

**HENRY COUNTY BOARD OF EDUCATION**

**Basic Financial Statements,  
Supplementary Information,  
and Independent Auditor's Reports**

**Year Ended June 30, 2013**

**Henry County Board of Education  
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Year Ended June 30, 2013**

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**Independent Auditor's Report**

Henry County Board of Education  
New Castle, Kentucky

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henry County Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board'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, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's 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, the provisions of *Office of Management and Budget Circular A-133*, conducted in accordance with *Audits of States, Local Governments, and Non-profit Organizations* and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract - Audit Extension Request* and *Appendix II of the Independent Auditor's Contract - Instructions for Submission of the Audit Report*. Those standards require that we plan and perform 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 auditor's 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 the Henry County Board of Education as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-9 and 37-38 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the 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 the Board's basic financial statements. The combining and individual nonmajor fund financial statements, and the financial statements of the activity funds, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the financial statements of the activity funds and the schedule of expenditures of federal awards 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 individual nonmajor fund financial statements, the financial statements of the activity funds and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2013 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Board's internal control over financial reporting and compliance.

*Heuderman Jewel Company PLLC*

Louisville, Kentucky  
October 15, 2013

## Henry County Board of Education - New Castle, Kentucky

### Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2013

This section of the Henry County School District's (District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2013. This reporting model uses both government-wide financial and fund financial statements. Please read it in conjunction with the additional information found within the body of the audit.

#### Financial Highlights

- The beginning cash balance for FY 2013 for the District was \$4,840,223. This total includes revenues from all funds. The ending cash balance was \$6,155,656.
- The District maintained all operations successfully and purchased two new buses with a cost of \$185,672.
- Phase II of the renovation/addition of New Castle Elementary was completed during this fiscal year. Current year costs totaled \$225,903.
- Construction of the restrooms at the high school athletic complex began during this fiscal year. Current year costs totaled \$71,057.
- Construction began during the current fiscal year at various facilities throughout the District in the Guaranteed Energy Savings Contract. Costs for the current year totaled \$1,538,113.

#### Overview of Financial Statements

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

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

The statement of net position presents information on all of the District's assets, deferred outflows, liabilities and deferred inflows, with the difference between the four 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 or deteriorating.

**Henry County Board of Education - New Castle, Kentucky**  
**Management's Discussion and Analysis (MD&A), Continued**  
**Year Ended June 30, 2013**

**Overview of Financial Statements, Continued**

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

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

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 12 through 21 of this report.

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

**Government-wide Financial Analysis**

Net position may serve over time as a useful indicator of a governmental financial position. In the case of the District, assets exceeded liabilities and deferred inflows by \$5,921,997 for Governmental Activities, and \$847,802 for Business-Type Activities as of June 30, 2013.

**Henry County Board of Education - New Castle, Kentucky**  
**Management's Discussion and Analysis (MD&A), Continued**

**Year Ended June 30, 2013**

**Government-wide Financial Analysis, Continued**

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 and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Net position for the period ending June 30, 2013 as compared to June 30, 2012:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Current and other assets	\$ 6,004,863	\$ 4,611,959	\$ 506,134	\$ 460,666	\$ 6,510,997	\$ 5,072,625
Capital assets	<u>29,228,664</u>	<u>29,018,902</u>	<u>341,668</u>	<u>382,780</u>	<u>29,570,332</u>	<u>29,401,682</u>
Total assets	<u>35,233,527</u>	<u>33,630,861</u>	<u>847,802</u>	<u>843,446</u>	<u>36,081,329</u>	<u>34,474,307</u>
Long-term debt outstanding	28,047,431	25,452,418	--	--	28,047,431	25,452,418
Other liabilities	<u>1,207,057</u>	<u>1,163,859</u>	<u>--</u>	<u>6,632</u>	<u>1,207,057</u>	<u>1,170,491</u>
Total liabilities	<u>29,254,488</u>	<u>26,616,277</u>	<u>--</u>	<u>6,632</u>	<u>29,254,488</u>	<u>26,622,909</u>
Deferred revenue	<u>57,042</u>	<u>38,820</u>	<u>--</u>	<u>--</u>	<u>57,042</u>	<u>38,820</u>
Total deferred inflow of resources	<u>57,042</u>	<u>38,820</u>	<u>--</u>	<u>--</u>	<u>57,042</u>	<u>38,820</u>
Net position						
Net investment in capital assets	766,394	2,543,206	341,668	382,780	1,108,062	2,925,986
Restricted	427,850	647,351	17,536	27,944	445,386	675,295
Unrestricted	<u>4,727,753</u>	<u>3,785,207</u>	<u>488,598</u>	<u>426,090</u>	<u>5,216,351</u>	<u>4,211,297</u>
Total net position	<u>\$ 5,921,997</u>	<u>\$ 6,975,764</u>	<u>\$ 847,802</u>	<u>\$ 836,814</u>	<u>\$ 6,769,799</u>	<u>\$ 7,812,578</u>

**Comments on Budget Comparisons**

1) Excluding on-behalf payments of \$3,019,224, the General Fund budget compared to actual revenue varied slightly from line item to line item with an ending actual balance being \$166,696 or 1.28% more than budgeted.

2) Actual General Fund expenditures, net of on-behalf payments of \$3,019,224 compared to budget expenditures, net of contingency allotments, was \$1,975,279 or 11.89% less than budget. Approximately 75% of this difference involves monies for the Energy Conservation project that were not expensed during the current year.

**Henry County Board of Education - New Castle, Kentucky**  
**Management's Discussion and Analysis (MD&A), Continued**  
**Year Ended June 30, 2013**

The following table presents a summary of revenue and expenses for the fiscal year ended June 30, 2013, for selected funds:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 11,238	\$ 11,338	\$ 478,185	\$ 507,551	\$ 489,423	\$ 518,889
Operating grants and contributions	1,428,829	1,884,215	807,044	839,909	2,235,873	2,724,124
Capital grants and contributions	919,666	934,116	--	--	919,666	934,116
General revenues:						
Property taxes	4,325,437	4,144,117	--	--	4,325,437	4,144,117
Other taxes	694,474	672,338	--	--	694,474	672,338
Investment earnings	30,552	114,495	1,869	5,807	32,421	120,302
State and formula grants	9,428,290	9,640,958	12,554	12,863	9,440,844	9,653,821
Gain (loss) on sale of assets	(1,485)	(3,943)	(120)	1,021	(1,605)	(2,922)
State on-behalf payments	3,565,218	3,102,215	86,327	88,268	3,651,545	3,190,483
Miscellaneous	82,050	135,373	--	--	82,050	135,373
Total revenues	<u>\$ 20,484,269</u>	<u>\$ 20,635,222</u>	<u>\$ 1,385,859</u>	<u>\$ 1,455,419</u>	<u>\$ 21,870,128</u>	<u>\$ 22,090,641</u>
<b>Summary of Expenses</b>						
Expenses						
Instruction	\$ 10,808,832	\$ 10,966,336	\$ --	\$ --	\$ 10,808,832	\$ 10,966,336
Support services:						
Student	847,683	815,608	--	--	847,683	815,608
Instruction staff	1,130,147	1,134,946	--	--	1,130,147	1,134,946
District administrative	683,448	717,623	--	--	683,448	717,623
School administrative	1,017,780	927,568	--	--	1,017,780	927,568
Business	811,975	893,173	--	--	811,975	893,173
Plant operation and maintenance	2,878,074	2,802,256	--	--	2,878,074	2,802,256
Student transportation	1,559,311	1,630,558	--	--	1,559,311	1,630,558
Food services	22,523	--	--	--	22,523	--
Community service activities	158,175	188,928	--	--	158,175	188,928
Other	7,656	6,937	--	--	7,656	6,937
Interest on long-term debt	1,028,563	1,038,409	--	--	1,028,563	1,038,409
Food service operation	--	--	1,374,871	1,308,313	1,374,871	1,308,313
KSBIT assessment	583,869	--	--	--	583,869	--
Total expenses	<u>\$ 21,538,036</u>	<u>\$ 21,122,342</u>	<u>\$ 1,374,871</u>	<u>\$ 1,308,313</u>	<u>\$ 22,912,907</u>	<u>\$ 22,430,655</u>
Change in net position	(1,053,767)	(487,120)	10,988	147,106	(1,042,779)	(340,014)
Net position - beginning	6,975,764	7,462,884	836,814	689,708	7,812,578	8,152,592
Net position - ending	<u>\$ 5,921,997</u>	<u>\$ 6,975,764</u>	<u>\$ 847,802</u>	<u>\$ 836,814</u>	<u>\$ 6,769,799</u>	<u>\$ 7,812,578</u>

