

**Strothman & Company P S C**

Certified Public Accountants & Advisors



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District-wide and Fund Financial Statements  
and Required Supplementary Information

**Fayette County School District**

June 30, 2007

District-wide and Fund Financial Statements  
and Required Supplementary Information

**Fayette County School District**

June 30, 2007

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## Independent Auditors' Report



Members of the Board of Education  
Fayette County School District  
Lexington, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fayette County School District (the "District") as of June 30, 2007 and for the year then ended, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2007 and the respective changes in financial position and cash flows for its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (Unaudited) on pages 3 through 8, and the Budgetary Comparison Information on pages 40 and 41 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. This combining supplementary information listed on pages 42 and 43 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the District's basic financial statements taken as a whole.

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In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 2007 on our consideration of Fayette County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Stottman & Company PSC*

Louisville, Kentucky  
November 12, 2007

Management's Discussion and Analysis (MD&A)

**Fayette County School District**

Year Ended June 30, 2007

As management of the Fayette County School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit report. This is the third year the District has prepared the annual financial report using the new financial reporting model. The reporting model is a combination of both District-wide financial statements and fund financial statements.

**FINANCIAL HIGHLIGHTS**

- The ending cash balance for the District was \$121.1 million in 2007 and \$84.9 million in 2006. This change was the result of the issuance of bonds in 2007 to build three new elementary schools.
- From 2006 to 2007, total revenue increased by 4%. Revenue from local sources and the state increased by 4%. Our total net assets increased by 15%.
  - Total Revenue Comparison Analysis (Governmental Activities)

<b>Revenues</b>	<b>2007</b>	<b>2006</b>	<b>Change</b>
Local Sources:			
Property Taxes	\$ 114,952,514	\$109,116,397	\$5,836,117
Motor Vehicle Taxes	10,408,109	10,477,028	(68,919)
Utility Taxes	18,727,946	19,071,531	(343,585)
Occupational Taxes	27,878,162	26,128,270	1,749,892
State Sources:			
SEEK Program	66,598,707	66,801,855	(203,148)
Other State Revenues	57,090,722	52,493,691	4,597,031
KSFCC allocation	3,436,315	3,466,975	(30,660)
Grants (federal and local)	23,861,048	24,697,597	(836,549)
Earnings on Investments	5,322,267	3,909,448	1,412,819
Other Sources	3,807,488	4,411,923	(604,435)
<b>Total Revenues</b>	<b>\$ 332,083,278</b>	<b>\$320,574,715</b>	<b>\$11,508,563</b>

Continued

Management's Discussion and Analysis (MD&A)--Continued

**Fayette County School District**

Year Ended June 30, 2007

- Total Expenditure Analysis (Governmental Activities)

<b>Expenditures</b>	<b>2007</b>	<b>2006</b>	<b>Change</b>
Instruction	\$189,737,001	\$184,448,139	\$5,288,862
Student support services	16,238,116	16,960,789	(722,673)
Instructional staff support services	19,693,768	18,231,395	1,462,373
District administrative support services	3,506,191	3,264,786	241,405
School administrative support services	15,045,973	14,556,300	489,673
Business support services	14,723,076	14,520,123	202,953
Plant operations and maintenance	30,942,262	30,430,628	511,634
Transportation	10,070,011	10,381,088	(311,077)
Community services	2,267,150	2,332,111	(64,961)
Interest	9,380,657	8,262,524	1,118,133
<b>Total Expenditures</b>	<b>\$311,604,205</b>	<b>\$303,387,883</b>	<b>\$8,216,322</b>

Among major funds, the General Fund had \$275 million in revenue, which primarily consisted of local property taxes, local occupational license taxes, utilities and motor vehicle taxes, federal programs and state funding (the SEEK program). There were \$263 million in expenditures.

- Our major focus continues to be on student achievement and customer service through the leadership of Superintendent Stuart Silberman. All staff are encouraged to become involved and contribute toward student achievement. Academic staff is focused on student achievement and leadership development. Support staff also participated in the leadership training and development. Superintendent Silberman challenged everyone to provide client friendly support services.
- The state continued to mandate salary increases for teachers and classified staff that were not fully funded.
- The Board and Superintendent Silberman continued with implementation of the "2020 Vision" initiative which derived from meetings with our community to envision what our school system should look like in the year 2020. This model has broad-based support from the community as interested citizens assisted in the development of the plan.
- The opportunity for staff to contribute to the Fayette Education Foundation through automatic payroll deductions continued. This foundation supports and recognizes academic success in our schools, and the payroll deduction is a convenient way for District staff to participate.

Continued

Management's Discussion and Analysis (MD&A)--Continued

**Fayette County School District**

Year Ended June 30, 2007

- The District is in its second year of a Student Continuation Plan that enables elementary students to stay and finish at the school where they first enroll. The plan also addresses the future crowding in a way that eliminates the need for redistricting or requiring entire neighborhoods of students to change schools as has been done in the past.
- The construction of a new Bryan Station High was completed and opened as scheduled in 2007 fiscal year. The high school was built at a cost of \$43.9 million and included replacement of the athletic stadium as well. Three new elementary schools are currently under construction to replace aging facilities and address increased enrollment.
- The Chief Operating Officer and District leadership expanded the implementation of zero based budgeting in preparation for the 2008 fiscal year. Phase 1 focused on the business and operations departments while the budgeting cycle for fiscal year 2008 included all District level functions. The Board is considering a new staffing policy that will allow this budgeting model to extend to schools in the upcoming fiscal year.
- Another budgeting technique the Chief Operating Officer and District leadership have employed is the development of a "biennial budget" plan which takes into account legislated mandates and approved state resources. This requires a projection of recurring revenues over a 2 year period and anticipated expenses over that same timeframe. This has allowed the Board to utilize the recurring dollars to fund initiatives for one year while reserving these funds for recurring expenses in the second year of the biennium. This strategy has helped to solidify a strong financial position.
- The Chief Operating Officer working in conjunction with other District leadership continues the refinement of the structure of the business and operations areas, while evaluating processes and allocation of resources.
- The Budget and Finance Committee worked with staff to review and implement sound fiscal practices in utilizing school funding. A subcommittee of the Budget and Finance Committee spearheaded the revisions to the staffing policy currently under consideration by the Board.
- The Financial Services was restructured into three main focus areas to be more efficient and customer friendly: (1) Payroll & Payments – All payments processing including Payroll, Insurance, and Accounts Payable. (2) Revenue & Tax Collection - The cashier function has now been transferred to the Tax Office to consolidate all revenue collection for the district. All cash and/or checks are now receipted through (3) Finance & Accounting Administration – All accounting duties related to grants, construction/debt service, school activity funds, fixed assets, and financial management.

Continued

**Fayette County School District**

Year Ended June 30, 2007

**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 financial statements are comprised of three components: 1) District-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.

**District-wide financial statements.**

The District-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. The District-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, plant operations and maintenance, student transportation and operation of non-instructional services. Capital assets and related debt are also supported by taxes and intergovernmental revenues.

The District-wide financial statements can be found on pages 9-10 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 funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds include food services. All other activities of the District are included in the governmental funds.

