

HARRISON COUNTY
SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES

For the year ended June 30, 2014

Prepared by:

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INDEPENDENT AUDITOR'S REPORT

To the Harrison County Board of Education and
State Committee for School District Audits
Cynthiana, 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 Harrison County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, 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 and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Auditor Responsibilities and State Compliance Requirements sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. 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 Harrison County School District, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows, and the respective budgetary comparison for the General Fund and Special Revenue Fund 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 information as listed in the table of contents 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 Harrison County School District's basic financial statements. The additional supplementary information, as listed in the table of contents, 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 additional supplementary information 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 additional supplementary information 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 November 10, 2014, on our consideration of the Harrison 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 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 Harrison County School District's internal control over financial reporting and compliance.

White & Associates, P.C.

Richmond, Kentucky
November 10, 2014

**HARRISON COUNTY SCHOOL DISTRICT
CYNTHIANA, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

As management of the Harrison 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, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$5,982,518 and the ending balance was \$4,023,843, a decrease of \$1,958,675 for the year.
- There is a focus on investing in plant management with the age and size of our facilities reflective of this need. The Board expended \$2,729,030 for an ongoing project at the High School/Fieldhouse and for continuing work on Safety and Security upgrades at each of our six schools, Vocational School, and Central Office. The High School/Fieldhouse Project is about 97% complete. We are scheduled to develop a new 4 year facility plan this fiscal year.
- No new construction projects were started during the fiscal year ended 6/30/14. A Safety and Security Update Project was ongoing. This project includes updating the main entrances of each school building, as well as at the vocational school and Central Office. The project is expected to cost approximately \$149,700 and should be complete by the end of FY 2015. The High School/Fieldhouse Project is almost complete, except for a few minor punch list items. This project included updates to the Band Room, Project Lead the Way Lab and the Vo-Ag Classroom. This same project also included construction of a Fieldhouse at the new Athletic complex. The total spent as of June 30, 2014 was \$4,176,865. The total anticipated cost will be \$4,300,000.
- At the end of fiscal 2014, the District contingency balance was \$2,765,284. The balance for fiscal year 2013 was \$2,239,482. This was an increase of \$525,802 and is due largely to a decrease in the funds Committed by the Board for Preschool, as well as a decrease in the funds Assigned for the KSBIT Assessment. The Board approved to release \$125,000 of the funds Committed for Preschool. We also Unassigned \$120,225 of funds set aside for the KSBIT Assessment. These two amounts total \$245,225 and were added back to the Unreserved Contingency Balance. The increase in the Contingency balance is also largely due to cost saving measures implemented by the District over the last several years.
- The General Fund had \$21,478,104 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding inter-fund transfers, there was \$21,196,763 in General Fund expenditures.
- Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. No new bonds were issued during the fiscal year.

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.

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.

**HARRISON COUNTY SCHOOL DISTRICT
CYNTHIANA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

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

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 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, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on the table of contents in 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 proprietary funds are food service operations and community education. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on the table of contents in 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 the table of contents in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$9,695,935 as of June 30, 2014.

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.

**HARRISON COUNTY SCHOOL DISTRICT
CYNTHIANA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

Net Position for the period ending June 30, 2014

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Current Assets	\$ 4,714,900	\$ 6,607,806
Noncurrent Assets	<u>\$ 20,636,380</u>	<u>\$18,805,957</u>
Total Assets	\$ 25,351,280	\$25,413,763
Deferred Outflows of Resources	\$169,189	\$196,735
Current Liabilities	\$ 1,667,084	\$ 1,329,313
Noncurrent Liabilities	<u>\$14,157,450</u>	<u>\$14,985,557</u>
Total Liabilities	\$15,824,534	\$13,314,870
Net Position		
Investment in capital assets (net of debt)	\$6,160,570	\$3,372,692
Restricted	\$1,153,016	\$4,120,027
Unrestricted Fund Balance	<u>\$2,382,349</u>	<u>\$1,802,909</u>
Total Net Position	\$9,695,935	\$9,295,628

GOVERNMENTAL ACTIVITIES

Net position decreased due mainly to a large decrease in federal and state grant revenue.

BUSINESS-TYPE ACTIVITIES

Net position decreased due to decreased lunchroom sales revenue. The School Food Service programs goal is to be self sustaining with increases in net position annually.

**HARRISON COUNTY SCHOOL DISTRICT
CYNTHIANA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

	Statement of Activities			
	Governmental Activities		Business-Type Activities	
	<u>2,013</u>	<u>2,014</u>	<u>2,013</u>	<u>2,014</u>
Revenue				
Charges for services	192,055	503,854	681,722	623,140
Operating grants and contributions	2,524,975	2,925,686		
State and formula grants			1,096,352	1,445,750
Capital grants and contributions	1,182,664	757,442		
General revenues	<u>21,757,180</u>	<u>21,932,088</u>	<u>34,813</u>	<u>15,924</u>
Total Revenue	25,656,874	26,119,070	1,812,887	2,084,814
Expenses				
Instruction	13,829,910	13,854,010		
Student	1,408,179	1,296,788		
Instructional Staff	1,214,635	1,120,661		
District administration	633,355	687,103		
School administration	1,689,937	1,677,721		
Business	888,667	837,193		
Plant operation & maintenance	2,651,689	2,607,250		
Student transportation	1,506,871	1,379,697		
Community service operation	321,085	318,115		
Day Care Operation		3,838	221,297	207,643
Debt service	115,735			
Depreciation	1,208,634	1,160,536	14,149	15,073
Amortization	27,546	27,546		
Loss on retirement of assets	68,413	3,143		
Building Improvements		27,037		
Interest on long-term debt	388,131	449,323		
Food service operations			1,652,004	1,967,868
Extraordinary item				
Total Expenses	<u>25,952,787</u>	<u>25,449,961</u>	<u>1,887,450</u>	<u>2,190,584</u>
Change in net position	(295,913)	669,109	(74,563)	(105,770)
Net position beginning	9,568,996	8,745,670	341,265	266,702
Prior Period Adjustment	(244,158)	120,225		
Net position ending	<u>9,028,925</u>	<u>9,535,004</u>	<u>266,702</u>	<u>160,932</u>

**HARRISON COUNTY SCHOOL DISTRICT
CYNTHIANA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

Budgetary Implications

In Kentucky the public school fiscal year is July 1 – June 30; other programs, i.e. some federal operate on a different fiscal year, 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 \$1,938,136 in contingency, which is 8.96% of the General Fund budget. The beginning cash balance for the fiscal year was \$5,982,518.

Comments on Budget Comparisons

The original budget was amended to reflect changes in the site based allocations and anticipated revenues. The changes made were based on more accurate data being available after the first couple of months of the fiscal year.

The District recorded “On-Behalf” payments as revenues and expenditures during the fiscal year. The On-Behalf revenues and expenditures were also included in the budget.

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2013 and 2014 and includes On-Behalf payments.

