

**HARRISON COUNTY SCHOOL DISTRICT**

**June 30, 2015**

*FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'  
REPORT INCLUDING SUPPLEMENTARY INFORMATION*

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## INDEPENDENT AUDITORS' REPORT

Kentucky State Committee for School District Audits and  
Members of the Board of Education  
Harrison County School District  
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 the Harrison County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Harrison County School 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.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of 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 to the Independent Auditors' Contract, Statement Compliance Requirements, Appendix I to the Independent Auditor's Contract – Audit Extension Request and Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report, Audit Acceptance Statement and Statement of Certification. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 1 through 5, and the budgetary comparison information, on pages 37 and 38, and the pension schedules on pages 39 and 40 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 combining and individual nonmajor fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, other 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 combining and individual nonmajor fund financial statements, other 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 12, 2015, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Harrison County School District's internal control over financial reporting and compliance

*VonLehman & Company Inc.*

**HARRISON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED**

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, 2015. 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 and investment balance, including activity funds for the District was \$5,941,005.
- The General Fund had \$22,326,263 (excluding inter-fund transfers of \$344,066) in revenue, which primarily consisted of the state program (SEEK), property, local occupational license taxes and motor vehicle taxes. The General Fund had expenditures of \$22,474,761 (excluding inter-fund transfers of \$106,021).
- 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 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) district-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net 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 are also supported by taxes and intergovernmental revenues. The district-wide financial statements can be found on pages 6 and 7 of this report.

**HARRISON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds of the District include its food service operations and daycare operations. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on pages 8 through 11 of this report.

Notes to the financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 36 of this report.

**District-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 \$5,265,541 as of June 30, 2015.

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 are 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  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

**Net Position for the Periods Ending June 30, 2015 and 2014**

	June 30,	
	2015	2014 (As Restated)
Current Assets	\$ 4,342,207	\$ 4,714,899
Noncurrent Assets	20,253,635	20,636,380
Total Assets	24,595,842	25,351,279
Deferred Outflows of Resources	816,117	883,885
Total Assets and Deferred Outflows of Resources	25,411,959	26,235,164
Current Liabilities	1,462,342	1,653,200
Noncurrent Liabilities	18,086,689	19,519,835
Total Liabilities	19,549,031	21,173,035
Deferred Inflows of Resources	597,387	-
Total Liabilities and Deferred Inflows of Resources	20,146,418	21,173,035
Investment in Capital Assets (Net of Debt)	6,762,051	6,160,570
Restricted	403,318	1,368,223
Unrestricted	(1,899,828)	(2,466,664)
Total Net Position	\$ 5,265,541	\$ 5,062,129

**Comments on Budget Comparisons**

- The District's total general fund revenues for the fiscal year ended June 30, 2015, excluding inter-fund transfers, were \$22,326,263.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$508,967 in excess of budget, or approximately 2.3%. This is partially a result of the District recording more "on behalf" payments made by the state than expected.
- The total cost of all programs and services, net of inter-fund transfers, in the General Fund, was \$22,474,761.
- General fund actual expenditures were less than budgeted expenditures by \$2,588,367. This is mainly a result of the District not spending as much in student transportation as expected as well as not using the contingency.
- The District recorded On-Behalf payments as revenues and expenditures during the fiscal year. The On-Behalf revenues and expenditures were included in the budget.