The governmental fund financial statements can be found on pages 11-15 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 District-wide and fund financial statements.

Continued

Management's Discussion and Analysis (MD&A)--Continued

**Fayette County School District**

Year Ended June 30, 2007

The notes to the financial statements can be found on pages 21 through 39 of this report.

**DISTRICT-WIDE FINANCIAL ANALYSIS**

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, 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. 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.

This is the fifth year that the District is following GASB 34 and comparing assets, liabilities and net assets.

**2007 District-Wide Net Asset compared to 2006 follows:**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 142,834,265	\$ 117,102,947	\$ 4,519,870	\$ 3,889,667	\$ 147,354,135	\$ 120,992,614
Capital assets, net of depreciation	256,823,430	241,793,469	1,689,640	1,959,435	258,513,070	243,752,904
<b>Total Assets</b>	<b>399,657,695</b>	<b>358,896,416</b>	<b>6,209,510</b>	<b>5,849,102</b>	<b>405,867,205</b>	<b>364,745,518</b>
Short-term liabilities	31,768,090	40,152,979	487,847	478,568	32,255,937	40,631,547
Other liabilities	214,362,745	185,695,650			214,362,745	185,695,650
<b>Total Liabilities</b>	<b>246,130,835</b>	<b>225,848,629</b>	<b>487,847</b>	<b>478,568</b>	<b>246,618,682</b>	<b>226,327,197</b>
Net Assets						
Invested in capital assets, net of related debt	45,488,637	58,887,979	1,689,640	1,959,435	47,178,277	60,847,414
Restricted	51,285,205	32,247,331			51,285,205	32,247,331
Unrestricted	56,753,018	41,912,477	4,032,023	3,411,099	60,785,041	45,323,576
<b>Total Net Assets</b>	<b>\$ 153,526,860</b>	<b>\$ 133,047,787</b>	<b>\$ 5,721,663</b>	<b>\$ 5,370,534</b>	<b>\$ 159,248,523</b>	<b>\$ 138,418,321</b>

Continued

Management's Discussion and Analysis (MD&A)--Continued

**Fayette County School District**

Year Ended June 30, 2007

The following table presents a comparison and summary of revenue and expenditures for the fiscal years 2007 and 2006.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Revenues</b>						
Program revenues						
Charges for service	\$ 11,557	\$ 385,831	\$ 6,071,082	\$ 6,046,939	\$ 6,082,639	\$ 6,432,770
Operating grants & contributions	27,297,363	28,164,572	7,961,180	7,943,161	35,258,543	36,107,733
General revenues						
Local taxes	171,966,731	164,793,226			171,966,731	164,793,226
State sources	123,689,429	119,295,546			123,689,429	119,295,546
Other	9,118,198	7,935,540	181,281	131,558	9,299,479	8,067,098
<b>Total Revenues</b>	<b>332,083,278</b>	<b>320,574,715</b>	<b>14,213,543</b>	<b>14,121,658</b>	<b>346,296,821</b>	<b>334,696,373</b>
<b>Expenses</b>						
School operation & administration	302,223,548	295,125,359			302,223,548	295,125,359
School food services			13,862,414	13,516,952	13,862,414	13,516,952
Interest on debt service	9,380,657	8,262,524			9,380,657	8,262,524
<b>Total Expenses</b>	<b>311,604,205</b>	<b>303,387,883</b>	<b>13,862,414</b>	<b>13,516,952</b>	<b>325,466,619</b>	<b>316,904,835</b>
<b>Change in Net Assets</b>	<b>\$ 20,479,073</b>	<b>\$ 17,186,832</b>	<b>\$ 351,129</b>	<b>\$ 604,706</b>	<b>\$ 20,830,202</b>	<b>\$ 17,791,538</b>

Expenses that declined from 2006 to 2007 include student support services, school administration support services, and central office support services. The changes in the balances and transactions of individual funds have not been material. Changes in the final budget when compared to the original were not material.

Analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results for the general fund indicate that there were no variations which would have a significant effect on future services or liquidity. We budgeted \$266 million dollars in revenue and received approximately \$271 million in general fund excluding on behalf revenue. Our financial position remains very strong and we will continue to utilize trend analysis to help predict such variances in the future.

**BUDGETARY IMPLICATIONS**

In Kentucky, the public school fiscal year is July 1- June 30; other programs, i.e. some federal programs, operate on a different program calendar, but are reflected in the District overall budget. By Kentucky statute the budget must have a minimum 2% contingency. The District adopted a budget for 2007 with \$12.5 million in contingency that is approximately 5%. The District is the second largest in the state with 35,124 students and is the second largest employer in Fayette County.

This audit is posted on the District website ([www.fcps.net](http://www.fcps.net)). Questions regarding this report should be directed to Stuart Silberman, Superintendent (859) 381-4104, Mary Browning, Chief Operating Officer (859) 381-4165, Rodney Jackson, Director of Financial Services (859) 381-4340 or by mail at 701 East Main Street, Lexington, KY 40502.

Statement of Net Assets

**Fayette County School District**

June 30, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 117,828,861	\$ 3,315,856	\$ 121,144,717
Investments	382,648		382,648
Accounts and grants receivable from outside sources	19,726,145	859,277	20,585,422
Inventory	1,439,010	344,737	1,783,747
Prepaid expenses	503,469		503,469
Due from other funds	384,313		384,313
Capital assets, net of accumulated depreciation	256,823,430	1,689,640	258,513,070
Bond issue costs	2,569,819		2,569,819
<b>Total Assets</b>	<b>399,657,695</b>	<b>6,209,510</b>	<b>405,867,205</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities due to outside sources	25,627,058	103,534	25,730,592
Interest payable	1,771,889		1,771,889
Deferred revenue	3,754,291		3,754,291
Estimated liability for workers' compensation benefits	614,852		614,852
Accrued sick leave	3,027,952		3,027,952
School building revenue bonds			
Due within one year	9,325,446		9,325,446
Due in more than one year	195,552,055		195,552,055
Capital lease			
Due within one year	816,712		816,712
Due in more than one year	5,640,580		5,640,580
Due to other funds		384,313	384,313
<b>Total Liabilities</b>	<b>246,130,835</b>	<b>487,847</b>	<b>246,618,682</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	45,488,637	1,689,640	47,178,277
Restricted for:			
Capital projects	50,146,337		50,146,337
Other purposes	1,138,868		1,138,868
Unrestricted	56,753,018	4,032,023	60,785,041
<b>Total Net Assets</b>	<b>\$ 153,526,860</b>	<b>\$ 5,721,663</b>	<b>\$ 159,248,523</b>