**Henry County Board of Education - New Castle, Kentucky**  
**Management's Discussion and Analysis (MD&A), Continued**

**Year Ended June 30, 2013**

**Budgetary Implications**

In Kentucky the fiscal year for public schools is July 1 - June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the District overall budget. By law the budget must have a minimum 2 percent contingency. The District adopted a budget with \$2,287,876 in contingency overall.

The Henry County Board of Education believes that successful student achievement is the most important task of the school district. They are committed to making sound fiscal decisions to achieve the best educational opportunities for all students.

**Capital Assets (Net of Depreciation and Amortization)**

As of June 30, 2013, the District had invested \$29,570,332 in capital assets as reflected in the following table, which represents a net increase (additions, deductions and depreciation) of \$168,650. Additional detailed information on Capital Assets is available in the Notes to the Financial Statements.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Land	\$ 768,517	\$ 768,517	\$ --	\$ --	\$ 768,517	\$ 768,517
Building and improvements	25,124,920	23,337,602	--	--	25,124,920	23,337,602
Technology equipment	415,630	428,866	--	--	415,630	428,866
Vehicles	954,249	777,502	--	--	954,249	777,502
General equipment	164,227	189,625	--	--	164,227	189,625
Construction in progress	1,609,169	3,403,425	--	--	1,609,169	3,403,425
Food service and equipment	--	--	341,668	382,780	341,668	382,780
Bond issuance cost	191,952	113,365	--	--	191,952	113,365
	<u>\$ 29,228,664</u>	<u>\$ 29,018,902</u>	<u>\$ 341,668</u>	<u>\$ 382,780</u>	<u>\$ 29,570,332</u>	<u>\$ 29,401,682</u>

**Henry County Board of Education - New Castle, Kentucky**  
**Management's Discussion and Analysis (MD&A), Continued**  
**Year Ended June 30, 2013**

**Debt Administration**

At June 30, 2013, the District had \$28,462,270 in bonds outstanding. Of this amount, \$4,694,220 is to be paid from the KSFCC funding provided by the State. A total of \$1,192,270 is due within one year.

At June 30, 2012, the District had \$26,475,696 in bonds outstanding. Of this amount, \$5,062,435 is to be paid from the KSFCC funding provided by the State. A total of \$1,125,696 is due within one year.

Principal payments were made in the amount of \$1,128,426 and one new bond was issued in the amount of \$3,115,000 representing the net increase in balance from 2012 to 2013.

Governmental Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds payable	\$ <u>26,475,696</u>	\$ <u>3,115,000</u>	\$ <u>1,128,426</u>	\$ <u>28,462,270</u>	\$ <u>1,192,270</u>

**Government-wide Financial Statements**

**HENRY COUNTY BOARD OF EDUCATION**

**Statement of Net Position**

**June 30, 2013**

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>	<b><u>Total</u></b>
<b>Assets</b>			
Cash and cash equivalents	\$ 5,659,630	\$ 414,061	\$ 6,073,691
Inventory	--	17,536	17,536
Accounts receivable	345,233	74,537	419,770
Capital assets and intangible costs	51,964,232	711,182	52,675,414
Less: accumulated depreciation and amortization	<u>(22,735,568)</u>	<u>(369,514)</u>	<u>(23,105,082)</u>
Total assets	<u>35,233,527</u>	<u>847,802</u>	<u>36,081,329</u>
<b>Liabilities</b>			
Accounts payable	14,787	--	14,787
Long-term liabilities			
Due within one year	1,192,270	--	1,192,270
Due in more than one year	<u>28,047,431</u>	<u>--</u>	<u>28,047,431</u>
Total liabilities	<u>29,254,488</u>	<u>--</u>	<u>29,254,488</u>
<b>Deferred Inflow of Resources</b>			
Deferred revenue	<u>57,042</u>	<u>--</u>	<u>57,042</u>
<b>Net Position</b>			
Net investment in capital assets	766,394	341,668	1,108,062
Restricted for:			
Other purposes: (nonexpendable)	427,850	17,536	445,386
Unrestricted	<u>4,727,753</u>	<u>488,598</u>	<u>5,216,351</u>
Total net position	<u>\$ 5,921,997</u>	<u>\$ 847,802</u>	<u>\$ 6,769,799</u>

The notes to the basic financial statements are an integral part of this statement.

# HENRY COUNTY BOARD OF EDUCATION

## Statement of Activities

For the Year June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Governmental activities:							
Instruction	\$10,808,832	\$ 11,238	\$ 1,228,189	\$ --	\$ (9,569,405)	\$ --	\$ (9,569,405)
Support services:							
Student	847,683	--	--	--	(847,683)	--	(847,683)
Instruction staff	1,130,147	--	--	--	(1,130,147)	--	(1,130,147)
District administrative	683,448	--	--	--	(683,448)	--	(683,448)
School administrative	1,017,780	--	--	--	(1,017,780)	--	(1,017,780)
Business	811,975	--	--	--	(811,975)	--	(811,975)
Plant operation and maintenance	2,878,074	--	--	--	(2,878,074)	--	(2,878,074)
Student transportation	1,559,311	--	22,860	--	(1,536,451)	--	(1,536,451)
Food services	22,523	--	--	--	(22,523)	--	(22,523)
Facilities acquisition and construction	--	--	--	919,666	919,666	--	919,666
Community service activities	158,175	--	--	--	(158,175)	--	(158,175)
Amortization	7,656	--	--	--	(7,656)	--	(7,656)
Interest on long-term debt	1,028,563	--	177,780	--	(850,783)	--	(850,783)
KSBIT Assessment	583,869	--	--	--	(583,869)	--	(583,869)
<b>Total governmental activities</b>	<b><u>21,538,036</u></b>	<b><u>11,238</u></b>	<b><u>1,428,829</u></b>	<b><u>919,666</u></b>	<b><u>(19,178,303)</u></b>	<b><u>--</u></b>	<b><u>(19,178,303)</u></b>
Business-type activities:							
Food service	<u>1,374,871</u>	<u>478,185</u>	<u>807,044</u>	<u>--</u>	<u>--</u>	<u>(89,642)</u>	<u>(89,642)</u>
<b>Total business-type activities</b>	<b><u>1,374,871</u></b>	<b><u>478,185</u></b>	<b><u>807,044</u></b>	<b><u>--</u></b>	<b><u>--</u></b>	<b><u>(89,642)</u></b>	<b><u>(89,642)</u></b>
<b>Total primary government</b>	<b><u>\$22,912,907</u></b>	<b><u>\$ 489,423</u></b>	<b><u>\$ 2,235,873</u></b>	<b><u>\$ 919,666</u></b>	<b><u>(19,178,303)</u></b>	<b><u>(89,642)</u></b>	<b><u>(19,267,945)</u></b>
General revenues:							
Taxes:							
Property taxes					\$ 3,845,647	\$ --	\$ 3,845,647
Motor vehicle taxes					479,790	--	479,790
Utility taxes					689,175	--	689,175
Other taxes					5,299	--	5,299
Investment earnings					30,552	1,869	32,421
State and formula grants					9,428,290	12,554	9,440,844
Gain (loss) on sale of assets					(1,485)	(120)	(1,605)
On-behalf payments					3,565,218	86,327	3,651,545
Miscellaneous					<u>82,050</u>	<u>--</u>	<u>82,050</u>
Change in net position					(1,053,767)	10,988	(1,042,779)
Net position - beginning					<u>6,975,764</u>	<u>836,814</u>	<u>7,812,578</u>
Net position - ending					<b><u>\$ 5,921,997</u></b>	<b><u>\$ 847,802</u></b>	<b><u>\$ 6,769,799</u></b>