	<u>2014</u>	<u>2013</u>
Revenues:		
Local revenue	\$ 6,339,539	\$ 5,528,598
State revenue	\$17,754,491	\$18,099,071
Federal revenue	\$ 2,016,080	\$ 2,027,286
Other	<u>\$ 24,479</u>	<u>\$ 21,527</u>
Total Revenues	\$26,134,589	\$25,676,482
Expenses		
Instruction	\$13,850,149	\$13,807,830
Student Support Services	\$ 1,296,788	\$ 1,408,179
Instructional Support	\$ 1,120,661	\$ 1,214,635
District administration	\$ 687,103	\$ 633,355
School administration	\$ 1,677,721	\$ 1,689,937
Business support	\$ 837,193	\$ 888,667
Plant operations	\$ 2,607,250	\$ 2,728,189
Student transportation	\$ 1,642,946	\$ 1,523,871
Community services	\$ 318,115	\$ 321,086
Day Care Operations	\$ 3,838	
Building Improvements	\$ 2,756,068	\$ 1,971,283
Debt Service	<u>\$ 1,439,648</u>	<u>\$ 1,586,572</u>
Total Expenses	\$28,237,480	\$27,773,604
Expenses in excess of revenues	(\$2,102,891)	(\$ 2,097,122)

Analysis of balances and transactions of individual funds (in thousands)

<u>Fund</u>	<u>Beginning</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Transfer/Other</u>	<u>Ending</u>
General Fund	\$2,997,609	\$21,478,104	\$21,196,763	(\$5,243)	\$3,273,707
Special Revenue	\$0	\$2,660,924	\$2,714,558	\$53,634	\$0
Capital Outlay	\$73,131	\$273,371	\$0	(\$156,464)	\$190,038
Building	\$103,129	\$990,969	\$0	(\$988,561)	\$105,537
District Activity	\$0	\$372,688	\$157,481	\$0	\$215,207

**HARRISON COUNTY SCHOOL DISTRICT
CYNTHIANA, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

Construction	\$3,017,605	\$0	\$2,729,030	\$0	\$288,575
Debt Service	\$0	\$358,532	\$1,439,647	\$1,081,115	\$0

CAPITAL ASSETS

At the end of fiscal year 2014, the District had \$20.6 million invested in capital assets, including land, buildings, buses, computers, and other equipment.

Capital Assets and Long-Term Debt Activity (in thousands)

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
Governmental				
Capital Assets	\$39,136,800	\$2,992,279	(\$154,743)	\$41,974,336
Accumulated Depreciation	\$20,429,509	\$1,160,536	(\$151,600)	\$21,438,445
Business-Type				
Capital Assets	\$585,390	\$16,895	(\$ 7,075)	\$595,210
Accumulated Depreciation	\$486,723	\$15,073	(\$ 7,075)	\$494,721
Bonds Payable	\$15,630,000	\$0	(\$985,000)	\$14,645,000
Capital Leases Payable	\$0	\$0	(\$0)	\$0
Notes Payable	\$0	\$0	(\$0)	\$0

DEBT

The District did not sale any bonds during the fiscal year.

Current Issues

The federal and state budget situation is of enormous concern to us. We are continuously monitoring our spending and our funding sources.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Board's finances and to reflect the Board's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to the Superintendent, Mr. Andy Dotson, or to the Director of Finance, Julie Asher, or by phone at 859-234-7110 or by mail at 308 Webster Ave., Cynthiana, KY 41031.

Harrison County School District
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,017,086	\$ 6,757	\$ 4,023,843
Receivables (net)	632,280	41,092	673,372
Inventories		13,964	13,964
Prepays	3,720		3,720
Capital assets:			
Land, improvements, and construction in progress	5,430,100		5,430,100
Other capital assets, net of depreciation	15,105,791	100,489	15,206,281
Total capital assets	20,535,891	100,489	20,636,380
Total assets	25,188,978	162,302	25,351,280
DEFERRED OUTFLOWS OF RESOURCES			
Loss for the difference in reacquisition and carrying value of refunding debt	169,189		169,189
LIABILITIES			
Accounts payable and accrued expenses	374,042	1,369	375,411
Accrued interest payable	90,692		90,692
Unearned revenue	205,981		205,981
Long-term liabilities:			
Due within 1 year:			
Bond obligations	995,000		995,000
Total due within 1 year	995,000	-	995,000
Due in more than 1 year:			
Bond obligations	13,650,000		13,650,000
KSBIT payable	163,032		163,032
Sick leave	344,418		344,418
Total due in more than 1 year	14,157,450	-	14,157,450
Total liabilities	15,823,165	1,369	15,824,534
NET POSITION			
Net Investment in capital assets	6,060,081	100,489	6,160,570
Restricted for:			
Nonexpendable for prepaids	3,720		3,720
Expendable restricted for capital projects	584,150		584,150
Expendable restricted for site based	29,461		29,461
Expendable restricted for sick leave	172,209		172,209
Expendable restricted for KSBIT assessment	163,032		163,032
Expendable restricted for district activity	215,207		215,207
Expendable restricted for technology	140,000		140,000
Expendable restricted for food services		60,444	60,444
Unrestricted	2,167,143		2,167,143
Total net position	\$ 9,535,003	\$ 160,933	\$ 9,695,935

See the accompanying notes to the financial statements.

Harrison County School District
Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	\$ 13,854,010	\$ 112,678	\$ 1,818,536	\$ 24,482	\$ (11,898,314)		\$ (11,898,314)
Support Services							
Student	1,296,788	380,901	128,404	3,383	(784,100)		(784,100)
Instructional Staff	1,120,661		242,349	4,879	(873,434)		(873,434)
District Administration	687,103				(687,103)		(687,103)
School Administration	1,677,721				(1,677,721)		(1,677,721)
Business	837,193		52,568		(784,625)		(784,625)
Plant Operation & Maintenance	2,607,250		17,455		(2,589,796)		(2,589,796)
Student Transportation	1,379,697	10,275	53,836	1,486	(1,314,100)		(1,314,100)
Community Services Operations	318,115		250,376		(67,739)		(67,739)
Day Care Operations	3,838		3,630		(208)		(208)
Depreciation	1,160,536				(1,160,536)		(1,160,536)
Amortization	27,546				(27,546)		(27,546)
Loss on retirement of assets	3,143				(3,143)		(3,143)
Building Improvements	27,037			723,213	696,175		696,175
Interest on Long-term Debt	449,323		358,533		(90,790)		(90,790)
Total governmental activities	<u>25,449,962</u>	<u>503,854</u>	<u>2,925,686</u>	<u>757,442</u>	<u>(21,262,980)</u>		<u>(21,262,980)</u>
Business-type activities:							
Food service operations	1,967,868	520,073	1,365,155			\$ (82,640)	(82,640)
Daycare operations	207,643	103,067	80,595			(23,980)	(23,980)
Depreciation	15,073					(15,073)	(15,073)
Total business-type activities	<u>2,190,584</u>	<u>623,140</u>	<u>1,445,750</u>	<u>-</u>	<u>-</u>	<u>(121,693)</u>	<u>(121,693)</u>
Total primary government	\$ <u>27,640,546</u>	\$ <u>1,126,994</u>	\$ <u>4,371,436</u>	\$ <u>757,442</u>	<u>(21,262,980)</u>	<u>(121,693)</u>	<u>(21,384,673)</u>
General revenues:							
Taxes:							
Property taxes					4,052,075		4,052,075
Motor vehicle taxes					601,942		601,942
Utility taxes					1,181,668		1,181,668
State and formula grant					16,087,443		16,087,443
Unrestricted investment earnings					24,479		24,479
Sale of equipment					292	113	405
Transfers					(15,811)	15,811	-
Total general revenues, and transfers					<u>21,932,088</u>	<u>15,924</u>	<u>21,948,012</u>
Change in net position					669,108	(105,769)	563,339
Net position - beginning					8,745,670	266,702	9,012,372
Prior period adjustment					120,225		120,225
Restated net position - beginning					<u>8,865,895</u>	<u>266,702</u>	<u>9,132,597</u>
Net position - ending					\$ <u>9,535,003</u>	\$ <u>160,933</u>	\$ <u>9,695,935</u>

See the accompanying notes to the financial statements.