See Notes to Financial Statements

Statement of Activities

Fayette County School District

Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Instruction	\$ 189,737,001	\$ 11,557	\$ 23,861,048	\$ (165,864,396)
Support Services				
Student	16,238,116			(16,238,116)
Instruction staff	19,693,768			(19,693,768)
District administration	3,506,191			(3,506,191)
School administration	15,045,973			(15,045,973)
Business	14,723,076			(14,723,076)
Plant operation and maintenance	30,942,262		3,436,315	(27,505,947)
Student transportation	10,070,011			(10,070,011)
Community service activities	2,267,150			(2,267,150)
Interest on long-term debt	9,380,657			(9,380,657)
<b>Total Governmental Activities</b>	<b>311,604,205</b>	<b>11,557</b>	<b>27,297,363</b>	<b>(284,295,285)</b>
<b>Business-Type Activities</b>				
Food service	13,862,414	6,071,082	7,739,375	\$ 221,805
<b>Total Activities</b>	<b>\$ 325,466,619</b>	<b>\$ 6,082,639</b>	<b>\$ 35,036,738</b>	<b>\$ 221,805</b>
			<b>Governmental Activities</b>	<b>Business-Type Activities</b>
<b>Changes in Net Assets</b>				<b>Total</b>
<b>Net Revenues (Expenses)</b>			\$ (284,295,285)	\$ 169,848
<b>General Revenues</b>				
Taxes				
Property taxes			114,952,514	114,952,514
Motor vehicle taxes			10,408,109	10,408,109
Utility taxes			18,727,946	18,727,946
Occupational license tax			27,878,162	27,878,162
State sources				
SEEK program			66,598,707	66,598,707
Other state revenues and grants			57,090,722	57,090,722
Earnings on investments			5,322,267	181,281
Local revenues			3,250,693	3,250,693
Miscellaneous			545,238	545,238
<b>Total General Revenues</b>			<b>304,774,358</b>	<b>181,281</b>
<b>Change in Net Assets</b>			<b>20,479,073</b>	<b>351,129</b>
<b>Net Assets, Beginning of Year</b>			<b>133,047,787</b>	<b>5,370,534</b>
<b>Net Assets, End of Year</b>			<b>\$ 153,526,860</b>	<b>\$ 5,721,663</b>

See Notes to Financial Statements

Balance Sheet - Governmental Funds

Fayette County School District

June 30, 2007

	General Fund	Special Revenue	Debt Service	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 67,188,338			\$ 49,504,221	\$ 1,136,302	\$ 117,828,861
Investments					387,139	387,139
Accounts and grants receivable from outside sources	10,291,373	\$ 9,365,644			69,128	19,726,145
Inventory	1,439,010					1,439,010
Prepaid expenses	13,937		\$ 489,532			503,469
Due from other funds	384,313					384,313
<b>Total Assets</b>	<b>\$ 79,316,971</b>	<b>\$ 9,365,644</b>	<b>\$ 489,532</b>	<b>\$ 49,504,221</b>	<b>\$ 1,592,569</b>	<b>\$ 140,268,937</b>
<b>Liabilities</b>						
Accounts payable and accrued liabilities due to outside sources	\$ 19,185,448	\$ 6,140,493		\$ 301,117		\$ 25,627,058
Accrued sick leave	1,276,187					1,276,187
Deferred revenue	529,140	3,225,151				3,754,291
Estimated liability for workers' compensation benefits	614,852					614,852
<b>Total Liabilities</b>	<b>21,605,627</b>	<b>9,365,644</b>		<b>301,117</b>		<b>31,272,388</b>
<b>Fund Balances</b>						
Reserved for						
Encumbrances	4,199,613			38,898,492		43,098,105
Debt service			\$ 489,532			489,532
Inventories	1,439,010					1,439,010
Permanent funds					\$ 649,336	649,336
Unreserved, designated				10,304,612	943,233	11,247,845
Unreserved	52,072,721					52,072,721
<b>Total Fund Balances</b>	<b>57,711,344</b>		<b>489,532</b>	<b>49,203,104</b>	<b>1,592,569</b>	<b>108,996,549</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 79,316,971</b>	<b>\$ 9,365,644</b>	<b>\$ 489,532</b>	<b>\$ 49,504,221</b>	<b>\$ 1,592,569</b>	<b>\$ 140,268,937</b>

Continued

Balance Sheet - Governmental Funds--Continued

**Fayette County School District**

June 30, 2007

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

Total fund balance per fund financial statements	\$ 108,996,549
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net assets	256,823,430
Unrealized gains and losses are not presented in this fund financial statement because they do not provide or use current financial resources but they are presented in the statement of activities.	(4,430)
Certain assets are not reported in the fund financial statements because they are not available to pay current period expenditures, but they are reported in the statement of net assets	2,569,819
Certain liabilities (such as bonds payable, capital lease obligations, the long-term portion of accrued sick leave, and interest payable) are not reported in this fund financial statement because they are not due and payable from current financial resources, but they are presented in the statement of net assets	<u>(214,858,508)</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 153,526,860</u></b>

See Notes to Financial Statements

Statement of Revenues, Expenditures and Change in Fund Balances  
 - Governmental Funds

**Fayette County School District**

Year Ended June 30, 2007

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
From local sources						
Property taxes	\$ 104,179,383				\$ 10,773,131	\$ 114,952,514
Motor vehicle taxes	9,441,144				966,965	10,408,109
Utility taxes	18,727,946					18,727,946
Occupational license tax	27,878,162					27,878,162
State sources						
SEEK	63,523,207				3,075,500	66,598,707
Other state revenues	44,149,841	\$ 12,590,881		\$ 350,000		57,090,722
KSFCC allocation			\$ 3,436,315			3,436,315
Grants (principally United States government and local agencies)		23,861,048				23,861,048
Earnings on investments	4,362,538	26,127	120,702	571,442	245,949	5,326,758
Other sources	2,805,855	411,992			44,403	3,262,250
<b>Total Revenues</b>	<b>275,068,076</b>	<b>36,890,048</b>	<b>3,557,017</b>	<b>921,442</b>	<b>15,105,948</b>	<b>331,542,531</b>
<b>Expenditures</b>						
Instruction	160,857,996	25,164,198				186,022,194
Support services						
Student	14,474,664	1,702,513				16,177,177
Instruction staff	13,977,802	5,661,275				19,639,077
District administration	3,490,936	4,296				3,495,232
School administration	14,188,495	764,584				14,953,079
Business	14,117,951				538,757	14,656,708
Plant operation and maintenance	30,580,415	266,494				30,846,909
Student transportation	9,930,460	92,950				10,023,410
Community service activities		2,210,046			56,694	2,266,740
Facilities acquisition and construction				19,271,156		19,271,156
Debt service	1,045,783		17,304,975			18,350,758
<b>Total Expenditures</b>	<b>262,664,502</b>	<b>35,866,356</b>	<b>17,304,975</b>	<b>19,271,156</b>	<b>595,451</b>	<b>335,702,440</b>
<b>Revenues in Excess of (Less Than) Expenditures</b>	<b>12,403,574</b>	<b>1,023,692</b>	<b>(13,747,958)</b>	<b>(18,349,714)</b>	<b>14,510,497</b>	<b>(4,159,909)</b>

Continued

Statement of Revenues, Expenditures and Change in Fund Balances  
 - Governmental Funds--Continued