**HENRY COUNTY BOARD OF EDUCATION**

**Balance Sheet - Governmental Funds**

**June 30, 2013**

	<b><u>General Fund</u></b>	<b><u>Special Revenue</u></b>	<b><u>Nonmajor Governmental Funds</u></b>	<b><u>Total Governmental Funds</u></b>
<b>Assets</b>				
Cash and cash equivalents	\$ 5,857,316	\$ (197,686)	\$ --	\$ 5,659,630
Accounts receivable	<u>90,505</u>	<u>254,728</u>	<u>--</u>	<u>345,233</u>
Total assets	<u>\$ 5,947,821</u>	<u>\$ 57,042</u>	<u>\$ --</u>	<u>\$ 6,004,863</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 14,787	\$ --	\$ --	\$ 14,787
Deferred revenue	<u>--</u>	<u>57,042</u>	<u>--</u>	<u>57,042</u>
Total liabilities	<u>14,787</u>	<u>57,042</u>	<u>--</u>	<u>71,829</u>
<b>Fund balances:</b>				
Committed - other	234,288	--	--	234,288
Committed - future construction	1,095,470	--	--	1,095,470
Restricted- sick leave	193,562	--	--	193,562
Unassigned	<u>4,409,714</u>	<u>--</u>	<u>--</u>	<u>4,409,714</u>
Total fund balances	<u>5,933,034</u>	<u>--</u>	<u>--</u>	<u>5,933,034</u>
Total liabilities and fund balances	<u>\$ 5,947,821</u>	<u>\$ 57,042</u>	<u>\$ --</u>	<u>\$ 6,004,863</u>

## HENRY COUNTY BOARD OF EDUCATION

### Statement of Revenues, Expenditures & Changes in Fund Balances Governmental Funds

For the Year Ended June 30, 2013

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Nonmajor Governmental Funds</u>	<u>Total (Memorandum Only)</u>
<b>Revenues</b>				
Taxes:				
Property	\$ 3,223,866	\$ --	\$ 621,781	\$ 3,845,647
Motor vehicle	389,336	--	90,454	479,790
Utilities	689,175	--	--	689,175
Other	5,299	--	--	5,299
Earnings on investments	30,333	138	81	30,552
Other local revenues	26,900	21,700	--	48,600
Intergovernmental-State	11,861,443	608,931	1,465,660	13,936,034
Intergovernmental-Indirect federal	9,845	1,218,344	--	1,228,189
<b>Total revenues</b>	<u>16,236,197</u>	<u>1,849,113</u>	<u>2,177,976</u>	<u>20,263,286</u>
<b>Expenditures</b>				
Instruction	9,150,931	1,571,776	--	10,722,707
Support services:				
Student	780,877	7,601	--	788,478
Instructional staff	985,099	144,111	--	1,129,210
District administration	672,156	--	--	672,156
School administration	1,019,258	--	--	1,019,258
Business	346,970	--	--	346,970
Plant operations and maintenance	1,582,399	--	--	1,582,399
Student transportation	1,560,314	--	--	1,560,314
Food services	22,523	--	--	22,523
Community service	--	157,275	--	157,275
Facilities acquisition and construction	1,538,113	--	242,281	1,780,394
Debt service:				
Principal	--	--	1,128,426	1,128,426
Interest	--	--	1,028,563	1,028,563
<b>Total expenditures</b>	<u>17,658,640</u>	<u>1,880,763</u>	<u>2,399,270</u>	<u>21,938,673</u>
Excess (deficit) of revenues over expenditures (carry forward)	<u>(1,422,443)</u>	<u>(31,650)</u>	<u>(221,294)</u>	<u>(1,675,387)</u>

**HENRY COUNTY BOARD OF EDUCATION**

**Statement of Revenues, Expenditures & Changes in Fund Balances  
Governmental Funds, Continued**

**For the Year Ended June 30, 2013**

	<b><u>General Fund</u></b>	<b><u>Special Revenue</u></b>	<b><u>Nonmajor Governmental Funds</u></b>	<b><u>Total (Memorandum Only)</u></b>
Excess (deficit) of revenues over expenditures (brought forward)	<u>(1,422,443)</u>	<u>(31,650)</u>	<u>(221,294)</u>	<u>(1,675,387)</u>
Other financing sources (uses):				
Proceeds from the sale of bonds	3,115,000	--	--	3,115,000
Bond discount and issuance costs	(86,243)	--	--	(86,243)
Operating transfers in	78,873	31,650	1,610,995	1,721,518
Operating transfers out	<u>(31,650)</u>	<u>--</u>	<u>(1,645,180)</u>	<u>(1,676,830)</u>
Total other financing sources (uses)	<u>3,075,980</u>	<u>31,650</u>	<u>(34,185)</u>	<u>3,073,445</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	1,653,537	--	(255,479)	1,398,058
Fund balance June 30, 2012	<u>4,279,497</u>	<u>--</u>	<u>255,479</u>	<u>4,534,976</u>
Fund balance June 30, 2013	<u>\$ 5,933,034</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,933,034</u>

**HENRY COUNTY BOARD OF EDUCATION**

**Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Position**

**June 30, 2013**

Total fund balance per fund financial statements	\$ 5,933,034
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.	29,228,664
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave) 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.	<u>(29,239,701)</u>
Net position for governmental activities	<u>\$ 5,921,997</u>

**HENRY COUNTY BOARD OF EDUCATION**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds  
To the Statement of Activities**

**For the Year Ended June 30, 2013**

Net change in total fund balances per fund financial statements	\$ 1,398,058
Amounts reported for governmental activities in the statement of activities are different because:	
The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position.	(3,028,757)
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlays this year.	24,091
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.	1,128,426
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>(575,585)</u>
Change in net position of governmental activities	<u>\$ (1,053,767)</u>

**HENRY COUNTY BOARD OF EDUCATION**

**Statement of Net Position - Proprietary Funds**

**June 30, 2013**

	<b>Food Service Fund</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 414,061
Inventory	17,536
Accounts receivable	<u>74,537</u>
Total current assets	<u>506,134</u>
Noncurrent assets:	
Capital assets	711,182
Less: accumulated depreciation	<u>(369,514)</u>
Total noncurrent assets	<u>341,668</u>
Total assets	<u>847,802</u>
<b>Net Position</b>	
Net investment in capital assets	341,668
Restricted for:	
Inventory	17,536
Unrestricted	<u>488,598</u>
Total net position	<u>\$ 847,802</u>