Harrison County School District
Balance Sheet
Governmental Funds
June 30, 2014

	Governmental Funds				
	General	Special Revenue	Debt Service	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 3,196,258	\$ 8,500	\$ -	\$ 812,328	\$ 4,017,086
Receivables, net					
Taxes-current	235,510				235,510
Taxes-delinquent	1,691				1,691
Accounts	3,813	281		98	4,191
Intergovernmental-federal	5,597	385,291			390,889
Prepays	3,720				3,720
Total assets	3,446,589	394,072	-	812,425	4,653,087
LIABILITIES					
Accounts payable	172,882	188,091		13,069	374,042
Unearned revenue		205,981			205,981
Total liabilities	172,882	394,072	-	13,069	580,023
FUND BALANCE					
Nonspendable	3,720				3,720
Restricted				584,150	584,150
Committed	140,000				140,000
Assigned	364,702			215,207	579,909
Unassigned	2,765,284				2,765,284
Total fund balance	\$ 3,273,707	\$ -	\$ -	\$ 799,357	\$ 4,073,064

See the accompanying notes to the financial statements.

Harrison County School District
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
 June 30, 2014

Total fund balance per fund financial statements	\$	4,073,064
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
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.		20,535,891
Capitalized bond defeasance costs for the refunding of bonds and amortized over the shorter of the life of the refunded on new bond.		169,189
Certain liabilities are not reported in the fund financial statement because they are not due and payable, but they are presented in the statement of net position.		
Accrued interest payable		(90,692)
KSBIT payable		(163,032)
Bond obligations		(14,645,000)
Sick leave payable		(344,418)
		(15,143,142)
Net position of governmental activities	\$	<u><u>9,535,003</u></u>

See the accompanying notes to the financial statements.

Harrison County School District
**Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Governmental Funds**
 Year Ended June 30, 2014

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
From Local Sources					
Taxes					
Property	\$ 3,545,177	\$ -	\$ -	\$ 506,898	\$ 4,052,075
Motor vehicle	601,942				601,942
Utilities	1,181,668				1,181,668
Tuition		32,547			32,547
Transportation	10,275				10,275
Food services		477			477
Student activities		9,011		371,890	380,901
Earnings on investments	23,798	42		639	24,479
Other local revenue	27,801	51,694		159	79,655
Intergovernmental - state	15,975,614	662,902	358,533	757,442	17,754,491
Intergovernmental - federal	111,829	1,904,251			2,016,080
Total revenues	<u>21,478,104</u>	<u>2,660,924</u>	<u>358,533</u>	<u>1,637,028</u>	<u>26,134,589</u>
EXPENDITURES					
Instruction	11,833,897	1,922,956		93,296	13,850,149
Support Services					
Student	1,148,119	135,777		12,892	1,296,788
Instructional Staff	845,804	256,264		18,593	1,120,661
District Administration	687,103				687,103
School Administration	1,677,721				1,677,721
Business	781,606	55,586			837,193
Plant Operation & Maintenance	2,588,793	18,457			2,607,250
Student Transportation	1,580,356	56,927		5,663	1,642,946
Community Services	53,363	264,752			318,115
Day Care Operations		3,838			3,838
Building Improvements				2,756,068	2,756,068
Debt Service			1,439,648		1,439,648
Total expenditures	<u>21,196,763</u>	<u>2,714,558</u>	<u>1,439,648</u>	<u>2,886,512</u>	<u>28,237,480</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	281,341	(53,634)	(1,081,115)	(1,249,484)	(2,102,892)
OTHER FINANCING SOURCES (USES)					
Sale of equipment	292				292
Operating transfers in	63,910	53,634	1,081,115		1,198,659
Operating transfers (out)	(69,445)			(1,145,025)	(1,214,470)
Total other financing sources and (uses)	<u>(5,243)</u>	<u>53,634</u>	<u>1,081,115</u>	<u>(1,145,025)</u>	<u>(15,519)</u>
NET CHANGE IN FUND BALANCE	276,098	-	-	(2,394,509)	(2,118,410)
FUND BALANCE -BEGINNING	<u>2,997,609</u>	<u>-</u>	<u>-</u>	<u>3,193,865</u>	<u>6,191,474</u>
FUND BALANCE - ENDING	<u>\$ 3,273,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 799,357</u>	<u>\$ 4,073,064</u>

See the accompanying notes to the financial statements.

Harrison County School District
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities**
 For the year ended June 30, 2014

Net change in total fund balances per fund financial statements	\$	(2,118,410)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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 exceeds capital outlays for the year.</p>		1,828,601
<p>The defeasance cost of issuance of refunding bonds that are amortized over the shorter of the life of the refunded bond or the new bond.</p>		(27,546)
<p>Bond, capital lease, and note 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.</p>		985,000
<p>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.</p>		
<p>Accrued interest payable</p>		5,325
<p>Noncurrent accrued sick leave payable</p>		(3,861)
		(3,861)
Change in net position of governmental activities	\$	669,108

See the accompanying notes to the financial statements.

Harrison County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
From Local Sources				
Taxes				
Property	\$ 3,505,000	\$ 3,505,000	\$ 3,545,177	\$ 40,177
Motor vehicle	595,000	595,000	601,942	6,942
Utilities	1,100,000	1,100,000	1,181,668	81,668
Tuition	600	600	-	(600)
Transportation	12,000	12,000	10,275	(1,725)
Earnings on investments	20,000	20,000	23,798	3,798
Other local revenue	20,000	20,000	27,801	7,801
Intergovernmental - state	15,997,932	15,997,932	15,975,614	(22,318)
Intergovernmental - federal	100,000	100,000	111,829	11,829
Total revenues	<u>21,350,532</u>	<u>21,350,532</u>	<u>21,478,104</u>	<u>127,572</u>
EXPENDITURES				
Instruction	12,003,927	12,003,927	11,833,897	170,030
Support Services				
Student	1,218,662	1,218,662	1,148,119	70,543
Instructional Staff	853,956	853,956	845,804	8,152
District Administration	692,031	692,031	687,103	4,928
School Administration	1,680,444	1,680,444	1,677,721	2,723
Business	823,841	823,841	781,606	42,235
Plant Operation & Maintenance	2,661,946	2,661,946	2,588,793	73,153
Student Transportation	1,629,830	1,629,830	1,580,356	49,474
Community Services	55,855	55,855	53,363	2,492
Total expenditures	<u>21,620,492</u>	<u>21,620,492</u>	<u>21,196,763</u>	<u>423,729</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(269,960)	(269,960)	281,341	551,301
OTHER FINANCING SOURCES (USES)				
Sale of equipment			292	292
Operating transfers in	63,910	63,910	63,910	-
Operating transfers (out)	(54,690)	(54,690)	(69,445)	(14,755)
Total other financing sources and (uses)	<u>9,220</u>	<u>9,220</u>	<u>(5,243)</u>	<u>(14,463)</u>
NET CHANGE IN FUND BALANCE	(260,740)	(260,740)	276,098	536,838
FUND BALANCE -BEGINNING	<u>2,198,876</u>	<u>2,198,876</u>	<u>2,997,609</u>	<u>798,733</u>
FUND BALANCE - ENDING	<u>\$ 1,938,136</u>	<u>\$ 1,938,136</u>	<u>\$ 3,273,707</u>	<u>\$ 1,335,571</u>

See the accompanying notes to the financial statements.

Harrison County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From Local Sources				
Tuition	\$ -	\$ -	\$ 32,547	\$ 32,547
Food services			477	477
Student activities			9,011	9,011
Earnings on investments	39	50	42	(8)
Other local revenue	41,261	41,250	51,694	10,444
Intergovernmental - state	730,081	730,081	662,902	(67,179)
Intergovernmental - federal	1,734,359	1,734,359	1,904,251	169,892
Total revenues	<u>2,505,740</u>	<u>2,505,740</u>	<u>2,660,924</u>	<u>155,184</u>
EXPENDITURES				
Instruction	1,738,872	1,738,522	1,922,956	(184,434)
Support Services				
Student	139,369	138,605	135,777	2,828
Instructional Staff	229,229	229,229	256,264	(27,035)
Business	58,877	58,877	55,586	3,291
Plant Operations & Maintenance	102,271	102,271	18,457	83,814
Student Transportation	35,774	35,774	56,927	(21,153)
Community Services	250,462	250,462	264,752	(14,291)
Day Care Operations			3,838	(3,838)
Total expenditures	<u>2,554,854</u>	<u>2,553,740</u>	<u>2,714,558</u>	<u>(160,818)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(49,114)	(48,000)	(53,634)	(5,634)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	48,000	48,000	53,634	5,634
Total other financing sources and (uses)	<u>48,000</u>	<u>48,000</u>	<u>53,634</u>	<u>5,634</u>
NET CHANGE IN FUND BALANCE	(1,114)	-	-	-
FUND BALANCE -BEGINNING	-	-	-	-
FUND BALANCE - ENDING	<u>\$ (1,114)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying notes to the financial statements.