**HARRISON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2015 and 2014.

	June 30,	
	2015	2014 (As Restated)
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$ 834,635	\$ 1,126,994
Operating Grants and Contributions	4,506,927	4,371,436
Capital Grants and Contributions	1,479,010	757,442
Total Program Revenues	6,820,572	6,255,872
General Revenues		
Taxes	5,987,255	5,835,685
Federal and State Aid not Restricted to Specific Purposes	16,636,288	16,087,443
Investment Earnings	5,491	24,479
Miscellaneous	78,741	(2,738)
Total General Revenues	22,707,775	21,944,869
Total Revenues	29,528,347	28,200,741
<b>Expenses</b>		
Instructional	14,125,076	13,717,596
Student Support Services	1,481,360	1,272,943
Instructional Staff Support Services	1,424,150	1,118,853
District Administration	735,936	677,509
School Administration	1,693,273	1,602,083
Business Support Services	836,228	793,840
Plant Operation and Maintenance	2,549,907	2,484,381
Student Transportation	1,344,790	1,243,573
Community Services	291,900	277,532
Day Care Operations	195,966	189,081
Depreciation Expense	1,234,365	1,175,609
Building Improvements	8,276	27,037
Pension Expense	1,143,042	-
Interest on Long-Term Debt	445,686	490,752
Food Service	1,814,980	1,865,800
Total Expenses	29,324,935	26,936,589
<b>Change in Net Position</b>	\$ 203,412	\$ 1,264,152

**HARRISON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(Continued)**

**Capital Assets**

At the end of fiscal year 2015, the District had a total of approximately \$20.3 million in capital assets net of accumulated depreciation, including approximately \$20.2 million for governmental activities and approximately \$85,000 for business type activities. Current year capital asset additions totaled approximately \$856,000.

**Debt**

At June 30, 2015, the District had approximately \$13.5 million in outstanding bonds. There were no new bond issuances during fiscal year 2015.

**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 calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget with \$2,367,503 in contingency (9.4%). Significant District action that impacts the finances include a minimum 1% pay raise for all employees.

**Contacting the District's Financial Management**

Questions regarding this report should be directed to the Superintendent, Mr. Andy Dotson or the Director of Finance, Ms. Julie Asher, at (859) 234-7110 or by mail at Harrison County School District, 308 Webster Avenue, Cynthiana, Kentucky 41031.

**HARRISON COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

	Governmental Activities	Business- Type Activities	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 1,795,329	\$ 14,885	\$ 1,810,214
Short Term Investments	2,000,000	-	2,000,000
Accounts Receivable	501,308	8,478	509,786
Inventories	-	22,207	22,207
Total Current Assets	<u>4,296,637</u>	<u>45,570</u>	<u>4,342,207</u>
<b>Noncurrent Assets</b>			
Nondepreciable Capital Assets			
Land	1,164,371	-	1,164,371
Construction in Progress	351,664	-	351,664
Depreciable Capital Assets			
Land Improvements	76,900	-	76,900
Buildings and Improvements	36,134,803	-	36,134,803
Infrastructure	84,283	-	84,283
Vehicles	2,858,669	-	2,858,669
Technology Equipment	708,803	12,391	721,194
General Equipment	741,840	580,557	1,322,397
Less Accumulated Depreciation	<u>(21,952,859)</u>	<u>(507,787)</u>	<u>(22,460,646)</u>
Total Noncurrent Assets	<u>20,168,474</u>	<u>85,161</u>	<u>20,253,635</u>
Total Assets	<u>24,465,111</u>	<u>130,731</u>	<u>24,595,842</u>
<b>Deferred Outflows of Resources</b>			
Deferred Loss on Refundings	141,643	-	141,643
Contributions After Measurement Date	564,597	109,877	674,474
Total Deferred Outflows of Resources	<u>706,240</u>	<u>109,877</u>	<u>816,117</u>
Total Assets and Deferred Outflows of Resources	<u>25,171,351</u>	<u>240,608</u>	<u>25,411,959</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Current Portion of Bonds Payable	1,006,117	-	1,006,117
Current Portion of Accrued Sick Leave	61,404	-	61,404
Accounts Payable	147,217	3,529	150,746
Accrued Payroll and Related Expenses	5,993	-	5,993
Accrued Interest	69,213	-	69,213
Funds Received in Excess of Revenues Earned	168,869	-	168,869
Total Current Liabilities	<u>1,458,813</u>	<u>3,529</u>	<u>1,462,342</u>
<b>Noncurrent Liabilities</b>			
Noncurrent Portion of Accrued Sick Leave	249,462	-	249,462
Noncurrent Portion of Bonds Payable	12,485,467	-	12,485,467
Net Pension Liability	4,479,914	871,846	5,351,760
Total Noncurrent Liabilities	<u>17,214,843</u>	<u>871,846</u>	<u>18,086,689</u>
Total Liabilities	<u>18,673,656</u>	<u>875,375</u>	<u>19,549,031</u>
<b>Deferred Inflows of Resources</b>			
Net Difference Between Projected and Actual Investment Earnings	500,067	97,320	597,387
Total Liabilities and Deferred Inflows of Resources	<u>19,173,723</u>	<u>972,695</u>	<u>20,146,418</u>
<b>Net Position</b>			
Invested in Capital Assets, Net of Related Debt Restricted for	6,676,890	85,161	6,762,051
Capital Projects	73,131	-	73,131
Building Fund	103,129	-	103,129
Construction Fund	227,058	-	227,058
Unrestricted	<u>(1,082,580)</u>	<u>(817,248)</u>	<u>(1,899,828)</u>
Total Net Position	<u>\$ 5,997,628</u>	<u>\$ (732,087)</u>	<u>\$ 5,265,541</u>