# HENRY COUNTY BOARD OF EDUCATION

## Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds

For the Year Ended June 30, 2013

	<b>Food Service Fund</b>
Operating revenues:	
Lunchroom sales	\$ 443,163
Other	<u>35,022</u>
Total operating revenues	<u>478,185</u>
Operating expenses:	
Salaries and wages	638,918
Materials and supplies	647,093
Depreciation expense	42,210
Other operating expenses	<u>46,650</u>
Total operating expenses	<u>1,374,871</u>
Operating income (loss)	<u>(896,686)</u>
Non-operating revenues (expenses)	
Federal grants	780,509
Sale of assets	(120)
Donated commodities	26,535
Other state funding	98,881
Interest income	<u>1,869</u>
Non-operating revenue (expenses)	<u>907,674</u>
Change in net position	10,988
Net position June 30, 2012	<u>836,814</u>
Net position June 30, 2013	<u>\$ 847,802</u>

**HENRY COUNTY BOARD OF EDUCATION**

**Statement of Cash Flows - Proprietary Funds**

**For the Year Ended June 30, 2013**

	<b>Food Service Fund</b>
Cash flows from operating activities:	
Cash received from lunchroom sales	\$ 443,163
Cash received from other activities	35,022
Cash payments to employees for services	(638,918)
Cash payments to suppliers for good and services	(616,782)
Cash payments for other operating activities	<u>(46,650)</u>
Net cash from operating activities	<u>(824,165)</u>
Cash flows from capital and related financial activities:	
Purchases of property, plant and equipment	<u>(1,217)</u>
Net cash used by capital and related financial activities	<u>(1,217)</u>
Cash flows from noncapital financing activities:	
Cash received from government grants	<u>804,853</u>
Net cash from noncapital financing activities	<u>804,853</u>
Cash flows from investing activities:	
Interest on investments	<u>1,869</u>
Net cash from investing activities	<u>1,869</u>
Increase (decrease) in cash and cash equivalents	(18,660)
Cash and cash equivalents, June 30, 2012	<u>432,721</u>
Cash and cash equivalents, June 30, 2013	<u>\$ 414,061</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (896,686)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Donated commodities included in operating expenses	26,535
Depreciation expense	42,210
Changes in assets and liabilities:	
Decrease in inventories	10,408
Decrease in payables	<u>(6,632)</u>
Net cash used by operating activities	<u>\$ (824,165)</u>
Schedule of non-cash transactions:	
Donated commodities	<u>\$ 26,535</u>

The notes to the basic financial statements are an integral part of this statement.

**HENRY COUNTY BOARD OF EDUCATION**

**Statement of Fiduciary Net Position**

**June 30, 2013**

	<b><u>Private Purpose Trust Funds</u></b>	<b><u>Agency Fund</u></b>
<b>Assets</b>		
Cash and cash equivalents	\$ <u>81,965</u>	\$ <u>203,480</u>
Total assets	<u>81,965</u>	<u>203,480</u>
<b>Liabilities</b>		
Due to student groups	<u>--</u>	<u>203,480</u>
Total liabilities	<u>--</u>	<u>\$ 203,480</u>
<b>Net Position</b>		
Held in trust for scholarships	<u>\$ 81,965</u>	

**HENRY COUNTY BOARD OF EDUCATION**

**Statement of Changes in Fiduciary Net Position**

**June 30, 2013**

	<b><u>Private Purpose Trust Funds</u></b>
Additions:	
Contributions	\$ 22,364
Deductions:	
Scholarships	<u>15,234</u>
Change in net position	7,130
Net position June 30, 2012	<u>74,835</u>
Net position June 30, 2013	<u>\$ 81,965</u>

## **Notes to the Basic Financial Statements**

# HENRY COUNTY BOARD OF EDUCATION

## Notes to the Basic Financial Statements

### Note A - Summary of Significant Accounting Policies

#### Reporting Entity

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

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Henry County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

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

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

#### Henry County Board of Education Finance Corporation

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

#### 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.

# Henry County Board of Education

## Notes to the Basic Financial Statements, Continued

### Note A - Summary of Significant Accounting Policies, Continued

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

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

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in 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. Governmental Fund Types

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

## Henry County Board of Education

### Notes to the Basic Financial Statements, Continued

#### Note A - Summary of Significant Accounting Policies, Continued

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

#### II. Proprietary Fund Types (Enterprise Fund)

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 contribution of commodities from the USDA. The Food Service Fund is a major fund.

# Henry County Board of Education

## Notes to the Basic Financial Statements, Continued

### Note A - Summary of Significant Accounting Policies, Continued

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

- (A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- (B) The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

#### Basis of Accounting

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

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

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

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

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

## Henry County Board of Education

### Notes to the Basic Financial Statements, Continued

#### Note A - Summary of Significant Accounting Policies, Continued

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. Unused donated commodities are reported as deferred revenue.

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

#### Property 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.

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

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

# Henry County Board of Education

## Notes to the Basic Financial Statements, Continued

### Note A - Summary of Significant Accounting Policies, Continued

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Building 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

#### Interfund 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 a calculated amount of the value of accumulated sick leave.

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

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

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

#### 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:

## Henry County Board of Education

### Notes to the Basic Financial Statements, Continued

#### Note A - Summary of Significant Accounting Policies, Continued

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).

Each budget is prepared at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

The Board does not budget for on-behalf payments, which are reported with the General Fund and the Food Service Fund in the fund financial statements and the budgetary comparison supplementary information.

#### Cash and Cash Equivalents

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

#### Inventories

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

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

The food service fund uses the specific identification method.

#### 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, the non-current portion of capital leases, 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.

## Henry County Board of Education

### Notes to the Basic Financial Statements, Continued

#### Note A - Summary of Significant Accounting Policies, Continued

##### Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

##### Net Position

Net position represents the difference between all other elements in a statement of financial position and should be displayed in three components – *net investment in capital assets; restricted* (distinguishing between major categories of restrictions); and *unrestricted*. The calculation of *net investment in capital assets* is similar to the prior calculation of investment in capital assets, net of related debt; however, with the implementation of GASB Statement No. 63, the deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component 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 School District, those revenues are primarily charges for meals provided by the various schools.

#### Note B - Estimates

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

#### Note C - Cash and Cash Equivalents

At year-end, the carrying amount of the District's total cash and cash equivalents was \$6,359,136 and the bank balance was \$6,359,136. 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.