Harrison County School District
Statement of Net Position
Proprietary Funds
June 30, 2014

	Enterprise Funds		
	School Food Services	Other Proprietary Fund	Total
ASSETS			
Cash and cash equivalents	\$ 14,956	\$ -	\$ 14,956
Receivables	31,896	9,196	41,092
Inventories	13,964		13,964
Capital assets:			
Other capital assets, net of depreciation	100,313	176	100,489
Total assets	161,129	9,372	170,501
LIABILITIES			
Accounts payable	372	997	1,369
Cash shortage		8,199	8,199
Total liabilities	372	9,196	9,568
NET POSITION			
Net Investment in capital assets	100,313	176	100,489
Restricted for:			
Expendable restricted for day care operation		-	-
Expendable restricted for food service	60,444		60,444
Total net position	\$ 160,757	\$ 176	\$ 160,933

See the accompanying notes to the financial statements.

Harrison County School District
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2014

	Enterprise Funds		
	School Food Services	Other Proprietary Fund	Total
OPERATING REVENUES			
Lunchroom sales	\$ 520,073	\$ -	\$ 520,073
Tuition		103,067	103,067
Total operating revenues	520,073	103,067	623,140
OPERATING EXPENSES			
Depreciation	14,683	390	15,073
Daycare Operations			
Salaries and benefits		188,675	188,675
Other operating expenses		18,968	18,968
Food service operations			
Salaries and benefits	921,132		921,132
Other operating expenses	1,046,737		1,046,737
Total operating expenses	1,982,551	208,032	2,190,584
Operating income (loss)	(1,462,479)	(104,965)	(1,567,444)
NONOPERATING REVENUES (EXPENSES)			
Federal grants	1,170,930	7,698	1,178,627
State grants	194,226	72,898	267,123
Transfers		15,811	15,811
Earnings from investments	113		113
Total nonoperating revenues	1,365,268	96,406	1,461,674
CHANGE IN NET POSITION	(97,211)	(8,559)	(105,769)
NET POSITION - BEGINNING	257,968	8,734	266,702
NET POSITION - ENDING	\$ 160,757	\$ 176	\$ 160,933

See the accompanying notes to the financial statements.

Harrison County School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014

	<u>Enterprise Funds</u>		
	<u>School Food Services</u>	<u>Other Proprietary Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 520,073	\$ 103,067	\$ 623,140
Payments to suppliers	(971,908)	(22,619)	(994,526)
Payments to employees	(921,132)	(188,675)	(1,109,807)
Net cash provided (used) by operating activities	<u>(1,372,967)</u>	<u>(108,226)</u>	<u>(1,481,193)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds		15,811	15,811
Operating grants and contributions	1,365,155	80,595	1,445,750
Net cash provided (used) by noncapital financing activities	<u>1,365,155</u>	<u>96,406</u>	<u>1,461,561</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Purchase of capital assets	(16,895)		(16,895)
Net cash provided (used) by capital financing activities	<u>(16,895)</u>	<u>-</u>	<u>(16,895)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	113		113
Net cash provided (used) by investing activities	<u>113</u>	<u>-</u>	<u>113</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(24,594)	(11,820)	(36,414)
CASH BALANCE - BEGINNING	39,550	3,621	43,170
CASH BALANCE - ENDING	<u>\$ 14,956</u>	<u>\$ (8,199)</u>	<u>\$ 6,757</u>
Reconciliation of operating income (loss) to net cash used			
by operating activities:			
Operating income (loss)	\$ (1,462,479)	\$ (104,965)	\$ (1,567,444)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Depreciation	14,683	390	15,073
Changes in assets and liabilities:			
Receivables	66,279	(1,166)	65,113
Accounts payable	(758)	(853)	(1,611)
Accruals	(1,825)	(1,632)	(3,457)
Inventories	11,132		11,132
Net cash used by operating activities	<u>\$ (1,372,967)</u>	<u>\$ (108,226)</u>	<u>\$ (1,481,193)</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$119,077 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$176,963 for school food services fund and \$35,951 for other proprietary fund which is provided by state government.

See the accompanying notes to the financial statements.

Harrison County School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	<u>School Activity Funds</u>	<u>Private Purpose Trust Funds</u>	<u>Fiduciary Fund Total</u>
ASSETS			
Cash and cash equivalents	\$ 181,208	\$ 1,735,954	\$ 1,917,162
Accounts receivable	3,169	1,935	5,103
	<u>184,376</u>	<u>1,737,889</u>	<u>1,922,265</u>
Total Assets	<u>184,376</u>	<u>1,737,889</u>	<u>1,922,265</u>
LIABILITIES			
Accounts payable	363	-	363
Due to student groups	184,014	-	184,014
	<u>184,376</u>	<u>-</u>	<u>184,376</u>
Total Liabilities	<u>184,376</u>	<u>-</u>	<u>184,376</u>
NET POSITION HELD IN TRUST	<u>\$ -</u>	<u>\$ 1,737,889</u>	<u>\$ 1,737,889</u>

See the accompanying notes to the financial statements.

Harrison County School District
Statement of Changes in Net Position
Fiduciary Funds
June 30, 2014

		<u>Private Purpose Trust Funds</u>
Additions		
Trust activities	\$	60,857
Deductions		
Benefits paid		<u>58,864</u>
Increase in net position		1,993
Net position, June 30, 2013		<u>1,735,897</u>
Net position, June 30, 2014	\$	<u><u>1,737,889</u></u>

See the accompanying notes to the financial statements.

HARRISON COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Harrison 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 the Harrison County Board of Education (“District”). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100-Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds relevant to the operation of the Harrison 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 District 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:

Harrison County Board of Education Finance Corporation - The Board authorized establishment of the Harrison County Board of Education Finance Corporation a non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the “Corporation”) to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Harrison County Board of Education.

Basis of Presentation

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

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 always a major fund of the District.

(B) Special Revenue (Grant) Fund

The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trust funds 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 specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. KDE requires this fund to be a major fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(C) Capital Project Funds

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).

SEEK Capital Outlay Fund

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 as identified in the District's facility plan.

Building (FSPK) Fund

The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy that is 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.

Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling.

(D) Debt Service Fund

The Debt Service Fund is 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.

II. Proprietary Funds (Enterprise Funds)

(A) Food Service Fund

The School 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.

(B) Day Care Fund

The Day Care Fund is used to account for child care activities.

The District applies all GASB pronouncements to proprietary funds.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

III. Fiduciary Fund Types

(A) Agency Funds

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The schools funds are accounted for in accordance with “Accounting Procedures for Kentucky School Activity Funds.”

(B) Private Purpose Trust Funds

The Private Purpose Trust Fund is 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 giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

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

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

the 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 unearned 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 Taxes

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

The property tax rates assessed for the year ended June 30, 2014, to finance the General Fund operations (including exonerations) were \$.452 per \$100 valuation of real property, \$.452 per \$100 valuation for business personal property and \$.50 per \$100 valuation for motor vehicles.

