

Henderson County School District

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

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henderson County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, maintenance, and implementation of internal control relevant to the fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditors' Contract*. Those standards require that we plan the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henderson County School District as of June 30, 2015, and the respective changes in financial position and where applicable, cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9, budgetary comparison information on pages 41 and 42, and schedules of the District's proportionate share of net pension liabilities and pension contributions on pages 47 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management regarding the methods of preparation of the supplemental information, and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Implementation of New Accounting Standards

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

Other Reporting Required by Government Auditing Standards

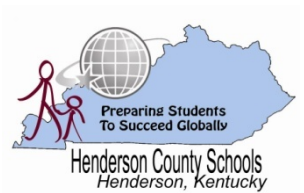
In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2015 on our consideration of Henderson County School District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Henderson, Kentucky
October 7, 2015

Henderson County Schools

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

As management of the Henderson County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage our readers to consider information presented here in conjunction with additional information located within the body of the audit report.

Financial Highlights:

- The beginning Governmental Fund balance for the District was \$16,072,455. The ending fund balance was \$19,047,397 which was an increase of \$2,974,942.
- The District is in good financial condition as it has been able to withstand the financial pressures of a very tight state education budget over the past several years without impairing the educational programs or facilities maintenance requirements for the District.
- The District's current assets increased by \$136,177 during the year, while current liabilities decreased by \$2,610,600 resulting in a current ratio of 4.19, which is indicative of the District's solid financial position and operating efficiency.
- The District continues to make significant investments in the facilities of the district, as there was an addition being made to the CTE unit at the high school.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

GOVERNMENT WIDE FINANCIAL ANALYSIS

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

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

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

Net Financial Position For the Fiscal Year Ended June 30, 2015

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

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

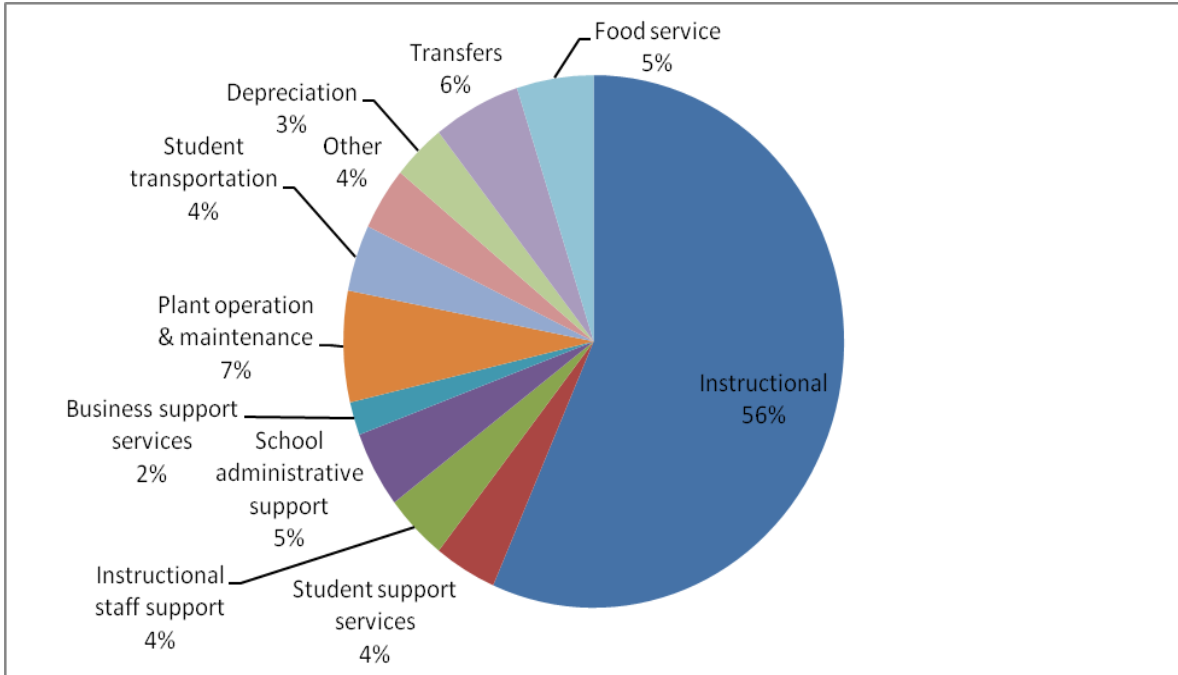
The current assets increased by \$136,177 during the fiscal year and the capital assets decreased by \$1.0 million. Total acquisitions of capital assets during the year were approximately \$253,059, while depreciation of assets totaled \$3.1 million. This resulted in a net decrease in capital assets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

