>ASSETS</u>	
Cash and cash equivalents		\$ 558,466
Accounts receivable		<u>36,501</u>
	Total Assets	<u>\$ 594,967</u>
	<u>Liabilities</u>	
Accounts payable		\$ 31,354
Due to Student groups		<u>563,613</u>
	Net Liabilities	<u>\$ 594,967</u>
	Net Assets	<u>\$ -</u>

See Accompanying Notes to Financial Statements

HENDERSON COUNTY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 Year Ended June 30, 2010

	<u>Agency Fund</u>
Additions	
Revenues from student activities	\$ 1,661,794
Deductions	
Expenses paid for student activities	<u>1,615,026</u>
Changes in Net Assets	46,768
Net assets, beginning of year	
(Increase) in amount due student groups	<u>(46,768)</u>
Net assets, end of year	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

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

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

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

BASIS OF PRESENTATION

Government-wide Financial Statements – The statement of net 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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of 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 Statement – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

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

The District has the following funds:

- I) Government Fund Types
  - A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
  - B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in the report on page 41. This is a major fund of the District.
  - C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 1) The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
- 2) The Facility Support Program of Kentucky (KSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
- 3) The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

D) Debt Service Funds

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

II) Proprietary Fund Types (Enterprise Fund)

- A) The Food Service Fund is used to account for school food service activities, including the National School Lunch Program which is conducted in cooperation with the U. S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contributions of commodities from the USDA.
- B) The Day Care Center Fund is used to account for all day care centers.
- C) The Community Education Fund is used for adult education.
- D) The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING

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

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

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

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.

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

HENDERSON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

PROPERTY TAXES

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

The property tax rates assessed for the year ended June 30, 2010, to finance the General Fund operations were \$.477 per \$100 valuation for real property, \$.477 per \$100 valuation for business personal property and \$.548 per \$100 valuation for motor vehicles.

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

CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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 costs) and updated for additions and retirements during the year. Donated fixed assets are reported at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

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

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

HENDERSON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTER-FUND BALANCES

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

ACCUMULATED UNPAID SICK LEAVE BENEFITS

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

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

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

For governmental fund financial statements the current portion of unpaid assured sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “accumulated sick leave payable” in the general fund.

BUDGETARY PROCESS

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

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

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

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

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

CASH AND CASH EQUIVALENTS

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



HENDERSON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

PREPAID ASSETS

Payments made that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which the services are consumed.

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

FUND 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 fixed assets.

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 District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

HENDERSON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OPERATING REVENUES AND EXPENSES

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

INTER-FUND ACTIVITIES

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

NOTE B – USE OF ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS AND INVESTMENTS

At year-end, the carrying amount of the District's cash and cash equivalents was \$26,824,634. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less. Investments held by the District at June 30, 2010, consisted of certificates of deposit with a maturity of more than 90 days.

Cash and cash equivalents and investments at June 30, 2010, consisted of the following;

Ohio Valley Financial Group	\$ 26,229,667
Ohio Valley Financial Group (agency funds)	594,967
	<u>\$ 26,824,634</u>

Breakdown per financial statements:

Governmental funds	\$ 24,050,532
Proprietary funds	2,179,135
Agency funds	594,967
	<u>\$ 26,824,634</u>

HENDERSON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

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Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts backed by the full faith and credit of the United States or of its agencies, obligations or any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories of nationally recognized rating agencies and shares in mutual funds.

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

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

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

NOTE D – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

Governmental Activities	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Land	\$ 989,487	\$ -	\$ -	\$ 989,487
Land and improvements	3,409,668	-	-	3,409,668
Building and improvements	56,201,464	-	-	56,201,464
Technology equipment	4,679,005	660,105	(11,857)	5,327,253
Vehicles	7,512,678	60,562	(5,796)	7,567,444
General equipment	1,829,800	924,811	(56,246)	2,698,365
Totals at Historical Cost	74,622,102	1,645,478	(73,899)	76,193,681
Less: accumulated depreciation				
Buildings and improvements	(30,990,077)	(1,869,287)	-	(32,859,364)
Land improvements	(2,050,126)	(106,175)	-	(2,156,301)
Vehicles	(5,811,433)	(344,882)	-	(6,156,315)
Technology equipment	(2,989,770)	(617,283)	-	(3,607,053)
General equipment	(1,318,839)	(86,054)	-	(1,404,893)
Total accumulated depreciation	(43,160,245)	(3,023,681)	-	(46,183,926)
Governmental Activities Capital Assets - Net	<u>\$ 31,461,857</u>	<u>\$ (1,378,203)</u>	<u>\$ (73,899)</u>	<u>\$ 30,009,755</u>