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 government funds. These assets are reported in the government activities column of the government-wide financial 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 assets 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:

SEE SCHEDULE ON NEXT PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net 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, a certified and classified employee will receive from the district an amount equal to 30% of the value of accumulated sick leave.

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

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

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

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.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 Kentucky Department of Education does not require the Capital Project Funds and Debt Service Funds to prepare budgets.

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 expended 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.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2014 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure/expense is reported in the year in which services are consumed.

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgment, the noncurrent 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.

Fund Balances

Fund balance is divided into five categories as defined by GASB 54 as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Nonspendable:	Permanently nonspendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.
Restricted	Legally restricted under legislation, bond authority, or grantor contract.
Committed	Commitments of future funds for specific purposes passed by the Board.
Assigned	Funds that are intended by management to be used for a specific purpose, including encumbrances.
Unassigned	Funds available for any purpose.

The Board has adopted a GASB 54 spending policy which states that the spending order of funds is to first use restricted funds, followed by committed, assigned, and unassigned funds.

Net Position

The Statement of Net Position presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as Net Position. Net Position is reported in three categories: 1) net investment in capital assets – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of the assets; 2) restricted net position – resulting from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation adopted by the School District; 3) unrestricted net position – those assets that do not meet the definition of restricted net position or net investment in capital assets. It is the District's policy to first apply restricted net position and then unrestricted net position when an expense is incurred for which both restricted and unrestricted net position are available.

Operating and Non-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.

Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District, those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

Contributions of Capital

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Interfund Activity

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

NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents were interest bearing demand accounts at a local bank. Due to the liquidity nature of these accounts the carrying value is the fair market value. Federal Depository Insurance and pledged securities covers all account balances June 30, 2014.

SEE SCHEDULE ON NEXT PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Bank	
	<u>Balance</u>	
<u>Farmers National Bank</u>		<u>Demand</u>
FDIC	\$	350,211
Securities pledged to district		<u>0</u>
Bank balance	\$	<u><u>350,211</u></u>

	Bank	
	<u>Balance</u>	
<u>Kentucky Bank</u>		<u>Demand</u>
FDIC	\$	250,000
Securities pledged to district		<u>6,448,440</u>
Bank balance	\$	<u><u>6,698,440</u></u>

	Book	
	<u>Balance</u>	
		<u>Cash equivalents</u>
Governmental Activities	\$	4,017,086
Business-type Activities		6,757
Agency funds		
School activity funds		181,208
Private-purpose trust funds		<u>1,735,954</u>
Total carrying amount	\$	<u><u>5,941,005</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE D – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

Governmental Activities	Balance			Balance
	July 1, 2013	Additions	Deductions	June 30, 2014
Land	\$ 1,164,371	\$ -	\$ -	\$ 1,164,371
Land improvements	76,900	-	-	76,900
Buildings	31,903,289	-	-	31,903,289
Technology equipment	1,001,570	-	-	1,001,570
Vehicles	2,792,032	263,249	92,309	2,962,972
General equipment	774,183	-	62,434	711,749
Infrastructure	84,283	-	-	84,283
Construction in progress	1,340,172	2,729,030	-	4,069,202
Total at historical cost	\$ 39,136,800	\$ 2,992,279	\$ 154,743	\$ 41,974,336
Less: Accumulated depreciation				
Land improvements	\$ 17,500	\$ -	\$ -	\$ 17,500
Buildings	17,326,108	835,025	-	18,161,133
Technology equipment	668,679	118,699	-	737,378
Vehicles	1,977,294	154,651	92,309	2,039,636
General equipment	419,470	47,946	59,291	408,125
Infrastructure	20,459	4,214	-	24,673
Total accumulated depreciation	\$ 20,429,509	\$ 1,160,536	\$ 151,600	\$ 21,438,445
Governmental Activities				
Capital Assets-net	\$ 18,707,291	\$ 1,831,743	\$ 3,143	\$ 20,535,891
Business-Type Activities	Balance			Balance
	July 1, 2013	Additions	Deductions	June 30, 2014
Technology equipment	\$ 14,653	\$ -	\$ -	\$ 14,653
General equipment	570,737	16,895	7,075	580,557
Total at historical cost	\$ 585,390	\$ 16,895	\$ 7,075	\$ 595,210
Less: Accumulated depreciation				
Technology equipment	\$ 6,080	\$ 2,478	\$ -	\$ 8,558
General equipment	480,644	12,594	7,075	486,163
Total accumulated depreciation	\$ 486,723	\$ 15,073	\$ 7,075	\$ 494,721
Business-Type Activities				
Capital Assets-net	\$ 98,667	\$ 1,822	\$ -	\$ 100,489

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE E – BONDED DEBT OBLIGATIONS

The amount shown in the accompanying financial statements as bonded debt obligations represent the District’s future obligations to make payments relating to the bonds issued by the Harrison County School District Finance Corporation aggregating \$14,645,000 and \$995,000 is the portion due within one year. The District, through the General Fund (including utility taxes), Building (FSPK) Fund, and the SEEK Capital Outlay Fund is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Harrison 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 proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The original amount of outstanding issues, the issue dates, interest rates, and outstanding balances at June 30, 2014 are summarized below:

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>2013 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2014 Outstanding Balance</u>
2012R	\$ 2,210,000	8/1/2023	.50-2.25%	\$ 2,170,000	\$ -	\$ 30,000	\$ 2,140,000
2013	4,300,000	2/1/2033	1.0-3.0%	4,300,000		40,000	4,260,000
2010R	1,075,000	6/1/2021	.60-2.60%	960,000		115,000	845,000
2012	995,000	6/1/2032	1.15-3.2%	950,000		40,000	910,000
2003	1,540,000	8/1/2023	1.25-4.18%	65,000		65,000	-
2003R	320,000	6/1/2014	1.30-3.30%	25,000		25,000	-
2004	1,635,000	5/1/2024	2.55-4.90%	80,000		80,000	-
2008	5,595,000	5/1/2028	3.00-3.90%	5,175,000		205,000	4,970,000
2008R	\$ 3,110,000	6/1/2019	2.25-3.50%	1,905,000		385,000	1,520,000
Totals				<u>\$ 15,630,000</u>	<u>\$ -</u>	<u>\$ 985,000</u>	<u>\$ 14,645,000</u>

The District has entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Kentucky Legislature, for the purpose of assisting local school districts in meeting school construction needs, created the Commission. The table following sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2014 for debt service, (principal and interest) are as follows:

SEE SCHEDULE ON NEXT PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>YEAR</u>	<u>LOCAL</u>		<u>KSFCC</u>		<u>TOTAL</u>		<u>TOTAL</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2015	\$ 732,869	\$ 340,550	\$ 262,131	\$ 85,186	\$ 995,000	\$ 425,736		
2016	753,221	319,898	266,779	80,881	1,020,000	400,779		
2017	755,532	297,970	254,468	75,462	1,010,000	373,431		
2018	780,230	275,543	259,770	69,698	1,040,000	345,241		
2019	672,814	251,062	252,186	63,284	925,000	314,346		
2020-2024	3,319,169	958,227	1,330,831	221,498	4,650,000	1,179,725		
2025-2029	2,932,612	465,030	562,388	84,570	3,495,000	549,600		
2030 - 2033	1,320,000	100,500	190,000	12,320	1,510,000	112,820		
	<u>\$ 11,266,447</u>	<u>\$ 3,008,780</u>	<u>\$ 3,378,553</u>	<u>\$ 692,899</u>	<u>\$ 14,645,000</u>	<u>\$ 3,701,679</u>		

NOTE F – COMMITMENTS

The District has made commitments for future construction a total of \$264,763.

The District has committed the General fund balance for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Technology	\$ 140,000

NOTE G– RETIREMENT PLANS

Kentucky Teachers’ Retirement System

Plan Description – The Harrison County School 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. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by Kentucky Department of Education (KDE).