See accompanying notes.

**HARRISON COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total
<b>Governmental Activities</b>							
Instructional	\$ 14,125,076	\$ 4,998	\$ 2,256,377	\$ -	\$ (11,863,701)	\$ -	\$ (11,863,701)
Support Services							
Student	1,481,360	223,926	208,776	-	(1,048,658)	-	(1,048,658)
Instructional Staff	1,424,150	-	237,929	-	(1,186,221)	-	(1,186,221)
District Administration	735,936	-	-	-	(735,936)	-	(735,936)
School Administration	1,693,273	-	-	-	(1,693,273)	-	(1,693,273)
Business Support Services	836,228	-	-	-	(836,228)	-	(836,228)
Plant Operation and Maintenance	2,549,907	-	92,319	786,592	(1,670,996)	-	(1,670,996)
Student Transportation	1,344,790	7,639	-	-	(1,337,151)	-	(1,337,151)
Community Services	291,900	-	252,393	-	(39,507)	-	(39,507)
Day Care Operations	4,707	-	-	-	(4,707)	-	(4,707)
Depreciation Expense	1,219,037	-	-	-	(1,219,037)	-	(1,219,037)
Building Improvements	8,276	-	-	345,101	336,825	-	336,825
Pension Expense	948,793	-	-	-	(948,793)	-	(948,793)
Interest on Long-Term Debt	445,686	-	-	347,317	(98,369)	-	(98,369)
Total Governmental Activities	<u>27,109,119</u>	<u>236,563</u>	<u>3,047,794</u>	<u>1,479,010</u>	<u>(22,345,752)</u>	<u>-</u>	<u>(22,345,752)</u>
<b>Business-Type Activities</b>							
Food Service Operations	1,814,980	497,150	1,459,133	-	-	141,303	141,303
Day Care Operations	191,259	100,922	-	-	-	(90,337)	(90,337)
Depreciation Expense	15,328	-	-	-	-	(15,328)	(15,328)
Pension Expense	194,249	-	-	-	-	(194,249)	(194,249)
Total Business-Type Activities	<u>2,215,816</u>	<u>598,072</u>	<u>1,459,133</u>	<u>-</u>	<u>-</u>	<u>(158,611)</u>	<u>(158,611)</u>
<b>Total School District</b>	<u>\$ 29,324,935</u>	<u>\$ 834,635</u>	<u>\$ 4,506,927</u>	<u>\$ 1,479,010</u>	<u>(22,345,752)</u>	<u>(158,611)</u>	<u>(22,504,363)</u>
<b>General Revenues</b>							
Taxes					5,987,255	-	5,987,255
Federal and State Aid not Restricted to Specific Purposes					16,636,288	-	16,636,288
Operating Transfers (Out) In					(40,504)	40,504	-
Investment Earnings					5,487	4	5,491
Miscellaneous					78,741	-	78,741
Total General Revenues					<u>22,667,267</u>	<u>40,508</u>	<u>22,707,775</u>
<b>Change in Net Position</b>					321,515	(118,103)	203,412
<b>Net Position July 1, 2014 (As Restated)</b>					<u>5,676,113</u>	<u>(613,984)</u>	<u>5,062,129</u>
<b>Net Position June 30, 2015</b>					<u>\$ 5,997,628</u>	<u>\$ (732,087)</u>	<u>\$ 5,265,541</u>

See accompanying notes.