**Fayette County School District**

Year Ended June 30, 2007

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds from sale of bonds				36,450,000		36,450,000
Proceeds from sale of capital assets	545,178					545,178
Operating transfers in	1,485,186	461,494	13,111,025	4,460,196		19,517,901
Operating transfers out	(663,032)	(1,485,186)			(17,369,683)	(19,517,901)
<b>Total Other Financing Sources (Uses)</b>	<u>1,367,332</u>	<u>(1,023,692)</u>	<u>13,111,025</u>	<u>40,910,196</u>	<u>(17,369,683)</u>	<u>36,995,178</u>
<b>Net Change in Fund Balances</b>	13,770,906		(636,933)	22,560,482	(2,859,186)	32,835,269
<b>Fund Balances, Beginning of Year</b>	<u>43,940,438</u>		<u>1,126,465</u>	<u>26,642,622</u>	<u>4,451,755</u>	<u>76,161,280</u>
<b>Fund Balances, End of Year</b>	<u>\$ 57,711,344</u>	<u>\$</u>	<u>\$ 489,532</u>	<u>\$ 49,203,104</u>	<u>\$ 1,592,569</u>	<u>\$ 108,996,549</u>

Continued

Statement of Revenues, Expenditures and Change in Fund Balances  
- Governmental Funds--Continued

**Fayette County School District**

Year Ended June 30, 2007

<b>Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 32,835,269</b>
Amounts reported for governmental activities in the statement of activities are different because	
Bond proceeds are reported as other financing sources in the governmental funds. However, in the statement of net assets, they are reported as a long-term liability	(36,450,000)
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation for the year	15,396,937
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	(1,109,449)
Unrealized gains and losses are not presented in this fund financial statement because they do not provide or use current financial resources but they are presented in the statement of activities	(4,430)
Bond and capital lease principal payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets	<u>9,810,746</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 20,479,073</u></b>

Statement of Net Assets - Proprietary Funds

**Fayette County School District**

June 30, 2007

	<b>Food Service Fund</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 3,315,856
Accounts receivable	859,277
Inventory	<u>344,737</u>
<b>Total Current Assets</b>	4,519,870
<b>Noncurrent Assets</b>	
Capital assets, net of accumulated depreciation	<u>1,689,640</u>
<b>Total Assets</b>	6,209,510
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable and accrued liabilities	103,534
Due to other funds	<u>384,313</u>
<b>Total Liabilities</b>	<u>487,847</u>
<b>Net Assets</b>	
Invested in capital assets	1,689,640
Unrestricted	<u>4,032,023</u>
<b>Total Net Assets</b>	<u><u>\$ 5,721,663</u></u>

See Notes to Financial Statements

Statement of Revenues, Expenses and Changes in  
Net Assets - Proprietary Funds

**Fayette County School District**

Year Ended June 30, 2007

	<b>Food Service Fund</b>
<b>Operating Revenues</b>	
Lunchroom sales	\$ 5,670,315
Other operating revenues	<u>400,767</u>
<b>Total Operating Revenues</b>	6,071,082
<b>Operating Expenses</b>	
Salaries and wages	7,166,554
Material and supplies	6,310,239
Depreciation	<u>385,621</u>
<b>Total Operating Expenses</b>	<u>13,862,414</u>
	<b>Operating Loss</b> (7,791,332)
<b>Non-Operating Revenues</b>	
Federal grants	6,810,499
Donated commodities	221,805
State grants	928,876
Interest income	<u>181,281</u>
<b>Total Non-Operating Revenues</b>	<u>8,142,461</u>
	<b>Change in Net Assets</b> 351,129
<b>Net Assets, Beginning of Year</b>	<u>5,370,534</u>
	<b>Net Assets, End of Year</b> <u>\$ 5,721,663</u>

Statement of Cash Flows - Proprietary Funds

**Fayette County School District**

Year Ended June 30, 2007

	<b>Food Service Fund</b>
	<u>                    </u>
<b>Cash Flows From Operating Activities</b>	
Cash received from	
Lunchroom sales	\$ 5,399,769
Other activities	406,642
Cash paid for	
Employees	(7,162,834)
Supplies	<u>(6,053,980)</u>
<b>Net Cash Used In Operating Activities</b>	(7,410,403)
<b>Cash Flows From Capital and Related Financing Activities</b>	
Purchases of capital assets	(121,701)
<b>Cash Flows From Noncapital Financing Activities</b>	
Cash received for operating grants	7,739,375
<b>Cash Flows From Investing Activities</b>	
Receipt of interest income	<u>181,281</u>
<b>Net Increase in Cash and Cash Equivalents</b>	388,552
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>2,927,304</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 3,315,856</u></u>

Continued

Statement of Cash Flows - Proprietary Funds--Continued

**Fayette County School District**

Year Ended June 30, 2007

	<b>Food Service Fund</b>
	<u>                    </u>
<b>Reconciliation of Operating Loss to Net Cash Used In Operating Activities</b>	
Operating Loss	\$ (7,791,332)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	385,621
Loss on disposal of capital assets	5,875
Donated commodities used in operations	221,805
Changes in operating assets and liabilities	
Accounts receivables	(270,546)
Inventory	28,895
Accounts payable	5,559
Due to other funds	<u>3,720</u>
<b>Net Cash Used In Operating Activities</b>	<u><u>\$ (7,410,403)</u></u>
<b>Schedule of Non-Cash Financing Activities</b>	
Donated commodities received from federal government	<u><u>\$ 221,805</u></u>

See Notes to Financial Statements

Statement of Fiduciary Net Assets

**Fayette County School District**

June 30, 2007

	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>	
		<b>Marcie Thomason Fund</b>	<b>School Activity Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 188,219	\$ 42,328	\$ 2,207,957
Investments	1,081,514		42,806
Accounts receivable			34,417
Inventory			51,918
Employee loans receivable	84,543		
	<u>1,354,276</u>	<u>\$ 42,328</u>	<u>\$ 2,337,098</u>
<b>Total Assets</b>			
<b>Liabilities</b>			
Accounts payable	7,626		\$ 100,532
Due to student groups		\$ 42,328	2,236,566
	<u>7,626</u>	<u>\$ 42,328</u>	<u>\$ 2,337,098</u>
<b>Total Liabilities</b>			
<b>Net Assets Held in Trust</b>	<u>\$ 1,346,650</u>		
	<b>Private Purpose Trust Funds</b>		
<b>Additions</b>			
Contributions	\$ 30,797		
Earnings on investments	132,744		
	<u>163,541</u>		
<b>Change in Net Assets</b>			
<b>Net Assets, Beginning of Year</b>	<u>1,183,109</u>		
<b>Net Assets, End of Year</b>	<u>\$ 1,346,650</u>		

See Notes to Financial Statements

**Fayette County School District**

June 30, 2007

**Note A--Reporting Entity**

The Fayette County Board of Education (the "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 the Fayette County School District (the "District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding sources. However, the District is not a component unit of any other governmental "reporting entity". 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 operations of the District. The financial statements presented herein do not include funds of groups and organizations which, although associated with the District, have not originated within the District itself such as band boosters, parent-teacher associations, etc.

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

Based on the foregoing criteria, the financial statements of the Fayette County Board of Education Finance Corporation (the "Corporation") are included in the accompanying financial statements. On December 10, 1990, the Board authorized the establishment of the Corporation (a nonprofit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

**Note B--Summary of Significant Accounting Policies**

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

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

Continued

**Fayette County School District**

June 30, 2007

**Note B--Summary of Significant Accounting Policies--Continued**

The District-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. The District allocates certain indirect costs to be included in the program expense reported for individual functions and activities in the District-wide Statement of Activities.