HENDERSON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE D – CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Business-Type Activities				
Building and improvements	\$ 47,516	\$ -	\$ -	\$ 47,516
Food Service and equipment	1,220,595	13,710	-	1,234,305
Technology equipment	141,576	5,496	(1,039)	146,033
Totals at Historical Cost	1,409,687	-	-	1,427,854
Less: accumulated depreciation				
Building and improvements	(9,503)	(1,900)	-	(11,403)
Food service equipment	(965,402)	(23,288)	-	(988,690)
Technology equipment	(97,436)	(43,464)	-	(140,900)
Total accumulated depreciation	(1,072,341)	(68,652)	-	(1,140,993)
Business-Type Activities Capital Assets - Net	\$ 337,346	\$ (68,652)	\$ -	\$ 286,861

Depreciation expenses were not allocated to governmental functions. It appears on the statement of assets as "unallocated".

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS

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

Issue Date	Issue Name	Original Amount	Interest Rate	Maturity Date
1998R	Jefferson/Chandler Refinancing	\$ 5,000,000	3.35 - 4.10%	2011
1999B	Henderson County High - Phase I	\$ 4,335,000	5.00 - 5.40%	2019
2001	Henderson County High - Phase II	\$ 4,735,000	4.25 - 4.60%	2121
2003	1993 Bend Gate Refinancing	\$ 2,225,000	1.80 - 3.35%	2013
2004	Henderson County High School, South Middle School	\$ 1,095,000	3.25 - 5.00%	2024
2004	Henderson County High School, Tennis Courts	\$ 1,790,000	1.50 - 4.40%	2024
2005	1995 Refinancing East Heights	\$ 1,830,000	2.45 - 3.73%	2015
2007	1999 Refinancing School Building Refund Revenue Bonds Series 2009-North Middle School and South Middle School	\$ 4,095,000	3.50 - 3.75%	2019
2009		\$ 4,505,000	2.00- 3.60%	2024

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

HENDERSON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

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NOTE E – BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

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

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming re called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2010, for debt service (principal and interest) are as follows:

YEAR	HENDERSON COUNTY SCHOOL BOARD		KENTUCKY SCHOOL CONSTRUCTION COMMISSION		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2010-2011	\$ 1,412,913	\$ 467,639	\$ 312,087	\$ 148,974	\$ 2,341,613
2011-2012	1,270,384	417,983	319,616	138,387	2,146,370
2012-2013	1,307,015	376,135	327,985	127,170	2,138,305
2013-2014	1,361,852	329,986	328,148	115,068	2,135,054
2014-2015	1,271,099	285,508	298,901	103,285	1,958,793
2015-2016	1,144,718	238,959	295,282	91,320	1,770,279
2016-2017	1,176,160	195,748	308,840	79,161	1,759,909
2017-2018	1,232,176	150,575	322,824	66,377	1,771,952
2018-2019	1,106,201	102,311	263,799	52,845	1,525,156
2019-2020	853,667	57,783	276,333	41,210	1,228,993
2020-2021	375,784	32,276	289,216	28,813	726,089
2021-2022	95,000	14,810	115,000	15,840	240,650
2022-2023	100,000	10,250	120,000	10,780	241,030
2023-2024	105,000	5,250	125,000	5,500	240,750
	<u>\$ 12,811,969</u>	<u>\$ 2,685,213</u>	<u>\$ 3,703,031</u>	<u>\$ 1,024,730</u>	<u>\$ 20,224,943</u>

Defeased Bonds

As of June 30, 2010, the outstanding principal amount of indebtedness that is considered to be extinguished under “in substance defeasance” and therefore excluded from the financial statements was approximately \$ 3,770,000.

HENDERSON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

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NOTE F – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2010, was as follows:

Governmental Activities	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010	Due Within One Year
Long-term debt - School					
Building Revenue Bonds	\$ 18,295,000	\$ -	\$ (1,780,000)	\$ 16,515,000	\$ 1,668,809
Compensated Absences					
Accrued sick leave	1,049,077	8,458	-	1,057,535	224,669
Total Long-Term Liabilities	<u>\$ 19,344,077</u>	<u>\$ 8,458</u>	<u>\$ (1,780,000)</u>	<u>\$ 17,572,535</u>	<u>\$ 1,893,478</u>

NOTE G – ACCRUED SICK LEAVE

In accordance with generally accepted governmental accounting principles, the District has recorded accrued sick leave as a liability in the District-wide statement of net assets since the majority of these liabilities are not expected to be liquidated with expendable available financial resources. Accrued sick leave, which has no maximum accumulation, is payable upon retirement at 30% of the value of accumulated sick leave.