**HARRISON COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 1,260,434	\$ (116,977)	\$ -	\$ 651,872	\$ 1,795,329
Short Term Investments	2,000,000	-	-	-	2,000,000
Accounts Receivable	207,268	294,040	-	-	501,308
<b>Total Assets</b>	<b>\$ 3,467,702</b>	<b>\$ 177,063</b>	<b>\$ -</b>	<b>\$ 651,872</b>	<b>\$ 4,296,637</b>
<b>Liabilities</b>					
Accounts Payable	\$ 98,455	\$ 8,194	\$ -	\$ 40,568	\$ 147,217
Accrued Payroll and Related Expenses	5,993	-	-	-	5,993
Deferred Revenues	-	168,869	-	-	168,869
<b>Total Liabilities</b>	<b>104,448</b>	<b>177,063</b>	<b>-</b>	<b>40,568</b>	<b>322,079</b>
<b>Fund Balances</b>					
<b>Restricted</b>					
Capital Outlay Fund	-	-	-	73,131	73,131
Building Fund	-	-	-	103,129	103,129
Construction Fund	-	-	-	227,058	227,058
<b>Assigned</b>					
District Activity Fund	-	-	-	207,986	207,986
Accumulated Sick Leave	155,433	-	-	-	155,433
Site-Based Carryforward	37,876	-	-	-	37,876
Unassigned	3,169,945	-	-	-	3,169,945
<b>Total Fund Balances</b>	<b>3,363,254</b>	<b>-</b>	<b>-</b>	<b>611,304</b>	<b>3,974,558</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,467,702</b>	<b>\$ 177,063</b>	<b>\$ -</b>	<b>\$ 651,872</b>	<b>\$ 4,296,637</b>

See accompanying notes.

**HARRISON COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

Amounts reported for governmental activities in the statement of net position are different because:

Total Governmental Funds Balance		\$ 3,974,558
Capital assets used in governmental activities are not financial resources and; therefore, are not reported as assets in governmental funds.		
Cost of Capital Assets	\$ 42,121,333	
Accumulated Depreciation	<u>(21,952,859)</u>	20,168,474
Deferred loss on refunding, net is not a financial resource and therefore are not reported as assets in governmental funds		141,643
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Contributions After Measurement Date		564,597
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		(500,067)
Long-term liabilities, including bonds payable, are not due and payable in the current period and; therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	13,650,000	
Discounts on Bonds, Net	(158,416)	
Accrued Interest on Bonds	69,213	
Accumulated Sick Leave	310,866	
Net Pension Liability	<u>4,479,914</u>	<u>(18,351,577)</u>
<b>Total Net Position - Governmental Activities</b>		<b>\$ <u><u>5,997,628</u></u></b>

See accompanying notes.