## Henry County Board of Education

### Notes to the Basic Financial Statements, Continued

#### Note D - Capital Assets and Bond Issuance Cost

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
Land	\$ 768,517	\$ --	\$ --	\$ 768,517
Buildings and improvements	41,662,058	3,627,679	--	45,289,737
Technology equipment	1,070,885	141,342	(61,675)	1,150,552
Vehicles	2,195,320	371,344	(4,240)	2,562,424
General equipment	382,303	--	(10,034)	372,269
Construction in progress	<u>3,403,425</u>	<u>1,833,423</u>	<u>(3,627,679)</u>	<u>1,609,169</u>
Totals as historical cost	<u>49,482,508</u>	<u>5,973,788</u>	<u>(3,703,628)</u>	<u>51,752,668</u>
Less: accumulated depreciation				
Buildings and improvements	18,324,456	1,840,361	--	20,164,817
Technology equipment	642,019	153,840	(60,937)	734,922
Vehicles	1,417,818	194,597	(4,240)	1,608,175
General equipment	<u>192,678</u>	<u>24,650</u>	<u>(9,286)</u>	<u>208,042</u>
Total accumulated depreciation	<u>20,576,971</u>	<u>2,213,448</u>	<u>(74,463)</u>	<u>22,715,956</u>
Bond issuance costs	125,321	86,243	--	211,564
Less: accumulated amortization	<u>11,956</u>	<u>7,656</u>	<u>--</u>	<u>19,612</u>
Totals at historical costs	<u>113,365</u>	<u>78,587</u>	<u>--</u>	<u>191,952</u>
Governmental activities capital assets - net	<u>\$ 29,018,902</u>	<u>\$ 3,838,927</u>	<u>\$ (3,629,165)</u>	<u>\$ 29,228,664</u>
 <b><u>Business – Type Activities</u></b>				
Food service and equipment	699,607	--	--	699,607
Technology equipment	<u>11,276</u>	<u>1,218</u>	<u>(919)</u>	<u>11,575</u>
Totals at historical cost	<u>710,883</u>	<u>1,218</u>	<u>(919)</u>	<u>711,182</u>
Less: accumulated depreciation				
Food service and equipment	320,014	40,888	--	360,902
Technology equipment	<u>8,089</u>	<u>1,322</u>	<u>(799)</u>	<u>8,612</u>
Total accumulated depreciation	<u>328,103</u>	<u>42,210</u>	<u>(799)</u>	<u>369,514</u>
Business type activities capital assets - net	<u>\$ 382,780</u>	<u>\$ (40,992)</u>	<u>\$ (120)</u>	<u>\$ 341,668</u>

## Henry County Board of Education

### Notes to the Basic Financial Statements, Continued

#### Note E - Bonded Debt and Lease Obligations

The amount shown in the accompanying financial statements as current and non-current portions of bond obligations represent the District's future obligation to make bond payments relating to the bonds issued by the Fiscal Court of Henry County.

<u>Issue</u>	<u>Original Principal Amount</u>	<u>Interest Rates</u>	<u>Principal Outstanding at June 30, 2013</u>	<u>Maturity Date</u>
Series of November 1, 2001	1,735,000	3.05% - 4.30%	730,000	11/01/2015
Series of July 1, 2005	1,100,000	2.85% - 3.75%	760,000	05/01/2017
Series of November 1, 2006	2,010,000	2.85% - 3.75%	1,415,000	06/01/2020
Series of October 1, 2007	15,290,000	4.00% - 4.50%	13,885,000	10/01/2027
Series of April 1, 2010	4,505,000	1.75% - 6.00%	4,290,000	04/01/2030
Series of June 1, 2011	3,500,000	2.00% - 4.125%	3,432,270	07/01/2031
Series of February 15, 2012	905,000	2.00% - 4.125%	835,000	05/01/2024
Series of April 16, 2013	<u>3,115,000</u>	0.65% - 3.00%	<u>3,115,000</u>	05/01/2033
	<u>\$ 32,160,000</u>		<u>\$ 28,462,270</u>	

Long-term liability activity for the year ended June 30, 2013 was as follows:

<u>Year</u>	<u>Henry County School District</u>		<u>Kentucky School Facilities Construction Commission</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2014	\$ 845,109	\$ 851,814	\$ 347,161	\$ 166,905	\$ 2,210,989
2015	882,394	863,109	357,606	156,396	2,259,505
2016	924,617	826,987	340,383	145,388	2,237,375
2017	966,575	794,138	348,425	134,736	2,243,874
2018	1,006,984	758,706	323,016	123,456	2,212,162
2019	1,053,457	721,729	331,543	112,937	2,219,666
2020	1,097,155	682,600	342,845	101,602	2,224,202
2021	1,153,117	637,058	236,883	89,473	2,116,531
2022	1,204,824	593,034	245,176	81,139	2,124,173
2023	1,256,166	546,439	253,834	72,437	2,128,876
2024	1,312,009	497,841	262,991	63,159	2,136,000
2025	1,375,986	444,576	204,014	53,248	2,077,824
2026	1,447,028	387,441	212,972	44,231	2,091,672
2027	1,517,607	326,392	222,393	34,694	2,101,086
2028	1,593,939	262,372	206,061	25,087	2,087,459
2029	1,636,326	226,465	138,674	17,157	2,018,622
2030	1,704,807	168,102	145,193	10,517	2,028,619
2031	1,252,388	84,785	97,612	5,147	1,439,932
2032	1,252,562	36,868	77,438	1,600	1,368,468
2033	<u>285,000</u>	<u>8,550</u>	<u>--</u>	<u>--</u>	<u>293,550</u>
	<u>\$ 23,768,050</u>	<u>\$ 9,719,006</u>	<u>\$ 4,694,220</u>	<u>\$ 1,439,309</u>	<u>\$ 39,620,585</u>

## Henry County Board of Education

### Notes to the Basic Financial Statements, Continued

#### Note E - Bonded Debt and Lease Obligations, Continued

Governmental activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds payable	\$ 26,475,696	\$3,115,000	\$ 1,128,426	\$ 28,462,270	\$ 1,192,270

#### Note F - Interest Expense

For the year ended June 30, 2013, cash expenditures for interest were \$1,028,563. Expenditures consist of bond issue interest of \$850,783 paid by the District and \$177,780 paid by Kentucky School Facilities Construction Commission.

#### Note G - Retirement Plans

The District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. 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.

Certified employees are covered under KTRS. Funding for the Plan is provided through payroll withholdings of 10.855% for employees and matching state contributions. The Commonwealth of Kentucky is required to contribute 14.105% of salaries for employees. The federal program that pays for salaries also pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either a four year college degree or certification by KY Department of Education (KDE).

Substantially all other employees (classified personnel) are covered under the County Employees Retirement System ("CERS"), a cost sharing, multiple-employer, public employers' retirement system. Funding for the Plan is provided through payroll withholdings of 5% and 6% for employees hired after September 1, 2008 and a Board contribution of 19.55% of the employee's total compensation.

The Board's total payroll for the year was \$11,746,682. The payroll for employees covered under KTRS was \$9,104,594 and for CERS was \$2,642,088.

The contribution requirement for CERS for the year ended June 30, 2013 was \$648,963 which consisted of \$512,452 from the Board and \$136,511 from the employees. The contribution requirement for KTRS for the year ended June 30, 2013 was \$1,184,601 which consisted of \$196,298 from the Board and \$988,303 from the employees. For June 30, 2012 and 2011 the Board's contributions to CERS and KTRS were: CERS \$496,715 and \$330,651; KTRS \$180,677 and \$140,547.

## Henry County Board of Education

### Notes to the Basic Financial Statements, Continued

#### Note G - Retirement Plans, Continued

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

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

Ten-year historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2012 comprehensive annual financial reports. As the District is only one of several employers participating in the Plan, it is not practicable to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the Plan assets.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) 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 amount allowable by law. The District does not contribute to these plans.

#### Note H – Contingencies

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

#### Note I - Litigation

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

#### Note J - Insurance and Related Activities

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

# Henry County Board of Education

## Notes to the Basic Financial Statements, Continued

### Note K - Risk Management

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District purchases commercial insurance from Ohio Casualty Insurance Association.

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

### Note L - Deficit Operating Balances

There are no funds of the District that currently have a deficit fund balance.