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

Compensated absences are generally liquidated by the General Fund.

NOTE H – RETIREMENT PLANS

Certified employees are covered under the Kentucky Teachers Retirement System ("KTRS"). Funding for the Plan is provided through payroll withholding of 9.855% for employees hired before July 2008 and 10.855% for employees hired after July 2008, and matching state contributions. The matching contributions are paid by the Federal programs for any salaries paid by that program.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholding of 5% for employees hired before September 2008 and 6% for employees hired after September 2008, and a Board contribution of 16.16% of the employee's total compensation subject to contribution.

HENDERSON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

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NOTE H – RETIREMENT PLANS, continued

The Board's total payroll for the year was \$41,474,049. The payroll for employees covered under KTRS was \$30,701,139 and for CERS was \$9,652,553.

The contribution requirement for CERS for the year ended June 30, 2010, was \$2,047,513, which consisted of \$1,557,809 from the Board and \$489,704 from the employees. Contributions for the years ended June 30, 2009, and June 30, 2008, were \$1,713,742 and \$1,903,373 respectively.

The contribution requirement for KTRS for the year ended June 30, 2010, was \$3,452,104, which consisted of \$391,886 from the Board and \$3,060,218 from the employees. Contributions for the years ended June 30, 2009 and June 30, 2008, were \$3,194,947 and \$3,147,510 respectively.

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

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

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

Ten-year historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2010, comprehensive annual financial reports.

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

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

NOTE I – CONTINGENCIES

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

HENDERSON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

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NOTE I – CONTINGENCIES, continued

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

NOTE J – INSURANCE AND RELATED ACTIVITIES

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

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro-rata basis.

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



HENDERSON COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2010

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NOTE L – COBRA

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

NOTE M – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
		Indirect costs food	
Food Service Fund	General Fund	service	\$ 84,802
General Fund	Special Revenue	KETS Matching	153,165
		Contruction	
Food Service Fund	Debt Service	projects	150,000
		Contruction	
General Fund	Debt Service	projects	441,205
		Contruction	
Construction Fund	Debt Service	projects	1,544,713
		Contruction	
FSPK Fund	Construction Fund	project	384,702
FSPK Fund	Construction Fund	Debt Service	1,937,155
			<u>1,937,155</u>
		Total	<u>\$ 4,695,742</u>

NOTE M – ON-BEHALF PAYMENTS

For the year ended June 30, 2010, total payments of \$9,229,773 were made for life insurance, health insurance, Kentucky Teachers Retirement System ("KTRS") matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities and on the statement of revenues, expenditures and changes in fund balances. These revenues and expenditures are not budgeted by the District.