**HARRISON COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015**

	General Fund	Special Revenue Funds	Debt Service Funds	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 5,478,493	\$ -	\$ -	\$ 508,762	\$ 5,987,255
Earnings on Investments	5,177	12	-	298	5,487
State Sources	16,636,289	1,045,061	347,317	786,592	18,815,259
Federal Sources	142,051	1,740,611	-	-	1,882,662
Other Sources	64,253	132,193	-	588,099	784,545
<b>Total Revenues</b>	<b>22,326,263</b>	<b>2,917,877</b>	<b>347,317</b>	<b>1,883,751</b>	<b>27,475,208</b>
<b>Expenditures</b>					
Instructional	12,168,834	1,966,483	-	182,850	14,318,167
Support Services					
Student	1,299,372	188,834	-	15,969	1,504,175
Instructional Staff	1,076,182	306,545	-	41,646	1,424,373
District Administration	916,822	-	-	-	916,822
School Administration	1,767,198	-	-	-	1,767,198
Business	822,323	56,447	-	-	878,770
Plant Operation and Maintenance	2,691,111	33,943	-	-	2,725,054
Student Transportation	1,669,749	96,289	-	1,777	1,767,815
Community Services	63,170	267,221	-	-	330,391
Day Care Operations	-	4,707	-	-	4,707
Building Improvements	-	-	-	475,002	475,002
Debt Service					
Principal	-	-	995,000	-	995,000
Interest	-	-	425,736	-	425,736
<b>Total Expenditures</b>	<b>22,474,761</b>	<b>2,920,469</b>	<b>1,420,736</b>	<b>717,244</b>	<b>27,533,210</b>
(Deficit) Excess of Revenues Over Expenditures	(148,498)	(2,592)	(1,073,419)	1,166,507	(58,002)
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In	344,066	121,517	1,073,419	60,109	1,599,111
Operating Transfers Out	(106,021)	(118,925)	-	(1,414,669)	(1,639,615)
<b>Total Other Financing Sources (Uses)</b>	<b>238,045</b>	<b>2,592</b>	<b>1,073,419</b>	<b>(1,354,560)</b>	<b>(40,504)</b>
Net Change in Fund Balance	89,547	-	-	(188,053)	(98,506)
<b>Fund Balance July 1, 2014</b>	<b>3,273,707</b>	<b>-</b>	<b>-</b>	<b>799,357</b>	<b>4,073,064</b>
<b>Fund Balance June 30, 2015</b>	<b>\$ 3,363,254</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 611,304</b>	<b>\$ 3,974,558</b>

See accompanying notes.

**HARRISON COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015**

**Net Changes in Total Fund Balances Per Fund Financial Statements** \$ (98,506)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays for the year.

Depreciation Expense	\$ (1,219,037)	
Capital Outlays	<u>855,690</u>	(363,347)

The difference between the proceeds related to the sale of capital assets and the net book value of those assets disposed of during the year is shown as a loss on disposal of capital assets on the statement of activities while this is not reported in governmental funds as the costs of these capital assets were reported as an expenditure at the time of acquisition. (4,070)

Discounts on bonds are reported in the governmental funds as an other financing source. However, for governmental activities those items are shown in the statement of net position and allocated over the term of the bond in the statement of activities. This is the amount of current year amortization of the discount. (13,883)

Repayment of bond principal is an expenditure in the governmental funds but, it reduces long-term liabilities in the statement of net position and does not affect the statement of activities. 995,000

In the statement of activities, compensated absences (sick leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these amounts are measured by the amount of financial resources used (essentially, the amounts actually paid.) The difference in expenses reported in the statement of activities is as a result of the change in accumulated sick leave. 33,552

KSBIT Insurance Assessment Liability 163,032

Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District Pension Contributions - June 30, 2014	(590,228)	
District Pension Contributions - June 30, 2015	564,597	
Cost of Benefits Earned Net of Employee Contributions	<u>(358,565)</u>	(384,196)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The difference in interest expense reported in the statement of activities is as a result of (1) the change in accrued interest on bonds and (2) refunding losses and gains not expended within the fund statements. (6,067)

**Change in Net Position of Governmental Activities** \$ 321,515

See accompanying notes.