### Note M - Cobra

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

### Note N - Transfer of Funds

The following transfers were made during the year:

<u>From fund</u>	<u>To fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special	Technology match	\$ 31,650
Capital outlay	General	Restroom project	34,185
Food service	General	Indirect costs	44,688
Capital outlay	Debt service	Debt payments	176,900
Building	Debt service	Debt payments	1,434,095

### Note O - New Accounting Pronouncements

During the current fiscal year, the Henry County Board of Education implemented the following new GASB Statements:

GASB Statement No. 62, *GASB Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement* - The implementation of this Statement eliminated the need to disclose a statement in the Summary of Significant Accounting Policies footnote that proprietary fund types apply all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 that are not in conflict with applicable GASB pronouncements. This also removed the requirement to disclose whether the District had implemented any pronouncements subsequent to November 30, 1989.

## Henry County Board of Education

### Notes to the Basic Financial Statements, Continued

#### Note O - New Accounting Pronouncements, Continued

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* - The implementation of this Statement required the District to present a Statement of Net Position, instead of the previously required Statement of Net Assets. The Statement of Net Position should report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. GASB 63 encourages the presentation of the statement of net position in a format that displays assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, although a balance sheet format (assets plus deferred outflows of resources equals liabilities plus deferred inflows of resources, plus net Position) may be used.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* - The implementation of this Statement required the District to adopt provisions of Concepts Statement No. 4 for all other items reported as assets and liabilities, which were not addressed as part of GASB 63. The Statement also revises the major fund calculation so that assets are combined with deferred outflows of resources and liabilities should be combined with deferred inflows of resources. GASB 65 also restricts the use of the term *deferred* to only deferred outflows of resources and deferred inflows of resources.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Statement No. 68 replaces previous requirements related to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The objective of Statement No. 68 is to improve accounting and financial reporting for pensions provided to the employees of state and local governments, and information about financial support for pensions that is provided by other entities. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement also provides related note disclosure and supplementary information requirements. Statement No. 68 is effective for years beginning after December 15, 2014. The District has not determined the potential impact, if any, this pronouncement will have on its future financial statements.

#### Note P - KSBIT Assessment

The Kentucky School Boards Insurance Trust (KSBIT) was created in 1978 to provide coverage through nonprofit self-insured pools authorized under Kentucky law. In a memo to members on January 14, 2013, KSBIT informed its members that despite years of work to eliminate deficits in these pools, that their most recent financial statements indicated a significant increase in the deficits of the pools, which under law require corrective action. Due to this deficit, KSBIT will assess its current and past participating members. The assessment will not be recorded as a liability on the fund financial statements, because it has not met the GASB criteria under Interpretation 6 for accrual. However, an estimate will be recorded on the government-wide financial statements because under GASB 10 the criteria that it is probable that a liability has been incurred and the amount can be reasonably estimated have been met. Since the anticipation that the novation option will be used,

## Henry County Board of Education

### Notes to the Basic Financial Statements, Continued

#### Note P - KSBIT Assessment, Continued

the amounts on the KSBIT website for liability and workers' compensation have been used for the estimate. Per the KSBIT website the Henry County Board of Education has an assessed amount for liability of \$293,627 and for workers' compensation of \$290,242. This assessed total of \$583,869 has been included in the government-wide financial statements for the District.

#### Note Q - On-Behalf Payments

The District receives on-behalf payments from various state agencies for the employer's portion of health benefits, Kentucky Teachers' Retirement System (KTRS), technology and debt services. The amount received for the fiscal year ended June 30, 2013, was \$3,651,545. These payments were recorded as follows:

General fund	\$ 3,019,224
Food services fund	86,327
Debt service fund	<u>545,994</u>
	<u>\$ 3,651,545</u>

#### Note R - Subsequent Events

Subsequent events have been evaluated through October 15, 2013 which is the date the financial statements were available to be issued.

## **Budgetary Comparison**

## HENRY COUNTY BOARD OF EDUCATION

### Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund

For the Year Ended June 30, 2013

	Budgeted Amounts		<u>Actual</u>	<b>Final Budget Variance Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes	\$ 4,217,929	\$ 4,275,158	\$ 4,307,676	\$ 32,518
Earnings on investments	30,000	30,000	30,333	333
Other local revenues	2,100	2,100	26,900	24,800
Intergovernmental - state	8,737,911	8,735,019	11,861,443	3,126,424
Intergovernmental - indirect federal	8,000	8,000	9,845	1,845
Intergovernmental - direct federal	--	--	--	--
Total revenues	<u>12,995,940</u>	<u>13,050,277</u>	<u>16,236,197</u>	<u>3,185,920</u>
<b>Expenditures:</b>				
Instruction	7,500,530	7,186,360	9,150,931	(1,964,571)
Support services:				
Student	643,220	641,031	780,877	(139,846)
Instructional staff	795,709	836,991	985,099	(148,108)
District administration	717,399	733,239	672,156	61,083
School administration	795,386	788,059	1,019,258	(231,199)
Business	306,170	291,425	346,970	(55,545)
Plant operations and maintenance	1,538,562	1,551,774	1,582,399	(30,625)
Student transportation	1,339,422	1,529,225	1,560,314	(31,089)
Central office	--	--	--	--
Food service	28,781	28,802	22,523	6,279
Community service	--	--	--	--
Facilities acquisition and construction	--	3,027,789	1,538,113	1,489,676
Debt service	--	--	--	--
Other	1,680,214	2,287,876	--	2,287,876
Total expenditures	<u>15,345,393</u>	<u>18,902,571</u>	<u>17,658,640</u>	<u>1,243,931</u>
Excess (deficit) of revenues over expenditures	<u>(2,349,453)</u>	<u>(5,852,294)</u>	<u>(1,422,443)</u>	<u>4,429,851</u>
<b>Other financing sources (uses):</b>				
Proceeds from the sale of bonds	--	3,027,789	3,028,757	968
Proceeds from the sale of assets	2,000	2,000	--	(2,000)
Operating transfers in	--	62,000	78,873	16,873
Operating transfers out	(47,121)	(31,649)	(31,650)	(1)
Total other financing sources (uses)	<u>(45,121)</u>	<u>3,060,140</u>	<u>3,075,980</u>	<u>15,840</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(2,394,574)</u>	<u>(2,792,154)</u>	<u>1,653,537</u>	<u>\$ 4,445,691</u>
Fund balance June 30, 2012	<u>2,394,574</u>	<u>2,792,154</u>	<u>4,279,497</u>	
Fund balance June 30, 2013	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,933,034</u>	

**HENRY COUNTY BOARD OF EDUCATION**

**Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Budget and Actual - Special Revenue Fund**

**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance With Final Budget Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Earnings on investments	\$ --	\$ --	\$ 138	\$ 138
Other local revenues	14,000	21,700	21,700	--
Intergovernmental - state	670,071	606,519	608,931	2,412
Intergovernmental - indirect federal	1,157,273	1,069,840	1,218,344	148,504
Intergovernmental - direct federal	--	--	--	--
Total revenues	<u>1,841,344</u>	<u>1,698,059</u>	<u>1,849,113</u>	<u>151,054</u>
Expenditures:				
Instruction	1,307,522	1,413,934	1,571,776	(157,842)
Support services:				
Student	53,100	--	7,601	(7,601)
Instructional staff	188,953	158,499	144,111	14,388
District administration	--	--	--	--
School administration	--	--	--	--
Business	--	--	--	--
Plant operation and maintenance	--	--	--	--
Student transportation	176,782	--	--	--
Community service	162,108	157,275	157,275	--
Other	--	--	--	--
Total expenditures	<u>1,888,465</u>	<u>1,729,708</u>	<u>1,880,763</u>	<u>(151,055)</u>
Excess (deficit) of revenues over expenditures	<u>(47,121)</u>	<u>(31,649)</u>	<u>(31,650)</u>	<u>(1)</u>
Other financing sources (uses):				
Operating transfers in	47,121	31,649	31,650	1
Operating transfers out	--	--	--	--
Total other financing sources (uses)	<u>47,121</u>	<u>31,649</u>	<u>31,650</u>	<u>1</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	--	--	--	<u>\$ --</u>
Fund balance June 30, 2012	--	--	--	
Fund balance June 30, 2013	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	