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers’ Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601 or from the KTRS web site at <http://ktrs.ky.gov/>.

Funding Policy – Contribution rates are established by KRS. Members are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members hired before July 1, 2008 and 14.105% of salaries for members after July 1, 2008. The federal program for any salaries paid by that program pays the matching contribution 14.605%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Medical Insurance Plan

Plan description – In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

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

Funding policy – In order to fund the post-retirement healthcare benefit, four and a half percent (4.5%) of the gross annual payroll of members before July 1, 2008 is contributed. Two and one quarter percent (2.25%) is paid by member contributions and three quarters percent (.75%) from state appropriation and one and one half percent (1.50%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

The Harrison County Schools' total payroll for the year was \$15,862,733. The payroll for employees covered under KTRS was \$11,848,833. For the year ended June 30, 2014, the Commonwealth contributed \$1,412,075 to KTRS for the benefit of participating employees. The School district's contributions to KTRS for the year ending June 30, 2014 were \$169,477, which represents those employees covered by federal programs.

The District's required contributions (both withholding and match) for pension obligations to KTRS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,674,683, \$1,780,741, and \$1,799,033 respectively.

County Employees Retirement System

Employees who work an average of 100 hours per month participate in the County Employees Retirement System of Kentucky (CERS), a cost sharing, multiple-employer public employee retirement system created by and operating under Kentucky Law.

The County Employees Retirement System covers substantially all regular non-certified full-time employees of the school District. The plan provides for retirement, disability and death benefits. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, and Frankfort, Kentucky, 40601.

For participating employees who established an account prior to July 1, 2008, they contribute 5% of the creditable compensation. For employees hired after July 1, 2008, they contribute 6% of the creditable compensation. Employer contribution rates are intended to fund the normal cost on a current basis plus one percent (1%) of un-funded past service costs per annum plus interest at the actuarial assumed rate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Board of Trustees of the Kentucky Retirement Systems determines such contribution rates each biennium. The current District contribution rate for employees is 18.89%. The District contributed \$199,835 of the employee's compensation during the fiscal year ended June 30, 2014.

The District's required contributions (both withholding and match) for pension obligations to CERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$916,622, \$1,001,183, and \$999,570 respectively.

Recently Issued Accounting Standards

GASB Statement No. 68, Accounting and financial Reporting for Pensions, will require that unfunded portions of future pension benefit obligations shall be recorded as a liability of governments. This pronouncement will be mandatory for fiscal periods beginning after June 15, 2015. Although the data is not available from the Kentucky Teachers Retirement System or the County Employees Retirement System at this time, we believe that this implementation will have a material effect on future financial statements.

NOTE H - CONTINGENCIES

The District receives funding from Federal, State and Local governmental agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not 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 un-reimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction the funds provided are being spent as intended and the grantors' intent to continue their program.

NOTE I - LITIGATION

The District is currently not involved in pending litigation, but an outcome in the District's favor is anticipated.

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, illegal acts etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include Workers' Compensation insurance.

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to illegal acts, torts, theft/damage/destruction of assets, errors and omissions, injuries to employees, and natural disasters. To obtain insurance for workers' compensation, errors and omission, and general liability coverage, the District purchased commercial insurance policies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The District purchases unemployment insurance through the Kentucky School Districts 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 coverage in any of the past three fiscal years.

NOTE L – DEFICIT FUND AND OPERATING BALANCES

The following funds had an operating deficit at the end of the fiscal year causing a reduction in balance.

<u>Fund</u>	<u>Reduction in Fund Balance / Net Position</u>
Business-Type Activities	\$ (105,769)
Construction Fund	(2,729,030)
School Activity Funds	(200,806)
School Food Service	(97,211)
Other Proprietary Fund	\$ (8,559)

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</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Special Revenue Fund	KETS Offers	\$43,634
General Fund	Special Revenue Fund	Advance Placement	10,000
General Fund	Day Care Fund	Operations	15,811
Capital Outlay Fund	General Fund	Property Insurance	63,910
Capital Outlay Fund	Debt Service Fund	Debt Payments	92,554
FSPK fund	Debt Service Fund	Debt Payments	\$988,561

NOTE O – ON-BEHALF PAYMENTS

The financial statements include payments made by the State of Kentucky on – behalf of the Harrison County School District for teacher’s retirement, health insurance, life insurance, administrative fees, and state operated vocational schools where applicable. The amounts were recorded within the General Fund, School Food Services Fund, and Day Care Fund. The amounts recorded for both revenues and expenditures (expenses) are \$3,922,620 for the General Fund, \$358,533 for the Debt Service Fund, \$176,963 for the School Food Service Fund, and \$35,951 for Day Care Operations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE P – RESTRICTED FUND BALANCE

The following is a description of the District’s restricted fund balances:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Construction	\$ 288,575	Future Construction
Capital Outlay	190,038	School Facilities Construction Commission Requirement
School Food Service	60,444	Food Service
FSPK	\$ 105,537	School Facilities Construction Commission Requirement

NOTE Q – PRIOR PERIOD ADJUSTMENT

Due to a court ordered assessment of the District’s KSBIT Liability, the liability was reduced and net position increased as follows:

Net Position July 1, 2013	\$ 8,745,670
Prior Period Adjustment	120,225
Restated Net Position July 1, 2014	<u>\$ 8,865,895</u>

NOTE R – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 10, 2014, the date of the Auditor’s report.

Harrison County School District
Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2014

	Other Governmental Funds				
	Capital Outlay	FSPK Fund	District Activity Fund	Construction Fund	Total
Assets					
Cash and Cash Equivalents	\$ 190,038	\$ 105,537	\$ 219,885	\$ 296,867	\$ 812,328
Receivables, net					
Accounts				98	98
Total Assets	190,038	105,537	219,885	296,965	812,425
Liabilities					
Accounts payable			4,679	8,390	13,069
Total liabilities			4,679	8,390	13,069
Fund Balances					
Restricted	190,038	105,537		288,575	584,150
Assigned			215,207		215,207
Total Fund Balances	\$ 190,038	\$ 105,537	\$ 215,207	\$ 288,575	\$ 799,357

See the accompanying notes to the financial statements.

Harrison County School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
Year ended June 30, 2014

	Other Governmental Funds				
	Capital Outlay	FSPK Fund	District Activity Fund	Construction Fund	Total
Revenues					
From Local Sources					
Property Taxes	\$ -	\$ 506,898	\$ -	\$ -	\$ 506,898
Student activities			371,890		371,890
Earnings on investments			639		639
Other local revenue			159		159
Intergovernmental - State	273,371	484,071			757,442
Total Revenues	<u>273,371</u>	<u>990,969</u>	<u>372,688</u>	<u>-</u>	<u>1,637,028</u>
Expenditures					
Instruction			93,296		93,296
Support Services					
Student			12,892		12,892
Instructional Staff			18,593		18,593
Student Transportation			5,663		5,663
Building Improvements			27,037	2,729,030	2,756,068
Total Expenditures	<u>-</u>	<u>-</u>	<u>157,481</u>	<u>2,729,030</u>	<u>2,886,512</u>
Excess (Deficit) of Revenues Over Expenditures	<u>273,371</u>	<u>990,969</u>	<u>215,207</u>	<u>(2,729,030)</u>	<u>(1,249,484)</u>
Other Financing Sources (Uses)					
Operating transfers (out)	(156,464)	(988,561)			(1,145,025)
Total Other Financing Sources (Uses)	<u>(156,464)</u>	<u>(988,561)</u>	<u>-</u>	<u>-</u>	<u>(1,145,025)</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	116,907	2,408	215,207	(2,729,030)	(2,394,509)
Fund Balance Beginning	<u>73,131</u>	<u>103,129</u>	<u>-</u>	<u>3,017,605</u>	<u>3,193,865</u>
Fund Balance Ending	<u>\$ 190,038</u>	<u>\$ 105,537</u>	<u>\$ 215,207</u>	<u>\$ 288,575</u>	<u>\$ 799,357</u>

See the accompanying notes to the financial statements.