**HARRISON COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015**

	<u>Food Service Fund</u>	<u>Daycare Operations Fund</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 22,284	\$ (7,399)	\$ 14,885
Accounts Receivable	1,016	7,462	8,478
Inventories for Consumption	<u>22,207</u>	<u>-</u>	<u>22,207</u>
Total Current Assets	<u>45,507</u>	<u>63</u>	<u>45,570</u>
<b>Noncurrent Assets</b>			
Furniture and Equipment	590,999	1,949	592,948
Less Accumulated Depreciation	<u>(505,838)</u>	<u>(1,949)</u>	<u>(507,787)</u>
Total Noncurrent Assets	<u>85,161</u>	<u>-</u>	<u>85,161</u>
Total Assets	130,668	63	130,731
<b>Deferred Outflows of Resources</b>			
Contributions After Measurement Date	<u>88,470</u>	<u>21,407</u>	<u>109,877</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ <u>219,138</u></b>	<b>\$ <u>21,470</u></b>	<b>\$ <u>240,608</u></b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 3,466	\$ 63	\$ 3,529
<b>Noncurrent Liabilities</b>			
Net Pension Liability	<u>701,986</u>	<u>169,860</u>	<u>871,846</u>
Total Liabilities	705,452	169,923	875,375
<b>Deferred Inflows of Resources</b>			
Net Difference Between Projected and Actual Investment Earnings	<u>78,359</u>	<u>18,961</u>	<u>97,320</u>
Total Liabilities and Deferred Inflows of Resources	<u>783,811</u>	<u>188,884</u>	<u>972,695</u>
<b>Net Position</b>			
Invested in Assets, Net of Debt	85,161	-	85,161
Unrestricted	<u>(649,834)</u>	<u>(167,414)</u>	<u>(817,248)</u>
Total Net Position	<u>(564,673)</u>	<u>(167,414)</u>	<u>(732,087)</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ <u>219,138</u></b>	<b>\$ <u>21,470</u></b>	<b>\$ <u>240,608</u></b>

See accompanying notes.

**HARRISON COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015**

	<b>Food Service Fund</b>	<b>Daycare Operations Fund</b>	<b>Total</b>
<b>Operating Revenues</b>			
Lunchroom Sales	\$ 497,150	\$ -	\$ 497,150
Tuition	-	100,922	100,922
	<u>497,150</u>	<u>100,922</u>	<u>598,072</u>
<b>Total Operating Revenues</b>			
	<u>497,150</u>	<u>100,922</u>	<u>598,072</u>
<b>Operating Expenses</b>			
Salaries and Benefits	779,067	175,364	954,431
Contract Services	46,725	646	47,371
Materials and Supplies	981,648	9,357	991,005
Depreciation	15,152	176	15,328
Pension Expense	158,254	35,995	194,249
Other Operating Expenses	7,540	5,892	13,432
	<u>1,988,386</u>	<u>227,430</u>	<u>2,215,816</u>
<b>Total Operating Expenses</b>			
	<u>1,988,386</u>	<u>227,430</u>	<u>2,215,816</u>
<b>Operating Loss</b>	<u>(1,491,236)</u>	<u>(126,508)</u>	<u>(1,617,744)</u>
<b>Non-Operating Revenues</b>			
Federal Grants	1,087,902	10,907	1,098,809
State Grants	196,850	60,333	257,183
Donated Commodities and Other Donations	103,141	-	103,141
Transfers	-	40,504	40,504
Interest Income	4	-	4
	<u>1,387,897</u>	<u>111,744</u>	<u>1,499,641</u>
<b>Total Non-Operating Revenues</b>			
	<u>1,387,897</u>	<u>111,744</u>	<u>1,499,641</u>
<b>Net Loss</b>	(103,339)	(14,764)	(118,103)
<b>Net Position July 1, 2014 (As Restated)</b>	<u>(461,334)</u>	<u>(152,650)</u>	<u>(613,984)</u>
<b>Net Position June 30, 2015</b>	<u>\$ (564,673)</u>	<u>\$ (167,414)</u>	<u>\$ (732,087)</u>

See accompanying notes.