**Supplementary Information**  
**Combining Statements - Nonmajor Funds**

**HENRY COUNTY BOARD OF EDUCATION**

**Combining Balance Sheets -  
Nonmajor Governmental Funds**

**For the Year Ended June 30, 2013**

	<u>FSPK Fund</u>	<u>Debt Service Fund</u>	<u>Construction Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ --	\$ --	\$ --	\$ --	\$ --
Total assets	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
<b>Liabilities and fund balances</b>					
Liabilities:					
Accounts payable	\$ --	\$ --	\$ --	\$ --	\$ --
Deferred revenue	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund balances:					
Committed - other	--	--	--	--	--
Committed - future construction	--	--	--	--	--
Restricted - future construction	--	--	--	--	--
Unassigned	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total fund balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total liabilities and fund balances	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**HENRY COUNTY BOARD OF EDUCATION**

**Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds**

**For the Year Ended June 30, 2013**

	<u>FSPK Fund</u>	<u>Debt Service Fund</u>	<u>Construction Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:					
From local sources:					
Taxes					
Property	\$ 621,781	\$ --	\$ --	\$ --	\$ 621,781
Motor vehicle	90,454	--	--	--	90,454
Earnings from investments	--	--	81	--	81
Intergovernmental - state	<u>721,860</u>	<u>545,994</u>	<u>--</u>	<u>197,806</u>	<u>1,465,660</u>
Total revenues	<u>1,434,095</u>	<u>545,994</u>	<u>81</u>	<u>197,806</u>	<u>2,177,976</u>
Expenditures:					
Facilities acquisition and construction	--	--	242,281	--	242,281
Debt service					
Principal	--	1,128,426	--	--	1,128,426
Interest	<u>--</u>	<u>1,028,563</u>	<u>--</u>	<u>--</u>	<u>1,028,563</u>
Total expenditures	<u>--</u>	<u>2,156,989</u>	<u>242,281</u>	<u>--</u>	<u>2,399,270</u>
Excess (deficit) of revenues over expenditures	<u>1,434,095</u>	<u>(1,610,995)</u>	<u>(242,200)</u>	<u>197,806</u>	<u>(221,294)</u>
Other financing sources (uses):					
Operating transfers in	--	1,610,995	--	--	1,610,995
Operating transfers out	<u>(1,434,095)</u>	<u>--</u>	<u>--</u>	<u>(211,085)</u>	<u>(1,645,180)</u>
Total other financing sources (uses)	<u>(1,434,095)</u>	<u>1,610,995</u>	<u>--</u>	<u>(211,085)</u>	<u>(34,185)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>--</u>	<u>--</u>	<u>(242,200)</u>	<u>(13,279)</u>	<u>(255,479)</u>
Fund balance June 30, 2012	<u>--</u>	<u>--</u>	<u>242,200</u>	<u>13,279</u>	<u>255,479</u>
Fund balance June 30, 2013	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**Statements of Receipts, Disbursements and Changes  
in Fund Balances**

**Henry County High School and  
Combined Middle and Elementary  
Activity Funds**

# HENRY COUNTY BOARD OF EDUCATION

## Statement of Receipts, Disbursements and Fund Balances Henry County High School Activity Funds

For the Year Ended June 30, 2013

<u>Accounts</u>	<u>Fund Balances</u> <u>June 30, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balances</u> <u>June 30, 2013</u>
Academic Team	\$ 1,391	\$ 360	\$ 622	\$ 1,129
Art Club	166	1,859	1,106	919
Athletic	6,267	85,549	82,681	9,135
Athletic Trainer	40	--	40	--
Band	255	3,699	3,818	136
Baseball	13,108	14,714	18,563	9,259
Basketball Little League	1,364	7,255	8,259	360
BETA	344	924	1,114	154
Boy's Basketball	1,009	9,466	7,111	3,364
Boy's Golf	1,235	--	418	817
Boy's Soccer	--	925	--	925
Cat's Creations	1,393	4,245	3,857	1,781
Cheerleader	1,564	7,477	8,254	787
Chorus	--	288	288	--
Civ Ed Leadership	101	--	101	--
Concession	7,896	21,901	20,158	9,639
Cross Country	2,713	7,075	5,514	4,274
Digital Photography and Media	497	265	210	552
Drink/Snack	2,331	3,270	436	5,165
FBLA	540	21,114	21,012	642
FCA	1,078	1,032	539	1,571
FFA	7,747	16,579	16,967	7,359
FFA Greenhouse	9,636	6,927	1,979	14,584
Fine Arts	5,590	33,440	38,603	427
Football	--	865	414	451
"For Club"	195	--	69	126
Freshman	1,226	95	1,321	--
FTA	779	--	--	779
Game Club	420	--	420	--
General	208	8,436	6,276	2,368
Gifted/Moved	1,175	2,526	2,449	1,252
Girl's Basketball	6,081	9,902	10,095	5,888
Girl's Golf	3,317	2,155	3,112	2,360
Girl's Soccer	1,400	425	672	1,153
Go Green Club	--	170	26	144
Great Outdoors Club	--	440	440	--
HCHS Bus Scholarship	725	1,000	725	1,000
Instructional	--	15,440	15,440	--
Judy Lea Memorial	249	867	330	786
Junior	890	11,475	10,430	1,935
KUNA	376	2,569	2,519	426
KY State University	--	2,520	2,520	--
KY Youth Association	14	3,341	3,220	135
Library	428	594	558	464
Locks	2,642	1,375	4,017	--

**HENRY COUNTY BOARD OF EDUCATION**

**Statement of Receipts, Disbursements and Fund Balances  
Henry County High School Activity Funds, Continued**

**For the Year Ended June 30, 2013**

<u>Accounts</u>	<u>Fund Balances June 30, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balances June 30, 2013</u>
Math (calculator rentals)	105	--	105	--
NAC	233	--	233	--
National Honor Society	475	585	1,010	50
Parking Passes/Permits	1,086	670	512	1,244
PEP Club	316	611	700	227
Project Graduation	70	8,582	8,523	129
PTO (Academic Booster Club)	267	--	267	--
ROTC General	8,317	9,901	9,597	8,621
School Pictures	2,793	565	1,020	2,338
Science Club	577	--	--	577
Senior	513	25,910	22,524	3,899
Social Studies	131	--	131	--
Softball	1,274	5,858	6,342	790
Sophomore	644	2,596	3,145	95
Spanish	48	155	179	24
Student Council	1,042	--	--	1,042
Teacher's Lounge Drinks	154	1,319	1,165	308
Technology Student Assoc.	--	1,586	1,503	83
Textbooks	177	345	104	418
Track	4,626	11,926	14,858	1,694
TV/Media	1,814	3,015	4,250	579
Vocational Transportation	62	--	--	62
Volleyball	1,699	3,240	3,751	1,188
Wildcat Den Spirit Bookstore	294	--	294	--
Wildcat Publishing	60	--	60	--
Yearbook/Journalism	11,808	8,399	9,234	10,973
	<u>\$ 124,975</u>	<u>\$ 397,822</u>	<u>\$ 396,210</u>	<u>\$ 126,587</u>