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a 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 total fund balances. 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:

Governmental Fund Types

- (1) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (2) The Special Revenue Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. Project accounting is employed to maintain integrity for the various sources of funds. This is a major fund of the District.
- (3) The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost, and for the payment of interest on general obligation notes payable, as required by Kentucky Law. This is a major fund of the District.

Continued

**Fayette County School District**

June 30, 2007

**Note B--Summary of Significant Accounting Policies--Continued**

- (4) The Construction Fund accounts for funds from two sources. First, funds generated by sales of bond issues are used for various construction and renovation projects at educational facilities. Second, proceeds from the sale of properties and equipment owned by the District are to be used at the discretion of the Board for construction projects in future years. This is a major fund of the District.
- (5) The Facility Support Program of Kentucky accounts for funds generated by the building tax levy and also participates in the Kentucky 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. This is a nonmajor fund of the District.
- (6) 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. This is a nonmajor fund of the District.

Proprietary Fund Types (Enterprise Fund)

- (1) 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. This is a major fund of the District.

The District applies all Governmental Accounting Standards Boards ("GASB") pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Fiduciary Fund Types (Agency and Private Purpose Funds)

- (1) The Agency funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Kentucky Department of Education publication "Uniform Program of Accounting for School Activity Funds".
- (2) 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**--The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-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.

Continued

**Fayette County School District**

June 30, 2007

**Note B--Summary of Significant Accounting Policies--Continued**

Revenues--Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, are 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 giving equal value in return, include property taxes, occupational 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. Occupational tax revenues are not susceptible to accrual because generally they are not measurable until received in cash. Revenues from grants, entitlements and donations are 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, revenue from nonexchange transactions must also be available before it can be recognized.

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

The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense and as donated commodities revenue (nonoperating revenue).

Expenses/Expenditures--On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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.

When both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

**Budgetary Process**--The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used to prepare the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Continued

**Fayette County School District**

June 30, 2007

**Note B--Summary of Significant Accounting Policies--Continued**

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per District policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

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

The budget for the Special Revenue Fund consists of the sum of each active grant's budget. Large variances between budgeted and actual activity can occur because grants with little activity during the year will have their entire budget rolled up into the combined budget for all grants.

**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 the District-wide financial statements inventories are stated at the lower of cost or market and are expensed when used. The Food Service Fund inventories use the specific identification method and the General Fund inventories use the first-in, first-out method.

The Food Service Fund's inventories consist of food and supplies value at cost, and U. S. Government commodities whose value is determined by the U. S. Department of Agriculture.

In the governmental funds balance sheet, inventories in the General Fund are equally offset by a reserve which indicates that they do not constitute "available spendable resources" even though they are a component of total assets.

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

The property tax rates assessed for the year ended June 30, 2007 were \$0.541 per \$100 valuation for real property, \$0.541 per \$100 valuation for business personal property.

The District levies a 3.0% utility tax on all businesses and households within Fayette County.

In addition, the District levies an occupational license tax of 0.5% on salaries, wages, commissions and other compensation to individuals for services performed or rendered within the County, and on the net profits of all businesses, professions or occupations from activities conducted within the County.

Continued

**Fayette County School District**

June 30, 2007

**Note B--Summary of Significant Accounting Policies--Continued**

**Investments**--The Private Purpose Trust Funds record investments at their quoted market prices in the statement of fiduciary net assets. All realized gains and losses in fair value are recorded in the statement of fiduciary net assets.

The Permanent Funds record investments at their quoted market prices in the statement of net assets. All realized gains and losses in fair value are recorded in the statement of activities.

**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 District-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the District-wide statement of net assets and in the respective funds financial statements.

All capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000 with the exception of technology purchases for which there is no threshold. 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 capitalized.

Depreciation is computed using the straight-line method over the following useful lives for both general fund capital assets and proprietary fund capital assets:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
General equipment	7-15 years

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

**Accrued Liabilities and Long-Term Obligations**--All payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

Continued

**Fayette County School District**

June 30, 2007

**Note B--Summary of Significant Accounting Policies--Continued**

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, capital leases, compensated absences 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. School building revenue bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**Fund Balance Reserves**--The District reserves those portions of fund balance 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 balance which is available for appropriation in future periods.

Encumbrances are reported as a reservation of fund balance and are not reported as expenditures until incurred. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are reappropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2007 in the governmental funds balance sheet.

**Net Assets**--Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

**Operating Revenues and Expenses**--Operating revenues are those revenues that are generated directly from the primary activity of the Proprietary Funds. For the District, those revenues are primarily charges for meals provided at the various schools.

**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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**Note C--Cash and Cash Equivalents**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash deposits are covered by Federal Depository Insurance up to \$100,000 per financial institution, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name.

**Fayette County School District**

June 30, 2007

**Note D--Investments**

During the year, the District invested excess cash into short-term repurchase agreements, collateralized by U.S. Government securities. These investments are either insured or securities are held by the pledging financial institution's trust department in the District's name.

Statutes authorize the District to invest in the following:

- (1) Obligations of the United States and of its agencies and instrumentalities, repurchase agreements and specially approved AAA rated corporate bonds;
- (2) Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and municipalities;
- (3) Any savings and loan associations insured by an agency of the United States up to the amount insured;
- (4) Interest bearing deposits in national and state banks chartered in Kentucky and insured by an agency of the United States up to the amount so insured, and in larger amounts providing such bank shall pledge as security obligations having a current quoted market value at least equal to any uninsured deposits.

Investments on the statement of fiduciary net assets for Agency Funds consist of certificates of deposit by various schools' activity funds at several financial institutions located in Fayette County, Kentucky, having various rates of interest and maturity dates greater than ninety days. Such investments are stated at cost, which approximates their market value. These investments are covered by depositor insurance or by collateral held by the financial institutions in the District's name.

Financial instruments which potentially subject the District to concentrations of credit risk consist principally of temporary cash investments, taxes receivable and receivables from federal and state governments.

As of June 30, 2007, the District had the following investments:

<u>Fund Type</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>Moody's Rating</u>	<u>Weighted Average Maturity in Years</u>
Governmental	U.S. Treasury Notes	\$ 382,648	Aaa	1.79
Fiduciary-Private	Mutual Funds	1,081,514	A	N/A
Purpose Trust	Certificates of Deposit	42,806		0.5
Fiduciary-Agency		<u>42,806</u>		
		<u>\$ 1,506,968</u>		

Continued

**Fayette County School District**

June 30, 2007

**Note D--Investments--Continued**

GASB No. 40, *Deposits and Investment Risk Disclosures*, require the District to address the following risks related to its investments:

Credit Risk--Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. More specifically, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments held by the District are insured or collateralized with securities held by the District or by the financial institution in the District's name.

Interest Rate Risk--Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or approaching maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Concentration of Credit Risk--The District's investment policy places no limit on the amount the District may invest in any one issuer.