HENDERSON COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2010

	BUDGETED AMOUNTS			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES:</b>				
From local sources				
Taxes				
Property	\$ 9,251,086	\$ 9,251,086	\$ 9,455,962	\$ 204,876
Motor vehicle and watercraft	1,345,852	1,345,852	1,995,493	649,641
Utilities	3,225,000	3,225,000	3,153,861	(71,139)
Unmined minerals	220,500	220,500	462,542	242,042
Franchise	-	-	568,618	568,618
Tuition and fees	67,500	67,500	112,200	44,700
Earnings on investments	250,000	250,000	707,793	457,793
Other local revenues	88,448	88,448	160,742	72,294
Intergovernmental - intermediate	-	-	9,229,753	9,229,753
Intergovernmental - state	22,988,180	22,988,180	24,227,704	1,239,524
Intergovernmental - direct federal	25,000	25,000	123,220	98,220
Intergovernmental - indirect federal	-	-	-	-
<b>Total Revenues</b>	<b>37,461,566</b>	<b>37,461,566</b>	<b>50,197,888</b>	<b>12,736,322</b>
<b>EXPENDITURES:</b>				
Instruction	23,838,576	23,838,576	30,181,497	(6,342,921)
Support services:				
Student	2,048,800	2,048,800	1,984,021	64,779
Instruction staff	1,706,471	1,706,471	1,663,922	42,549
District administrative	1,012,694	1,012,694	1,033,772	(21,078)
School administrative	2,572,511	2,572,511	3,295,031	(722,520)
Business	1,530,692	1,530,692	1,302,678	228,014
Plant operation & maintenance	6,036,944	6,036,944	5,832,847	204,097
Student transportation	3,916,094	3,916,094	3,990,938	(74,844)
Facilities acquisition and construction	311,253	311,253	211,283	99,970
Contingency	8,568,461	8,568,461	-	8,568,461
<b>Total Expenditures</b>	<b>51,542,496</b>	<b>51,542,496</b>	<b>49,495,989</b>	<b>2,046,507</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>(14,080,930)</b>	<b>(14,080,930)</b>	<b>701,899</b>	<b>14,782,829</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of fixed assets	-	-	19,762	19,762
Operating transfers in	97,786	97,786	84,802	(12,984)
Operating transfers out	-	-	(594,370)	(594,370)
<b>Total Other Financing Sources (Uses)</b>	<b>97,786</b>	<b>97,786</b>	<b>(489,806)</b>	<b>(587,592)</b>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<b>(13,983,144)</b>	<b>(13,983,144)</b>	<b>212,093</b>	<b>14,195,237</b>
Fund balance, June 30, 2009	13,983,144	13,983,144	19,391,898	5,408,754
Fund balance, June 30, 2010	\$ -	\$ -	\$ 19,603,991	\$ 19,603,991

See Accompanying Notes to Financial Statements

HENDERSON COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2010

ASSETS AND RESOURCES:	Construction Fund	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Non-Major Governmental Funds
Cash and cash equivalents	\$ 2,978,400	\$ 896,523	\$ 368,148	\$ -	\$ 4,243,071
Inventory	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Taxes - current	-	-	-	-	-
Taxes - delinquent	-	-	-	-	-
Accounts receivable	-	-	-	-	-
Intergovernmental - State	-	-	-	-	-
Intergovernmental - Indirect Federal	-	-	-	-	-
Intergovernmental - Direct Federal	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Due from other funds	-	-	-	-	-
Interest receivable	-	-	-	-	-
Investments	-	-	-	-	-
Furniture and equipment, net	-	-	-	-	-
<b>Total Assets and Resources</b>	<b>\$ 2,978,400</b>	<b>\$ 896,523</b>	<b>\$ 368,148</b>	<b>\$ -</b>	<b>\$ 4,243,071</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-
Accrued payroll and related expenses	-	-	-	-	-
Current portion of accumulated sick leave	-	-	-	-	-
Deferred income	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>					
Reserved for:					
Construction	2,978,400	-	-	-	2,978,400
Encumbrances	-	-	-	-	-
Accrued sick leave	-	-	-	-	-
KSFCC escrow	-	384,702	1,187,131	-	1,571,833
SFCC	-	-	-	-	-
Unreserved:					
Undesignated, reported in:					
Capital outlay fund	-	-	-	-	-
FSPK fund	-	511,821	(818,983)	-	(307,162)
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Permanent funds	-	-	-	-	-
<b>Total Fund Balances</b>	<b>2,978,400</b>	<b>896,523</b>	<b>368,148</b>	<b>-</b>	<b>4,243,071</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,978,400</b>	<b>\$ 896,523</b>	<b>\$ 368,148</b>	<b>\$ -</b>	<b>\$ 4,243,071</b>

HENDERSON COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2010

	Construction Fund	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Non-major Governmental Funds
<b>REVENUES:</b>					
From local sources:					
Taxes:					
Property	\$ -	\$ 1,359,257	\$ -	\$ -	\$ 1,359,257
Earnings on investments	-	38,768	53,271	20	92,059
Intergovernmental - State	-	885,009	309,440	-	1,194,449
Insurance proceeds	-	-	-	-	-
Bond proceeds	-	-	-	-	-
<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ 2,283,034</b>	<b>\$ 362,711</b>	<b>\$ 20</b>	<b>\$ 2,645,765</b>
<b>EXPENDITURES:</b>					
Facilities and construction	112,712	-	-	14,853	127,565
Debt service	-	-	-	1,922,323	1,922,323
<b>Total Expenditures</b>	<b>112,712</b>	<b>-</b>	<b>-</b>	<b>1,937,176</b>	<b>2,049,888</b>
Excess (deficit) of revenues over expenditures	(112,712)	2,283,034	362,711	(1,937,156)	595,877
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers in	2,520,619	-	-	1,937,156	4,457,775
Operating transfers out	-	(2,321,857)	(1,544,713)	-	(3,866,570)
Refunding bonds issued	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>2,520,619</b>	<b>(2,321,857)</b>	<b>(1,544,713)</b>	<b>1,937,156</b>	<b>591,205</b>
Excess (deficit) of revenues and other financing sources over expenditures and other financing sources (uses)	2,407,907	(38,823)	(1,182,002)	-	1,187,082
Fund balance, June 30, 2009	570,493	935,346	1,550,150	-	3,055,989
<b>Fund balance, June 30, 2010</b>	<b>\$ 2,978,400</b>	<b>\$ 896,523</b>	<b>\$ 368,148</b>	<b>\$ -</b>	<b>\$ 4,243,071</b>