**HARRISON COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015**

	<u>Food Service Fund</u>	<u>Daycare Operations Fund</u>	<u>Total</u>
<b>Cash Flows From Operating Activities</b>			
Cash Received from Lunchroom Sales	\$ 528,030	\$ -	\$ 528,030
Cash Received from Other Activities	-	102,656	102,656
Cash Payments to Employees for Services	(867,537)	(196,771)	(1,064,308)
Cash Payments to Suppliers for Goods and Services	(937,921)	(16,829)	(954,750)
Cash Transfers	-	40,504	40,504
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net Cash Used by Operating Activities	(1,277,428)	(70,440)	(1,347,868)
<b>Cash Flows From Non Capital Financing Activities</b>			
Federal and State Grants	1,284,752	71,240	1,355,992
<b>Cash Flows From Investing Activities</b>			
Interest on Investments	<u>4</u>	<u>-</u>	<u>4</u>
	<u>7,328</u>	<u>800</u>	<u>8,128</u>
Net Increase in Cash and Cash Equivalents			
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>14,956</u>	<u>(8,199)</u>	<u>6,757</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 22,284</u>	<u>\$ (7,399)</u>	<u>\$ 14,885</u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</b>			
Operating Loss	\$ (1,491,236)	\$ (126,508)	\$ (1,617,744)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities</b>			
Depreciation	15,152	176	15,328
Interfund Transfers	-	40,504	40,504
Donated Commodities Received from Federal Government	103,141	-	103,141
Change in Assets and Liabilities			
Decrease in Accounts Receivable	30,880	1,734	32,614
Increase in Inventories for Consumption	(8,243)	-	(8,243)
Decrease in Deferred Outflows of Resources	13,598	993	14,591
Increase (Decrease) in Accounts Payable	3,094	(934)	2,160
Decrease in Net Pension Liability	(22,173)	(5,366)	(27,539)
Increase in Deferred Inflows of Resources	<u>78,359</u>	<u>18,961</u>	<u>97,320</u>
<b>Net Cash Used by Operating Activities</b>	<u>\$ (1,277,428)</u>	<u>\$ (70,440)</u>	<u>\$ (1,347,868)</u>

See accompanying notes.

**HARRISON COUNTY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015**

	<b>School Activity Funds</b>	<b>Private Purpose Trust Funds</b>	<b>Fiduciary Funds Total</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 159,436	\$ 468,424	\$ 627,860
Short Term Investments	-	1,300,000	1,300,000
Accounts Receivable	6,060	-	6,060
Total Assets	165,496	1,768,424	1,933,920
<b>Liabilities</b>			
Accounts Payable	171	-	171
Due to Student Groups			
High School Activity Funds	144,642	-	144,642
Elementary and Middle School Activity Funds	20,683	-	20,683
Total Liabilities	165,496	-	165,496
<b>Net Position</b>			
Held in Trust	\$ -	\$ 1,768,424	\$ 1,768,424

See accompanying notes.

**HARRISON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2015**

		<b>Private Purpose Trust Funds</b>
<b>Additions</b>		
Trust Activities	\$	68,834
<b>Deductions</b>		
Benefits Paid		<u>38,299</u>
Increase in Net Position		30,535
<b>Net Position July 1, 2014</b>		<u>1,737,889</u>
<b>Net Position June 30, 2015</b>	\$	<u><u>1,768,424</u></u>

See accompanying notes.

## **HARRISON COUNTY SCHOOL DISTRICT NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Reporting Entity**

The Harrison County Board of Education (the Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Harrison County School District (the District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding 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. District members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Harrison County School District. 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 District. 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 School District Finance Corporation – The Board resolved to authorize the establishment of the Harrison County Board of Education Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The District Members of the Harrison County Board of Education also comprise the Corporation's Board of Directors.

#### **Basis of Presentation**

District-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 district-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 district-wide statements and the statements for governmental funds.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

The District has the following funds:

**I. Governmental Fund Types**

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of 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 on page 47. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
  - The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
  - The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. No budgetary comparison is presented as this fund does not have a legally adopted budget.
- (D) 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. No budgetary comparison is presented as this fund does not have a legally adopted budget.

**II. Proprietary Fund Types (Enterprise Funds)**

- (A) 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. The Food Service Fund is a major fund of the District.
- (B) The Day Care Fund is used to account for child care activities of the District. The District applies all Governmental Accounting Standards District (GASB) pronouncements to Proprietary Funds.