**Note E--Receivables**

The District recognizes revenues as receivable when they are measurable and receipt is certain. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. While the District receives revenues from many different sources throughout the year, the accounts and grants receivable from outside sources may be grouped into the following categories:

<b>Accounts and grants receivable from outside sources</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Total</b>
Accounts receivable	\$ 125,124	\$ 859,277	\$ 984,401
Taxes receivable	10,235,377		10,235,377
Grants receivable	9,365,644		9,365,644
	<u>\$ 19,726,145</u>	<u>\$ 859,277</u>	<u>\$ 20,585,422</u>

Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables when qualifying expenditures are incurred.

Notes to Financial Statements--Continued

**Fayette County School District**

June 30, 2007

**Note F--Interfund Receivable and Payables**

Each fund is a separate fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. Interfund receivables and payables for the District arise generally from two types of transactions: 1) all funds are initially received into the General Fund, thus a payable and receivable are established in the appropriate funds; and 2) payments are made in some instances from a fund that does not have the legal liability for the expenditure, thus a payable from the fund having the legal liability is established at such time. All interfund receivables and payables have been eliminated on the District-wide statement of net assets.

Interfund balances at June 30, 2007 consisted of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund		
Food Service Fund	\$ 384,313	
Food Service Fund		
General Fund		\$ 384,313

**Note G--Capital Assets**

Capital asset activity for the year ended June 30, 2007 consisted of the following:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
<u>Governmental Activities</u>				
Land	\$ 7,284,208		\$ 1,600	\$ 7,282,608
Buildings and improvements	304,676,562	\$ 5,631,067	1,627,109	308,680,520
Technology equipment	23,371,090	3,736,933	3,258,105	23,849,918
Vehicles	16,615,189	1,320,495	1,648,752	16,286,932
General equipment	5,779,244	508,395	63,969	6,223,670
Construction in progress	42,771,300	21,370,311	4,472,838	59,668,773
	400,497,593	32,567,201	11,072,373	421,992,421
Less accumulated depreciation	158,704,124	12,242,743	5,777,876	165,168,991
Total governmental activities capital assets, net	<u>\$ 241,793,469</u>	<u>\$ 20,324,458</u>	<u>\$ 5,294,497</u>	<u>\$ 256,823,430</u>

Continued

Notes to Financial Statements--Continued

**Fayette County School District**

June 30, 2007

**Note G--Capital Assets--Continued**

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
<u>Business-Type Activities</u>				
Food service equipment	\$ 6,279,968	\$ 120,452	\$ 29,250	\$ 6,371,170
Technology equipment	484,932	1,249	1,200	484,981
	6,764,900	121,701	30,450	6,856,151
Less accumulated depreciation	4,805,465	385,621	24,575	5,166,511
Total business-type activities capital assets, net	<u>\$ 1,959,435</u>	<u>\$ (263,920)</u>	<u>\$ 5,875</u>	<u>\$ 1,689,640</u>

Depreciation expenses for the year ended June 30, 2007 for governmental activities by function is summarized below:

Instructional	\$ 10,889,560
Instruction student support	192,572
Instruction staff support	172,829
District administration	34,631
School administration	293,551
Business support services	209,726
Plant operations and maintenance	301,319
Student transportation	147,261
Community services	1,294
	<u>\$ 12,242,743</u>

Notes to Financial Statements--Continued

**Fayette County School District**

June 30, 2007

**Note H--Capital Lease Obligations**

The following is a schedule by years of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2007:

<u>Year Ending June 30</u>	
2008	\$ 1,055,234
2009	1,024,203
2010	992,364
2011	993,141
2012	917,129
2013 and Thereafter	<u>2,536,310</u>
Total minimum lease payments	7,518,381
Less amount representing interest	<u>1,061,089</u>
Present value of net minimum lease payments	6,457,292
Capital lease obligations, due within one year	<u>816,712</u>
Capital lease obligations, due after one year	<u><u>\$ 5,640,580</u></u>

The following is an analysis of the assets under capital lease obligations:

<u>Class of Property</u>	<u>Net Book Value as of June 30, 2007</u>
Buses	<u><u>\$ 6,045,664</u></u>

Notes to Financial Statements--Continued

**Fayette County School District**

June 30, 2007

**Note I--School Building Revenue Bonds**

Outstanding school building revenue bonds at June 30, 2007 are summarized as follows:

<u>Issue Date</u>	<u>Original Proceeds</u>	<u>Interest Rates</u>	<u>Balance June 30, 2007</u>
1995A	\$ 1,100,000	4.950% - 5.100%	\$ 285,000
1995B	6,275,000	4.750% - 4.880%	450,000
1995C	26,605,000	4.500% - 5.250%	8,350,000
1996	14,785,000	5.000% - 5.700%	225,000
1997A	17,710,000	5.000% - 5.375%	515,000
1998	15,575,000	4.375% - 4.500%	10,950,000
1999	27,330,000	5.000% - 5.500%	1,590,000
2000	14,365,000	5.300% - 5.500%	785,000
2001A	12,880,000	4.000% - 5.250%	12,720,000
2002A	7,095,000	1.900% - 4.125%	4,584,167
2003A	17,505,000	2.000% - 4.500%	16,805,000
2004A	13,505,000	2.500% - 3.750%	12,915,000
2004B	15,160,000	2.500% - 4.000%	14,675,000
2005A	52,710,000	4.000% - 5.000%	50,435,000
2005B	25,735,000	3.000% - 4.000%	25,525,000
2005C	13,065,000	3.500% - 4.000%	12,755,000
2007A	36,450,000	4.375% - 4.500%	<u>36,450,000</u>
			210,014,167
			<u>5,136,666</u>
			<u>\$ 204,877,501</u>

The District, through the general fund (including utility taxes and the SEEK Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Fayette County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The school building revenue bonds are collateralized primarily by the educational facilities constructed by the District with bond proceeds.

Continued

Notes to Financial Statements--Continued

**Fayette County School District**

June 30, 2007

**Note I--School Building Revenue Bonds--Continued**

In connection with the school building revenue bonds issued after May 1, 1996, the District entered into "participation agreements" with the Kentucky School Facilities Construction Commission (the "Commission"). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The Commission will remit a stated amount of bond principal and interest payments annually, subject to biennial approval by the Kentucky General Assembly. Approval has been received for the biennial fiscal period ended June 30, 2008. Should approval not be received in future periods, the District remains obligated for the full amount of the bond principal and interest payments.