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

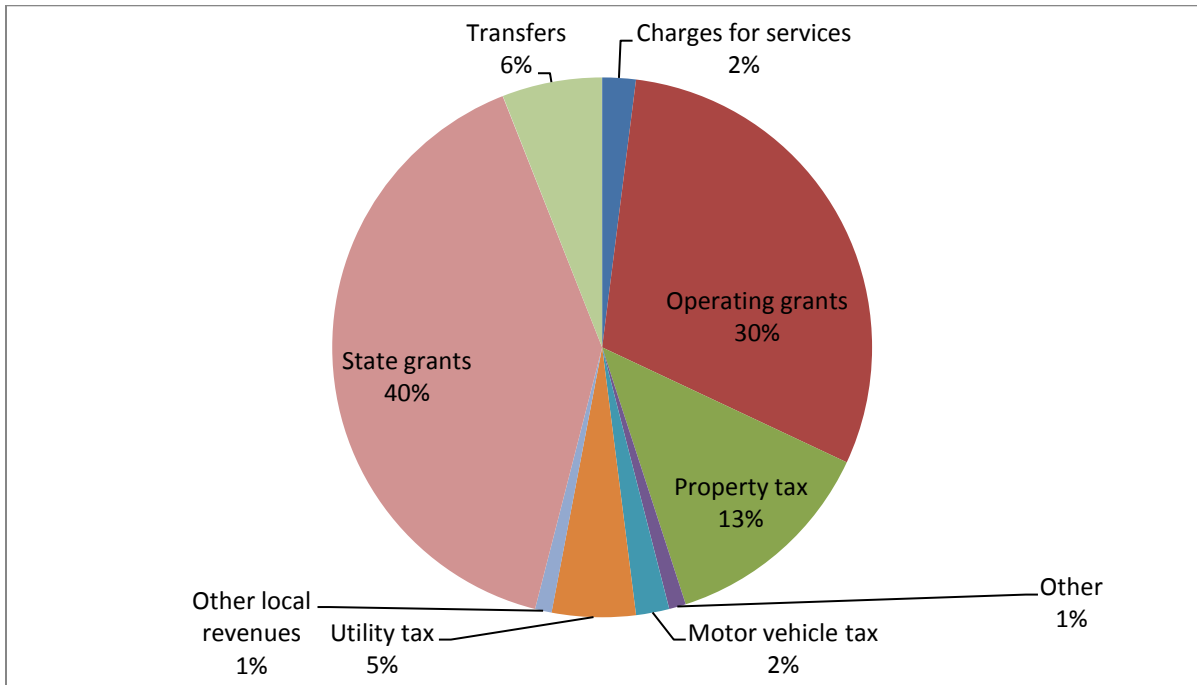
- State revenues accounted for 40% of the total revenues while local taxes accounted for 21.3%.
- Expenditures totaled \$90,940,363, with \$50,875,715 or 56% of total being expended towards student instruction.

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

Expenditures:



Revenues:



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

Governmental Fund Highlights

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

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

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

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

Commentary on General Fund Budgetary Comparisons

- The actual revenues and expenditures both include \$19 million of on behalf payments that are partially included in the original or final budgets. These represent payments for employee benefits paid at the state level on behalf of the Henderson County School District. The following comments below are net of these on-behalf payments.
- Total revenues in relation to budgeted amounts were \$8.5 million favorable. The major revenue line items exceeding amounts budgeted were property taxes from all sources and revenues from state sources.
- Total expenditures were \$68.3 million, with expenditures in relation to budgeted amounts being \$2.8 million favorable. The budget included a contingency of \$5.8 million with no expenditures and the actual included \$19 million of on behalf payments with \$12 million of the corresponding budget.

Future Budgetary Considerations

In Kentucky, the public schools operate on a July 1, to June 30th fiscal year, other programs such as some federal programs, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have at least a 2% contingency. The district adopted a budget for fiscal year 2015, with a 5.22% contingency. However, current economic conditions are of concern. The local budget contingency includes reserved funds for state economic shortfalls which will be used, if necessary, to protect the current level of direct classroom instruction. The District intends to take a conservative approach to expenditures as it has in the previous years.

District Challenges for the Future

Henderson County School District's overall financial status remains in a safe financial position. The District is financially stable, but at risk due to continued, inadequate state funding. As with the current year, transportation costs for students is a significant financial concern now and in the future. State provided funds are being reduced while most components are increasing. The cost of diesel fuel has varied widely over the past four years and continues to be of concern in the future. The costs of bus purchases will continue to increase due to changes in EPA requirements and the need to continue to replace an aging fleet. The District has made significant changes in bus routes to minimize annual transportation expenses.