HENDERSON COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE -  
HENDERSON COUNTY HIGH SCHOOL  
Year Ended June 30, 2010

	Cash Balance July 1, 2009	Receipts For Year	Disbursements For Year	Cash Balance June 30, 2010	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2010
<b>ACCOUNTS:</b>							
Henderson County High School:							
Art	\$ 551	\$ 46	\$ -	\$ 597	\$ -	\$ -	\$ 597
Athletic	11,683	157,146	160,948	7,881	-	11,641	(3,760)
Athletic Booster Club	1,794	3,645	-	5,439	-	-	5,439
Archery Building Fund	29,544	2,460	16,953	15,051	-	-	15,051
Band	1,460	1,369	1,345	1,484	5,985	-	7,469
Bookstore	6,802	14,353	16,333	4,822	140	-	4,962
Clubs	159,993	480,942	471,824	169,110	850	7,817	162,143
General Fund	15,521	25,464	19,903	21,082	314	-	21,396
Industrial Technology	3,430	678	439	3,669	-	-	3,669
Media	48,763	37,489	29,580	56,671	-	-	56,671
Memorial Funds	8,646	2,528	3,900	7,274	-	-	7,274
Lunchroom Charges	11	50	-	61	-	-	61
School Concessions	9,354	20,634	23,593	6,395	-	631	5,764
Supplies	10,098	36,257	12,762	33,593	-	-	33,593
Speech and Drama	1,891	1,838	969	2,760	-	-	2,760
Student Council	2	2,032	1,992	42	-	-	42
Textbooks	1,308	59,962	59,003	2,267	26,267	-	28,533
Teachers Dual Credit Fund	331	-	-	331	-	-	331
Certificate of Deposit	12,347	289	-	12,636	-	-	12,636
	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 323,529</b>	<b>\$ 847,180</b>	<b>\$ 819,544</b>	<b>\$ 358,579</b>	<b>\$ 33,555</b>	<b>\$ 20,089</b>	<b>\$ 336,571</b>

HENDERSON COUNTY SCHOOL DISTRICT  
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE  
 HENDERSON COUNTY MIDDLE AND ELEMENTARY SCHOOLS  
 Year Ended June 30, 2010

	Cash Balance July 1, 2009	Receipts For Year	Disbursements For Year	Cash Balance June 30, 2010	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2010
<b>SCHOOL ACTIVITY FUNDS:</b>							
Bend Gate Elementary	\$ 14,317	31,974	28,613	\$ 17,678	-	-	\$ 17,678
Cairo Elementary	10,490	70,917	60,773	20,634	-	-	20,634
Central Learning Center	1,045	11,304	11,938	410	-	-	410
Chandler Elementary	16,348	30,939	42,658	4,630	-	-	4,630
East Heights Elementary	8,468	55,387	54,603	9,252	-	-	9,252
Jefferson Elementary	16,664	25,840	26,357	16,146	-	-	16,146
Niagara Elementary	13,346	31,985	29,661	15,669	-	-	15,669
South Heights Elementary	4,789	55,757	53,771	6,776	-	-	6,776
Spottsville Elementary	13,855	29,383	37,260	5,978	-	-	5,978
				-			
				-			
North Middle School	80,562	242,708	245,371	77,898	896	2,246	76,548
South Middle School	32,482	165,455	173,122	24,815	2,050	9,020	17,845
<b>Totals</b>	<b>\$ 212,366</b>	<b>\$ 751,649</b>	<b>\$ 764,128</b>	<b>\$ 199,887</b>	<b>\$ 2,946</b>	<b>\$ 11,266</b>	<b>\$ 191,567</b>