The bonds may be called prior to maturity by the District and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, for debt service as of June 30, 2007 (principal and interest) are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Commission Participation</u>	<u>District's Portion</u>
2007-2008	\$ 9,325,446	\$ 8,695,399	\$ 3,809,972	\$ 14,210,873
2008-2009	8,744,943	8,350,258	2,845,511	14,249,690
2009-2010	7,899,540	8,015,614	1,657,020	14,258,134
2010-2011	8,234,225	7,732,715	1,655,415	14,311,525
2011-2012	8,490,485	7,417,277	1,480,684	14,427,078
2012-2013	8,029,528	7,099,187	1,444,847	13,683,868
2013-2014	9,225,000	6,787,433	1,327,956	14,684,477
2014-2015	9,860,000	6,418,383	1,327,957	14,950,426
2015-2016	10,590,000	6,011,581	1,327,955	15,273,626
2016-2017	11,760,000	5,568,850	1,327,955	16,000,895
2017-2018	12,230,000	5,093,753	1,327,956	15,995,797
2018-2019	12,770,000	4,577,791	1,313,084	16,034,707
2019-2020	13,270,000	4,064,288	1,233,867	16,100,421
2020-2021	10,875,000	3,592,550	1,152,132	13,315,418
2021-2022	11,315,000	3,104,481	1,152,131	13,267,350
2022-2023	11,895,000	2,612,363	1,152,132	13,355,231
2023-2024	10,990,000	2,094,831	1,152,131	11,932,700
2024-2025	11,510,000	1,570,363	1,152,131	11,928,232
2025-2026	11,260,000	1,020,925	363,586	11,917,339
2026-2027	11,740,000	528,300	363,586	11,904,714
	<u>\$ 210,014,167</u>	<u>\$ 100,356,342</u>	<u>\$ 28,568,008</u>	<u>\$ 281,802,501</u>

During the year ended June 30, 2007, the District made principal payments of \$8,980,806.

Continued

Notes to Financial Statements--Continued

**Fayette County School District**

June 30, 2007

**Note I--School Building Revenue Bonds--Continued**

Defeased Bonds

As of June 30, 2007, the outstanding principal amount of indebtedness that is considered to be extinguished under "in substance defeasance" and therefore excluded from the financial statements was approximately \$35,815,000.

**Note J--Accrued Sick Leave**

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

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

**Note K--Long-Term Liabilities**

A summary of the changes in long-term liabilities during the fiscal year ended June 30, 2007 is as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
<u>Governmental Activities</u>				
School building revenue bonds	\$ 176,917,818	\$ 36,450,000	\$ 8,490,317	\$ 204,877,501
Capital lease obligations	5,963,555	1,310,449	816,712	6,457,292
Estimated liability for workers' compensation benefits	660,869	799,827	845,844	614,852
Total accrued sick leave	<u>2,790,160</u>	<u>1,332,478</u>	<u>1,094,687</u>	<u>3,027,951</u>
	<u>\$ 186,332,402</u>	<u>\$ 39,892,754</u>	<u>\$ 11,247,560</u>	<u>\$ 214,977,596</u>

**Fayette County School District**

June 30, 2007

**Note L--On-Behalf Payments**

For the year ended June 30, 2007, total payments of \$43,662,270 were made for life insurance, health insurance, Kentucky Teachers Retirement System ("KTRS") matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities and on the statement of revenues, expenditures and changes in fund balances. These revenues and expenditures are not budgeted by the District.

**Note M--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.

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

**Note N--Litigation**

The District is the plaintiff in a civil claim by a former student. A total judgment of approximately \$3.9 million was assessed against the District. Post trial motions are pending, and an appeal of the judgment is planned if the motions are denied. An estimated 50% of the judgment has been recorded as a liability and as an expense/expenditure in the current period.

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 financial statements as a result of the cases presently in progress.

**Fayette County School District**

June 30, 2007

**Note O--Risk Management**

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

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

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

The District implemented an arrangement with the Kentucky School Board Insurance Trust Liability Insurance Fund for workers' compensation. Under the arrangement, the District is responsible for the first \$15,000 of each claim incurred during the fiscal year, up to a \$600,000 stop-loss amount. If and when the deductible amounts paid by the District reach the \$600,000 stop-loss amount, the District ceases to be liable for any further expenses related to those claimants. At that point, the District becomes responsible for a \$1,000 per claim "maintenance deductible" for additional claims. At June 30, 2007, the District has a reserve in the amount of \$614,852 for claims incurred but not yet reported.

The estimated liability for workers' compensation benefits consists of claim settlements for reported and outstanding claims and estimated claim settlements for incurred but not reported claims (based upon historical experience). Estimated claim settlements for incurred but not reported claims are discounted at 6% over the anticipated payment periods to reflect the time value of money. This liability, along with certain related assets and liabilities, is accounted for within the General Fund, which is administered by the District for the purpose of providing workers' compensation insurance to employees of the District.

**Fayette County School District**

June 30, 2007

**Note P--Retirement Plans**

**Classified Employees**--Classified employees (substantially all full-time District employees other than certified employees) are covered by the County Employees Retirement Systems ("CERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. CERS provides retirement, death and disability benefits to Plan members and beneficiaries. Cost of living adjustments are provided at the discretion of the State Legislature.

Under the provisions of the Kentucky Revised Statute Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions.

Plan members are required to contribute 5% of their annual covered compensation and the District is required to contribute at an actuarially determined rate. The current rate is 13.19% of the employee's total covered compensation. The contribution requirements of Plan members and the District are established and may be amended by the Kentucky Retirement System's Board of Trustees. The District's contributions to CERS for the years ended June 30, 2007, 2006, and 2005 were approximately \$5,352,000, \$4,222,000, and \$3,183,000, respectively, equal to the required contribution for that year.

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

**Certified Employees**--Certified employees are covered by the Kentucky Teachers' Retirement System ("KTRS"), a cost-sharing multiple-employer defined benefit plan. KTRS provides retirement, death and disability benefits to Plan members. Cost of living increases are 1.5% annually. Any benefit amendments must be authorized by the State Legislature.

Plan members are required to contribute 9.855% of their annual covered compensation, and the Commonwealth of Kentucky provides matching contributions as required by Kentucky Revised Statutes 165.540 and 161.550. The payments made by the Commonwealth of Kentucky on behalf of the District's certified employees, amounting to \$18,572,661, are reflected in the accompanying financial statements as both revenues and expenses/expenditures. The Commonwealth of Kentucky requires payments for federally funded employees to be made by such federal funds; for the fiscal year ended June 30, 2007, this funding amounted to approximately \$1,847,000.

KTRS issues a publicly available financial report that includes financial statements and required supplementary information on the Plan. That report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601.

**Retirement Plan**--The District makes available 401(k) and 403(b) defined contribution pension plans for all employees. Employees are allowed to contribute to the Plans up to the Internal Revenue Code maximum allowable amount. The District does not contribute to the Plans.

Notes to Financial Statements--Continued

**Fayette County School District**

June 30, 2007

**Note Q--Deferred Compensation**

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

**Note R--Post-Employment Health Care Benefits**

Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the CERS and the KTRS plans.

**Note S--Commitments**

On June 30, 2007, the District had outstanding commitments for construction approximating \$49,430,000.