Harrison County School District
Combining Balance Sheet - School Activity and Private Purpose Trust
As of June 30, 2014

SCHOOL ACTIVITY FUNDS												FIDUCIARY
	HARRISON CO HIGH SCHOOL	HARRISON CO GAMING FUND	HARRISON CO MIDDLE SCHOOL	EASTSIDE ELEMENTARY	EASTSIDE GAMING FUND	NORTHSIDE ELEMENTARY	NORTHSIDE GAMING FUND	SOUTHSIDE ELEMENTARY	WESTSIDE ELEMENTARY	WESTSIDE GAMING FUND	Private Purpose Trust Funds	FUND TOTAL
ASSETS												
Cash and cash equivalents	\$ 143,347	\$ 501	\$ 27,132	\$ 1,855	\$ -	\$ 3,921	\$ -	\$ 2,158	\$ 1,793	\$ 501	\$ 1,735,954	\$ 1,917,162
Accounts receivable	1,797	-	446	-	-	926	-	-	-	-	1,935	5,103
Total Assets	<u>145,143</u>	<u>501</u>	<u>27,578</u>	<u>1,855</u>	<u>-</u>	<u>4,847</u>	<u>-</u>	<u>2,158</u>	<u>1,793</u>	<u>501</u>	<u>1,737,889</u>	<u>1,922,265</u>
LIABILITIES												
Accounts payable	363	-	-	-	-	-	-	-	-	-	-	363
Total Liabilities	<u>363</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>363</u>
FUND BALANCE												
School Activities	\$ 144,781	\$ 501	\$ 27,578	\$ 1,855	\$ -	\$ 4,847	\$ -	\$ 2,158	\$ 1,793	\$ 501	\$ 1,737,889	\$ 1,921,903

See the accompanying notes to the financial statements.

Harrison County School District
Combining Statement of Revenues, Expenses and Changes in Fund Balance - School Activity and Private Purpose Trust
 For the period ended June 30, 2014

	SCHOOL ACTIVITY FUNDS												FIDUCIARY FUND TOTAL
	<u>HARRISON CO HIGH SCHOOL</u>	<u>HARRISON CO GAMING FUND</u>	<u>HARRISON CO MIDDLE SCHOOL</u>	<u>EASTSIDE ELEMENTARY</u>	<u>EASTSIDE GAMING FUND</u>	<u>NORTHSIDE ELEMENTARY</u>	<u>NORTHSIDE GAMING FUND</u>	<u>SOUTHSIDE ELEMENTARY</u>	<u>WESTSIDE ELEMENTARY</u>	<u>WESTSIDE GAMING FUND</u>	<u>Private Purpose Trust Funds</u>		
REVENUES													
Student/Trust revenues	\$ 485,520	\$ 6,960	\$ 140,564	\$ 3,340	\$ -	\$ 18,071	\$ -	\$ 3,932	\$ 14,711	\$ 0	\$ 60,857	\$	733,957
EXPENSES													
Student/Trust activities	540,001	6,960	166,724	42,548	500	28,570	502	49,040	41,053	1	58,864		934,763
Excess (Deficit) of Revenues Over Expenses	(54,480)	0	(26,160)	(39,208)	(500)	(10,499)	(502)	(45,108)	(26,341)	(1)	1,993		(200,806)
Fund balance, Beginning	<u>199,261</u>	<u>501</u>	<u>53,738</u>	<u>41,063</u>	<u>500</u>	<u>15,346</u>	<u>502</u>	<u>47,266</u>	<u>28,134</u>	<u>502</u>	<u>1,735,897</u>		<u>2,122,709</u>
Fund balance, Ending	<u>\$ 144,781</u>	<u>\$ 501</u>	<u>\$ 27,578</u>	<u>\$ 1,855</u>	<u>\$ -</u>	<u>\$ 4,847</u>	<u>\$ -</u>	<u>\$ 2,158</u>	<u>\$ 1,793</u>	<u>\$ 501</u>	<u>\$ 1,737,889</u>		<u>\$ 1,921,903</u>

See the accompanying notes to the financial statements.

Harrison County School District
Statement of Revenues, Expenses and Changes in Fund Balance - Harrison County High School
For the period ended June 30, 2014

	FUND BALANCE BEGINNING	REVENUES	EXPENSES	FUND BALANCE ENDING
AFJROTC	\$ 5,008	\$ 23,914	\$ 18,855	\$ 10,067
ACADEMIC BOOSTERS	3,510	2,680	5,451	739
ACADEMIC TEAM	637	483	281	839
ANNUAL FUND	22,196	5,834	22,734	5,296
ARCHERY	2,975	10,679	12,445	1,209
ART CLUB	1,128	335	601	862
ART CLASS FEE	179	638	817	-
ATHLETIC DIRECTOR	4,699	7,190	11,890	-
BASEBALL	10,150	25,118	17,858	17,409
BOOK CLUB	-	1,004	397	607
BOYS BASKETBALL	8,263	23,994	29,373	2,884
BOYS BASKETBALL BOOSTERS	-	-	-	-
BOWLING	904	7,923	7,334	1,493
GIRLS BASKETBALL	3,333	18,396	19,363	2,366
BOYS SOCCER	3,722	9,095	8,626	4,191
BOYS VARSITY CHEERLEADING	1,207	4,927	4,710	1,424
CHESS CLUB	3	101	93	11
CLASS OF 2013-2014	1,206	12,618	13,823	-
CLASS OF 2014-2015	1,060	150	75	1,135
CLASS OF 2015-2016	1,034	1,175	604	1,605
CLASS OF 2016-2017	-	3,637	2,326	1,311
SPANISH CLUB	827	590	717	700
SOFTBALL	598	8,754	6,112	3,240
SOFTBALL BOOSTERS	-	20,193	9,782	10,411
CROSS COUNTRY	534	4,469	4,302	702
DANCE TEAM	1,160	4,006	3,889	1,277
FOOTBALL	6,271	27,557	28,216	5,612
FOOTBALL BOOSTERS	3,879	19,205	11,900	11,183
BOYS GOLF	-	-	-	-
TENNIS	1,478	4,165	2,962	2,681
TENNIS BOOSTERS	-	-	-	-
BOYS TRACK	1,603	3,653	3,427	1,829
GIRLS TRACK	724	3,109	2,414	1,419
TRACK BOOSTERS	411	2,512	2,294	629
VOLLEYBALL	1,700	8,469	8,709	1,460
WRESTLING	405	2,670	2,798	277
WRESTLING BOOSTERS	2,893	6,370	6,245	3,018
BAND FUND	270	5,037	5,306	-
BAND BOOSTERS	4,210	31,823	30,342	5,691
BETA CLUB	1,619	1,693	3,096	216
CHORUS	1,343	18,442	19,780	5
COMPUTER CLASS	2	-	2	-
CONCESSIONS ATHLETIC	3,781	26,090	24,984	4,886
TEACHERS DRINK FUND	1,239	1,547	1,778	1,008
COUNSELORS FUND	1,962	(1,287)	675	-
VOLLEYBALL DISTRICT	-	-	-	-
VOLLEYBALL REGIONAL	-	-	-	-
FCA	454	708	735	427
FFA	1,002	27,653	26,933	1,722
FFA FARM	7,252	3,866	11,118	-
AG SHOP	231	(231)	-	-
FFA-SOIL CONSERVATION	1,030	200	298	932
FLORAL DESIGN	90	-	90	-
FCCLA	472	-	-	472
FRESHMAN ACADEMY	883	(520)	363	-
FRIENDS OF RACHEL	470	668	817	321
GAMING	-	-	-	-
GENERAL	29,822	(6,574)	22,667	582
GENERAL STUDENT FEES	-	-	-	-
GOLF TEAM	3,018	5,641	6,332	2,326
FAMILY & CONSUMER SCIENCE	1,632	8,235	9,866	-
JOURNALISM	77	150	60	167
PROM	5,919	22,632	20,176	8,374
LIBRARY	2,314	(1,016)	1,297	-
GREENHOUSE	7,395	7,313	6,012	8,696
ENGLISH DEPARTMENT	578	(84)	493	-
FRENCH CLASS 1 THRU	-	-	-	-
PROJECT GRADUATION	1,129	23,985	23,631	1,483
PEP CLUB	1,669	898	1,242	1,325
PHYSICAL EDUCATION	503	490	993	-
PTSO	65	-	-	65
MATH DEPARTMENT	2,445	(2,021)	424	-
AP ENGLISH	25	(25)	-	-
BIOLOGY CLUB	-	-	-	-
SCIENCE LAB FEES	6,088	(2,618)	3,470	-
SENIOR CLASS	-	-	-	-
PROJECT LEAD THE WAY	1,795	(1,028)	767	-
SWIM TEAM	-	-	-	-
SPECIAL ED	260	194	454	-
SPECIAL ED PROJECT	790	(743)	48	-
SPEECH CLUB	73	4,680	4,217	537
STUDENT COUNCIL	345	672	366	651
TRI-M	225	536	483	278
WHHS	218	(218)	-	-
BUSINESS PRINCIPLES	-	-	-	-
FINE ARTS DEPARTMENT	334	(179)	155	-
GIRLS SOCCER	3,896	19,583	21,436	2,044
REGIONAL GIRLS SOCCER	-	3,825	3,825	-
REGIONAL BASEBALL	-	7,229	7,229	-
VO AG CLASS	447	127	574	-
38TH DISTRICT BASKETBALL	-	-	-	-
NEW BEGINNINGS LEARNING	-	-	-	-
VOCATIONAL DEPARTMENT	849	2	851	-
SOCIAL STUDIES DEPARTMENT	1,625	(840)	785	-
GIRLS GOLF	-	-	-	-
BOYS SOCCER DISTRICT	-	-	-	-
FBLA	-	-	-	-
BOYS SOCCER/REGIONAL	-	-	-	-
FRENCH CLUB	457	2,689	2,891	254
DISTRICT SOFTBALL	-	580	580	-
REGIONAL BASKETBALL	-	-	-	-
YOUTH SERVICES CENTER	1,503	50	366	1,187
YSC SHOE FUND	-	-	-	-
CAROL SMITH MEMORIAL	3,761	54	569	3,246
TOTALS	\$ 199,261	\$ 485,520	\$ 540,001	\$ 144,781