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

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

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

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

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

Report Purpose and Contact Information

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

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

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

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

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

Henderson County School District
Government-Wide Financial Statements - Statement of Activities
For the fiscal year ended June 30, 2015

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

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

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

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

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

Henderson County School District
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
As of June 30, 2015

Total fund balance per fund financial statements	\$	19,047,397
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		32,294,968
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position, as follows:		
Unfunded pension liability		(13,506,155)
Unamortized bond premiums		(89,340)
Deferred outflow of resources		1,826,845
Deferred inflows of resources		(1,585,009)
Long-term debt		(22,870,027)
Long-term portion sick leave accrual		(662,821)
Accrued interest payable on long-term debt		<u>(106,113)</u>
Net position for governmental activities	\$	<u><u>14,349,745</u></u>

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

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

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

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

Henderson County School District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the fiscal year ended June 30, 2015

Net change in total fund balances per fund financial statements	\$ 2,974,942
Amounts reported for governmental activities in the statement of activities are different because:	
Difference between CERS funding and actuarially determined net pension expense	690,845
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources but they are presented as assets in the statement of financial position and depreciated over their estimated economic lives. The difference is the amount by which depreciation exceeds capital outlays for the year capital outlays for the year.	(2,865,926)
Premium on bonds issued	(89,340)
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	9,694,973
Bond issue proceeds, net of costs, which are reported as other sources of funds in the fund financial statements, are reflected as a liability in the statement of net position.	(11,744,340)
Generally, expenditures recognized in this fund statement are limited to only those that use current resources, but expenses are recognized in the statement of activities when incurred.	<u>(223,261)</u>
Change in net position before cumulative effect of change in accounting principle	(1,562,107)
Change in accounting principle related to implementation of GASB 68 to recognize District's share of unfunded pension liability-CERS	<u>(13,264,319)</u>
Change in net position after effect of change in accounting principle	<u><u>\$ (14,826,426)</u></u>

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

Henderson County School District
Statement of Net Position - Proprietary Funds
As of June 30, 2015

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

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

Henderson County School District
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds
For the fiscal year ended June 30, 2015

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

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

Henderson County School District
Statement of Cash Flows - Proprietary Funds
For the fiscal year ended June 30, 2015

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

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

Henderson County School District
Statement of Cash Flows - Proprietary Funds, Continued
For the fiscal year ended June 30, 2015

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

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

Henderson County School District
Statement of Fiduciary Net Position – Fiduciary Funds
As of June 30, 2015

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

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

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

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

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

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

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

BASIS OF PRESENTATION

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

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

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

The District has the following funds:

I) Government Fund Types

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

BASIS OF ACCOUNTING

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

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

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

PROPERTY TAXES

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

The property tax rates assessed for the year ended June 30, 2015, to finance the General Fund operations were \$.530 per \$100 valuation for real property, \$.532 per \$100 valuation for business personal property and \$.548 per \$100 valuation for motor vehicles.

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

CAPITAL ASSETS

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS

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

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

INTER-FUND BALANCES

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

ACCUMULATED UNPAID SICK LEAVE BENEFITS

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

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

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

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

BUDGETARY PROCESS

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETARY PROCESS

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

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

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

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

The Food Service Fund uses the specific identification method.

PREPAID ASSETS

Payments made that will benefit periods beyond June 30, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which the services are consumed.

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

FUND BALANCES

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCES

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

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

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

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

STATEMENT OF NET POSITION

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

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

OPERATING REVENUES AND EXPENSES

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

INTER-FUND ACTIVITIES

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

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

NEW ACCOUNTING PRONOUNCEMENTS

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

RETIREMENT BENEFITS

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

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

At year-end, the carrying amount of the District’s cash and cash equivalents was \$19,273,330. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks’ trust departments in the District’s name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Investments held by the District at June 30, 2015, consisted of certificates of deposit with a maturity of more than 90 days.

Cash and cash equivalents consisted of the following as of June 30, 2015:

<u>Financial Institution:</u>	
Independence Bank	\$ 18,491,936
Independence Bank-Activity Funds	781,394
	781,394
Totals	\$ 19,273,330
 <u>Allocation per Financial Statements:</u>	
Governmental Funds	\$ 17,645,732
Business Type Funds	846,204
Agency Funds	781,394
	781,394
Totals	\$ 19,273,330

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

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

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

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

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

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

NOTE 3 – CAPITAL ASSETS

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

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

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

NOTE 3 – CAPITAL ASSETS (CONTINUED)