**Required Supplementary Information**  
**Budgetary Comparison Information**

Statement of Revenues and Expenditures - Budget and Actual

**Fayette County School District**

Year Ended June 30, 2007

	<b>General Fund</b>			
	<u>Working Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
From local sources				
Property taxes	\$ 102,640,628	\$ 102,640,629	\$ 104,179,383	\$ 1,538,754
Motor vehicle taxes	9,598,697	9,598,697	9,441,144	(157,553)
Utility taxes	18,574,830	18,574,830	18,727,946	153,116
Occupational and license tax	26,650,835	26,650,835	27,878,162	1,227,327
State sources				
SEEK	62,822,619	63,755,725	63,523,207	(232,518)
Other state sources	70,000	41,690,331	44,149,841	2,459,510
Earnings on investments	3,384,975	3,384,975	4,362,538	977,563
Other sources	4,565,450	4,535,687	2,805,855	(1,729,832)
Interfund Transfers	1,017,749	1,133,926	1,485,186	351,260
<b>Total Revenues</b>	<b>229,325,783</b>	<b>271,965,635</b>	<b>276,553,262</b>	<b>4,587,627 *</b>
<b>Expenditures</b>				
Instruction	133,527,173	145,262,141	160,857,997	(15,595,856)
Support services				
Student	16,706,951	15,291,474	14,474,664	816,810
Instruction staff	11,884,169	13,558,792	13,977,802	(419,010)
District administration	3,297,671	3,565,436	3,490,936	74,500
School administration	13,035,719	13,339,404	14,188,495	(849,091)
Business	15,736,764	16,213,701	14,117,951	2,095,750
Plant operation and maintenance	33,769,674	32,755,669	30,580,415	2,175,254
Student transportation	13,217,227	11,769,615	9,930,460	1,839,155
Debt service	1,306,967	1,306,937	1,045,783	261,154
Contingency	12,794,752			
Interfund Transfers	618,000	1,281,032	663,032	618,000
<b>Total Expenditures</b>	<b>255,895,067</b>	<b>254,344,201</b>	<b>263,327,535</b>	<b>(8,983,334) *</b>
<b>Revenues in Excess of (Less Than) Expenditures</b>	<b>\$ (26,569,284)</b>	<b>\$ 17,621,434</b>	<b>\$ 13,225,727</b>	<b>\$ (4,395,707)</b>

\* For the year ended June 30, 2007, actual revenues and expenditures exceeded appropriations in various categories primarily due to on-behalf payments made by the Commonwealth of Kentucky for the Fayette County School District. These amounts are included in the actual revenues and expenditures, but not in the budgeted amounts.

Statement of Revenues and Expenditures - Budget and Actual

**Fayette County School District**

Year Ended June 30, 2007

	<b>Special Revenue Fund</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Working Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>Revenues</b>				
Grants	\$ 24,593,888	\$ 24,115,551	\$ 23,861,048	\$ (254,503)
Other state revenue	10,905,910	11,733,127	12,590,881	857,754
Other sources	962,985	643,247	438,119	(205,128)
Fund Transfers	504,658	461,494	461,494	-
<b>Total Revenues</b>	<b>36,967,441</b>	<b>36,953,419</b>	<b>37,351,542</b>	<b>398,123</b>
<b>Expenditures</b>				
Instruction	21,435,642	27,416,835	25,164,196	2,252,639
Support services				
Student	3,219,624	2,240,590	1,702,513	538,077
Instruction staff	7,374,316	3,815,099	5,661,275	(1,846,176)
District administration		4,315	4,296	19
School administration	724,365	729,076	764,584	(35,508)
Business		499,661		499,661
Plant operation and maintenance	388,397	86,669	266,494	(179,825)
Student transportation			92,950	(92,950)
Community service activities	2,163,834	2,261,218	2,210,046	51,172
Fund Transfers	1,156,605	1,349,950	1,485,186	(135,236)
<b>Total Expenditures</b>	<b>36,462,783</b>	<b>38,403,413</b>	<b>37,351,540</b>	<b>1,051,873</b>
<b>Revenues in Excess of Expenditures</b>	<b>\$ 504,658</b>	<b>\$ (1,449,994)</b>	<b>\$ 2.00</b>	<b>\$ 1,449,996</b>

## Combining Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

Fayette County School District

June 30, 2007

	Building Fund	SEEK Capital Outlay Fund	Permanent Funds			Total Nonmajor Governmental Funds
			Anthony Dey Fund	Lexington Industrial School Fund	N. Isabel Schmidt Fund	
<b>Assets</b>						
Cash and cash equivalents	\$ 242,036	\$ 632,069	\$ 24,669	\$ 14,473	\$ 223,055	\$ 1,136,302
Investments					387,139	387,139
Accounts receivable						
Taxes, current	69,128					69,128
<b>Total Assets</b>	<u>\$ 311,164</u>	<u>\$ 632,069</u>	<u>\$ 24,669</u>	<u>\$ 14,473</u>	<u>\$ 610,194</u>	<u>\$ 1,592,569</u>
<b>Fund Balances</b>						
Unreserved, designated for						
Reserved capital projects	\$ 311,164	\$ 632,069				\$ 943,233
Permanent funds			\$ 24,669	\$ 14,473	\$ 610,194	649,336
<b>Total Fund Balances</b>	<u>311,164</u>	<u>632,069</u>	<u>24,669</u>	<u>14,473</u>	<u>610,194</u>	<u>1,592,569</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 311,164</u>	<u>\$ 632,069</u>	<u>\$ 24,669</u>	<u>\$ 14,473</u>	<u>\$ 610,194</u>	<u>\$ 1,592,569</u>

Combining Statement of Revenues, Expenditures and  
Change in Fund Balances - Nonmajor Governmental Funds

**Fayette County School District**

Year Ended June, 30 2007

	<u>Building Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Permanent Funds</u>			<u>Total Nonmajor Governmental Funds</u>
			<u>Anthony Dey Fund</u>	<u>Lexington Industrial School Fund</u>	<u>N. Isabel Schmidt Fund</u>	
<b>Revenues</b>						
Local sources						
Property taxes	\$ 10,773,131					\$ 10,773,131
Motor vehicle taxes	966,965					966,965
State sources						
SEEK program		\$ 3,075,500				3,075,500
Earnings on investments	83,711	145,584	\$ 1,172	\$ 749	\$ 14,733	245,949
Other sources			8,342	11,935	24,126	44,403
<b>Total Revenues</b>	<b>11,823,807</b>	<b>3,221,084</b>	<b>9,514</b>	<b>12,684</b>	<b>38,859</b>	<b>15,105,948</b>
<b>Expenditures</b>						
Support Services						
Business		538,757				538,757
Community service activities			3,126	1,889	51,679	56,694
<b>Total Expenditures</b>		<b>538,757</b>	<b>3,126</b>	<b>1,889</b>	<b>51,679</b>	<b>595,451</b>
<b>Revenues in Excess of (Less Than) Expenditures</b>	<b>11,823,807</b>	<b>2,682,327</b>	<b>6,388</b>	<b>10,795</b>	<b>(12,820)</b>	<b>14,510,497</b>
<b>Other Financing Uses</b>						
Operating transfers out	(14,115,608)	(3,254,075)				(17,369,683)
<b>Net Change in Fund Balances</b>	<b>(2,291,801)</b>	<b>(571,748)</b>	<b>6,388</b>	<b>10,795</b>	<b>(12,820)</b>	<b>(2,859,186)</b>
<b>Fund Balances, Beginning of Year</b>	<b>2,602,965</b>	<b>1,203,817</b>	<b>18,281</b>	<b>3,678</b>	<b>623,014</b>	<b>4,451,755</b>
<b>Fund Balances, End of Year</b>	<b>\$ 311,164</b>	<b>\$ 632,069</b>	<b>\$ 24,669</b>	<b>\$ 14,473</b>	<b>\$ 610,194</b>	<b>\$ 1,592,569</b>