**HENRY COUNTY BOARD OF EDUCATION**

**Statement of Receipts, Disbursements and Fund Balances  
Middle and Elementary Schools**

**For the Year Ended June 30, 2013**

<u>School</u>	<u>Cash Balances June 30, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balances June 30, 2013</u>
Campbellsburg Elementary School	\$ 11,397	\$ 18,623	\$ 21,427	\$ 8,593
Eastern Elementary School	15,219	26,862	31,365	10,716
New Castle Elementary School	8,432	37,064	36,175	9,321
Henry County Middle School	<u>44,680</u>	<u>116,208</u>	<u>112,625</u>	<u>48,263</u>
Total	<u>\$ 79,728</u>	<u>\$ 198,757</u>	<u>\$ 201,592</u>	<u>\$ 76,893</u>

**Schedule of Expenditures of Federal Awards**

# HENRY COUNTY BOARD OF EDUCATION

## Statement of Expenditures of Federal Awards

For the Year Ended June 30, 2013

	<u>CFDA Number</u>	<u>Pass-Through Number</u>		<u>Disbursements</u>
<u>U.S. Department of Education:</u>				
Title I, Grants to Local Educational Agencies	84.010	3100002 11	\$	93,922
Title I, Grants to Local Educational Agencies	84.010	3100002 12		417,827
Title I, Grants to Local Educational Agencies	84.010	3100202 10		<u>38,413</u>
Total				<u>550,162</u>
Career and Technical Education - Basic Grants to States	84.048	4621332 13		10,267
Career and Technical Education - Basic Grants to States	84.048	4621332 12		4,557
Career and Technical Education - Basic Grants to States	84.048	3712		2,786
Career and Technical Education - Basic Grants to States	84.048	3713		<u>11,524</u>
Total				<u>29,134</u>
Title I, Part C, Migrant Education - State Grant Program	84.011	3110002 11		<u>7,601</u>
<u>Special Education Cluster:</u>				
Special Education - Grants to States	84.027	3810002 11		54,656
Special Education - Grants to States	84.027	3810002 12		396,375
Special Education - Grants to States	84.027	3810002 10		2,630
Special Education - Preschool Grants	84.173	3800002 11		6,126
Special Education - Preschool Grants	84.173	3800002 12		<u>2,740</u>
Total				<u>462,527</u>
Education Jobs Fund - ARRA	84.410	EJOB00 10		<u>22,136</u>
Rural Education	84.358	3140002 12		<u>30,286</u>
Race to the Top	84.413	3960002 11		5,731
Race to the Top	84.413	3960002 12		<u>4,792</u>
Total				<u>10,523</u>
Improving Teacher Quality State Grants	84.367	3230002 11		4,611
Improving Teacher Quality State Grants	84.367	3230002 12		<u>101,364</u>
Total				<u>105,975</u>
Total U.S. Department of Education				<u>\$ 1,218,344</u>
Passed through the Kentucky Department of Education				

The accompanying notes are an integral part of this schedule.

**HENRY COUNTY BOARD OF EDUCATION**

**Statement of Expenditures of Federal Awards, Continued**

**For the Year Ended June 30, 2013**

	<u>CFDA Number</u>	<u>Pass-Through Number</u>	<u>Disbursements</u>
<u>U.S. Department of Agriculture:</u>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	7760005 12	\$ 48,782
School Breakfast Program	10.553	7760005 13	<u>193,283</u>
Total			242,065
National School Lunch Program	10.555	7750002 12	114,161
National School Lunch Program	10.555	7750002 13	<u>424,283</u>
Total			538,444
Food Donations	10.555	057502 13	<u>26,535</u>
Total U.S. Department of Agriculture Passed through the Kentucky Department of Education			<u>\$ 807,044</u>
Total federal financial awards			<u>\$ 2,025,388</u>

## **HENRY COUNTY BOARD OF EDUCATION**

### **Notes to the Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2013**

#### **Note A - Basis of Presentation**

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

#### **Note B - Non-cash Donations**

Food donations listed as CFDA# 10.555 are non-cash assistance in the form of USDA food commodities.

**Schedule of Findings and Questioned Costs**

**HENRY COUNTY BOARD OF EDUCATION**

**Statement of Findings and Questioned Costs**

**For the Year Ended June 30, 2013**

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**Section I - Summary of Auditor's Results**

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Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiencies identified that are not considered to be material weakness(es)? None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster:</u>
84.010	Title I
10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes

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**Section II - Financial Statement of Findings**

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No matters were reported.

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**Section III - Federal Award Findings and Questioned Costs**

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No matters were reported.

**HENRY COUNTY BOARD OF EDUCATION**

**Schedule of Prior Year Audit Findings**

**June 30, 2013**

There were no prior year audit findings

**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards***

HENDERMAN, JESSEE & COMPANY, PLLC  
*Certified Public Accountants*

CPA MEMBERS  
DAVID W. HENDERMAN  
WILLIAM J. JESSEE  
JAMES N. YATES  
JOHN R. TAYLOR

**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Henry County Board of Education  
New Castle, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the provisions of *Office of Management and Budget Circular A-133*, conducted in accordance with *Audits of States, Local Governments, and Non-profit Organizations*; and the audit requirements prescribed by the Kentucky State committee for School District Audits in *Appendix I of the Independent Auditor's Contract - Audit Extension Request* and *Appendix II of the Independent Auditor's Contract - Instructions for Submission of the Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henry County Board of Education, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 15, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify

any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Heuderman Jewel Company PLLC*

Louisville, Kentucky  
October 15, 2013

**Independent Auditor's Report on Compliance  
for Each Major Program and on Internal Control  
Over Compliance Required by OMB Circular A-133**

**HENDERMAN, JESSEE & COMPANY, PLLC**  
*Certified Public Accountants*

CPA MEMBERS  
DAVID W. HENDERMAN  
WILLIAM J. JESSEE  
JAMES N. YATES  
JOHN R. TAYLOR

**Independent Auditor's Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by OMB Circular A-133**

Henry County Board of Education  
New Castle, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited Henry County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2013. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – Audit Extension Request* and *Appendix II of the Independent Auditor's Contract – Instructions for Submission of the Audit Report*, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Board's compliance.

## Opinion on Each Major Federal Program

In our opinion, Henry County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Heuderman Jesse & Company, P.C.*

Louisville, Kentucky  
October 15, 2013

**Management Letter Comments**

HENDERMAN, JESSEE & COMPANY, PLLC  
*Certified Public Accountants*

CPA MEMBERS  
DAVID W. HENDERMAN  
WILLIAM J. JESSEE  
JAMES N. YATES  
JOHN R. TAYLOR

Henry County Board of Education  
326 S. Main Street  
New Castle, Kentucky 40050

In planning and performing our audit of the basic financial statements of Henry County Board of Education (the "Board") for the year ended June 30, 2013, we considered the Board's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Others Matters Noted:**

**Follow-Up On Prior Year Recommendations**

1. During the prior year audit of activity funds, it was noted certain ticket sales forms were missing required signature. It was recommend that school offices complete Redbook training.

Management's Response:

District school staff received Redbook training during the current fiscal year.

**Current Year Recommendations**

1. None noted in current year.

We have enjoyed working with the management and staff of the Henry County Board of Education and look forward to a continuing mutually productive relationship. Please call us if you have any questions concerning this letter or if we can be of any other assistance.

Respectfully submitted,

*Henderman Jesse & Company PLLC*

Louisville, Kentucky  
October 15, 2013