See the accompanying notes to the financial statements.

HARRISON COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Harrison 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 – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. At June 30, 2014, the District had received food commodities totaling \$119,077.

HARRISON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Expenditures
US Department of Agriculture				
Passed Through State Department of Education				
* School Breakfast Program	10.553			
Fiscal Year 13		7760005 13	\$ N/A	\$ 43,754
Fiscal Year 14		7760005 14	N/A	183,031
* National School Lunch Program	10.555			
Fiscal Year 13		7750002 13	N/A	155,751
Fiscal Year 14		7750002 14	N/A	634,136
* Summer Food Service Program for Children	10.559			
Fiscal Year 13		7740023 13	N/A	8,299
Fiscal Year 13		7690024 13	N/A	872
Child Nutrition Cluster Subtotal				<u>1,025,843</u>
Child and Adult Care Food Program	10.558			
Fiscal Year 13		7790021 13	N/A	3,656
Fiscal Year 13		7800016 13	N/A	286
Fiscal Year 14		7790021 14	N/A	3,644
Fiscal Year 14		7800016 14	N/A	481
				<u>8,067</u>
Passed Through State Department of Agriculture				
Food Donation-Commodities	10.565			
Fiscal Year 14		510.4950	N/A	119,077
Total US Department of Agriculture				<u>1,152,986</u>
US Department of Education				
Passed Through State Department of Education				
Title I Grants to Local Educational Agencies	84.010A			
Fiscal Year 12		3100002 12	873,824	44,984
Fiscal Year 13		3100002 13	858,337	99,384
Fiscal Year 14		3100002 14	773,869	730,834
				<u>875,202</u>
Rural Education	84.358			
Fiscal Year 14		3140002 14	54,804	38,336
Migrant Education-State Grant Programs	84.011A			
Fiscal Year 13		3110002 13	68,900	12,453
Fiscal Year 14		3110002 14	96,447	75,286
				<u>87,739</u>
Special Education Grants to States	84.027A			
Fiscal Year 13		3810002 13	662,787	81,381
Fiscal Year 14		3810002 14	617,665	617,665
				<u>699,046</u>
Special Education-Preschool Grants	84.173A			
Fiscal Year 13		3800002 13	23,719	14,944
Fiscal Year 14		3800002 14	23,307	23,307
				<u>38,251</u>
Special Education Cluster Subtotal				<u>737,296</u>
Vocation Education-Basic Grants to States	84.048			
Fiscal Year 13A		4611310 13	1,257	1,257
Fiscal Year 14		3710002 14	24,095	24,095
				<u>25,352</u>
Improving Teacher Quality State Grants	84.367A			
Fiscal Year 14		3230002 14	142,915	140,326
Total US Department of Education				<u>1,904,251</u>
US Department Health and Human Services				
Passed Through Kentucky School Board Association				
Medical Assistance Program	93.778			
Fiscal Year 14		110.4810	\$ N/A	48,656
Total US Department of Health and Human Services				<u>48,656</u>
Total Expenditure of Federal Awards				<u>\$ 3,105,894</u>

* Major Programs

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*

To the Harrison County Board of Education and
State Committee for School District Audits
Cynthiana, 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, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Auditor Responsibilities and State Compliance Requirements sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Harrison County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Harrison County School District's basic financial statements, and have issued our report thereon dated November 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Harrison County School District'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 Harrison County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Harrison County School District'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 Harrison County School District'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*.

In addition, the results of our tests disclosed no material deficiencies as it relates to specific state statutes or regulations identified in the audit requirements prescribed by the Kentucky State Committee for School District Audits included in the Kentucky Public School Districts' Audit Contract and Requirements or Appendices.

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.

White & Associates, P.C.

Richmond, Kentucky
November 10, 2014



INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Harrison County Board of Education and
State Committee for School District Audits
Cynthiana, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Harrison County School District’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 Harrison County School District’s major federal programs for the year ended June 30, 2014. Harrison County School District’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 Harrison County School District’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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the Auditor Responsibilities and State Compliance Requirements sections contained in the Kentucky Public School Districts’ Audit Contract and Requirements. 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 Harrison County School District’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 Harrison County School District’s compliance.

Opinion on Each Major Federal Program

In our opinion, Harrison County School District, 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, 2014.

Report on Internal Control Over Compliance

Management of Harrison County School District, 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 Harrison County School District'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 Harrison County School District'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.

White & Associates, P.C.

Richmond, Kentucky
November 10, 2014

HARRISON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2014

SUMMARY OF AUDITOR'S RESULTS

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed? If so, was any significant deficiencies material (GAGAS)?	None Reported
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None Reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that is required to be reported as described in Section 510(a) of OMB A-133?	No
Major Programs	Child Nutrition Cluster [CFDA 10.555, 10.553, 10.559]
Dollar threshold of Type A and B programs	\$300,000
Low risk auditee?	Yes

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
 AUDIT**

No findings at the major federal award programs level.

HARRISON COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014

There were no prior year findings.