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

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

NOTE 4 – BONDED DEBT AND LEASE OBLIGATIONS

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

Issue Date	Issue Name	Original Amount	Interest Rate	Maturity Date
2007	School Building Refunding Revenue Bonds 2007	\$ 4,095,000	3.50 - 3.75%	2019
2011	2011 School Bld. Refunding Bonds	\$ 3,675,000	1.00-3.00%	2021
2011	School Building Revenue Bonds, Series of 2011	\$ 1,810,000	1.00-5.00%	2021
	School Building Refund Revenue Bonds Series 2009-			
2009	North Middle School and South Middle School	\$ 4,505,000	2.00- 3.60%	2024
2012	School Building Refunding Revenue Bonds 2012	\$ 2,225,000	.70%-2.00%	2024
2013	School Building Revenue Bonds Series 2013	\$ 1,200,000	.60%-3.35%	2034
2014	School Building Revenue Refunding Bonds 2014	\$ 7,865,000	.90%-3.00%	2030
2015	School Building Revenue Bonds Series 2015	\$ 3,790,000	3.00% -3.375%	2033

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

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

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

NOTE 4 – BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming they are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2015, for debt service (principal and interest) are as follows:

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

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

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

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

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

NOTE 4 – BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

Advance Refunding:

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

NOTE 5 – ACCRUED SICK LEAVE

In accordance with generally accepted governmental accounting principles, the District has recorded accrued sick leave as a liability in the District-wide statement of net position since the majority of these liabilities are not expected to be liquidated with expendable available financial resources. Accrued sick leave, which has no maximum accumulation, is payable upon retirement at 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments. Compensated absences are generally liquidated by the General Fund.

NOTE 6-FUND BALANCES

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

	General Fund	Construction Fund	FSPK Fund	SEEK Capital Outlay Fund	Totals
<u>NON-SPENDABLE:</u>					
Prepaid expenses	\$ 102,674	\$ -	\$ -	\$ -	\$ 102,674
<u>COMMITTED:</u>					
Sick leave	492,549	-	-	-	492,549
<u>ASSIGNED:</u>					
State Revenue Shortfall	749,000	-	-	-	749,000
Future technology	429,000	-	-	-	429,000
Future bus purchases	643,000	-	-	-	643,000
Future HVAC repairs	643,000	-	-	-	643,000
Roof repairs	536,000	-	-	-	536,000
Purchase obligations	44,261	-	-	-	44,261
Total Assigned	3,044,261	-	-	-	3,044,261
<u>RESTRICTED:</u>					
Special Programs	-	-	-	-	-
Debt Service	-	-	-	-	-
Construction	-	3,560,192	181,418	200,979	3,942,589
Total Restricted	-	3,560,192	181,418	200,979	3,942,589
<u>UNASSIGNED:</u>					
	11,465,324	-	-	-	11,465,324
Total Fund Balances	\$ 15,104,808	\$ 3,560,192	\$ 181,418	\$ 200,979	\$ 19,047,397

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

NOTE 7 –RETIREMENT PLANS

Teachers' Retirement System of the Commonwealth of Kentucky

General Information about the Pension Plan

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

Benefits provided: KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KRS requires that members of KTRS occupy a position requiring either a four year college degree or certification by the Kentucky Department of Education (KDE).

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

Additional benefits: In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-retirement healthcare benefits to eligible members and dependents. The KTRS medical insurance benefit is a cost-sharing, multiple-employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance, and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under age 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

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

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

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

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

NOTE 7 –RETIREMENT PLANS (CONTINUED)

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

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

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

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

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

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

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

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

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

NOTE 7 –RETIREMENT PLANS (CONTINUED)

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

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

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

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

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

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

NOTE 7 – RETIREMENT PLANS (CONTINUED)

County Employees' Retirement System

General Information about the Pension Plan

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

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

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

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

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

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

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

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

NOTE 7 – RETIREMENT PLANS (CONTINUED)

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

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

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

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

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

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

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

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

NOTE 7 – RETIREMENT PLANS (CONTINUED)

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

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

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

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

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

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

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

NOTE 8 – CONTINGENCIES

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

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

NOTE 9 – RISK MANAGEMENT

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

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

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

NOTE 10 – COBRA

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

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

NOTE 11 – TRANSFER OF FUNDS

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

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

NOTE 12 – ON-BEHALF PAYMENTS

For the year ended June 30, 2015, total payments of \$19,443,334 were made for life insurance, health insurance, Kentucky Teachers' Retirement System ("KTRS") matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities and on the statement of revenues, expenditures, and changes in fund balances. These revenues and expenditures are not budgeted by the District.

NOTE 14 – LITIGATION

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

NOTE 15 – SUBSEQUENT EVENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Information for years prior to 2015 is not available.

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

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

*Information for years prior to 2015 is not available.

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

County Employees' Retirement System

Last 10 Fiscal Years*

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

*Information for years prior to 2015 is not available.

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

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

n/a Information not available for these years.