**III. Fiduciary Fund Type (Agency and Trust Funds)**

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

**Basis of Accounting**

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental Funds use the modified accrual basis of accounting. Proprietary and Fiduciary Funds also use the accrual basis of accounting.

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 resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before they can be recognized.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Funds Received in Excess of Revenues Earned - Funds received exceeds revenues earned when assets are recognized before revenue recognition criteria have been satisfied.

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

Restricted and Unrestricted Resources – When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as needed.

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 as an expense with a like amount reported as donated commodities 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.

**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 District. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

**Budgetary Process**

The District’s budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. In Kentucky, the public school fiscal year is July 1 through June 30. Some programs relating to federal and state grants operate on a different fiscal year but are nevertheless reflected in the overall budget.

**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.

**Short Term Investments**

Short term investments include certificate of deposits and are stated at cost, which approximates fair value.

**Inventories**

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets**

General capital assets are those assets not specifically related to activities reported in the Proprietary Funds. These assets generally result from expenditures in the Governmental Funds. These assets are reported in the governmental activities column of the district-wide statement of net 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 district-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 \$5,000, with the exception of computers, digital cameras and real property, for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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:

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	12 Years
Furniture and Fixtures	7 Years
Infrastructure	10 Years

**Accumulated Unpaid Sick Leave Benefits**

Upon retirement from the school system, an employee will receive from the District, an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

**Interfund Balances**

On the 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 statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**Accrued Liabilities and Long-Term Obligations**

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In general, payables and accrued liabilities that will be paid from Governmental Funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the 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 Balance Reserves**

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Non-spendable fund balance* - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- *Restricted fund balance* - amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed fund balance* - amounts constrained to specific purposes by the District itself, using its decision making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.
- *Assigned fund balance* - amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District, or by an official or body, to which the District delegates the authority.
- *Unassigned fund balance* - amounts that are available for purpose; positive amounts are reported only in the General Fund.

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

**Encumbrances**

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

**Pensions**

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Net Position**

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

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the Proprietary Funds. For the District, those revenues are primarily charges for meals provided by the various schools and charges for the Day Care services provided to parents. Expenses are primarily payroll, food costs, and supply purchases.

**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 as non-operating revenues/expenses in Proprietary Funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Use of Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.



**NOTE 4 - CAPITAL ASSETS**

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

	Beginning Balance	Additions / Transfers	Deductions / Transfers	Ending Balance
<b>Governmental Activities</b>				
Land	\$ 1,164,371	\$ -	\$ -	\$ 1,164,371
Construction In Progress	4,069,202	466,726	(4,184,264)	351,664
Land Improvements	76,900	-	-	76,900
Buildings & Improvements	31,903,289	4,231,514	-	36,134,803
Infrastructure	84,283	-	-	84,283
Technology Equipment	1,001,570	5,103	(297,870)	708,803
Vehicles	2,962,972	306,520	(410,823)	2,858,669
General Equipment	711,749	30,091	-	741,840
Total at Historical Cost	<u>41,974,336</u>	<u>5,039,954</u>	<u>(4,892,957)</u>	<u>42,121,333</u>
<b>Less Accumulated Depreciation</b>				
Land Improvements	17,500	-	-	17,500
Buildings & Improvements	18,161,133	886,279	-	19,047,412
Infrastructure	24,673	4,214	-	28,887
Technology Equipment	2,039,636	108,494	(297,870)	1,850,260
Vehicles	787,378	172,565	(406,753)	553,190
General Equipment	408,125	47,485	-	455,610
Total Accumulated Depreciation	<u>21,438,445</u>	<u>1,219,037</u>	<u>(704,623)</u>	<u>21,952,859</u>
<b>Governmental Activities Capital Assets, Net</b>				
	<u>\$ 20,535,891</u>	<u>\$ 3,820,917</u>	<u>\$ (4,188,334)</u>	<u>\$ 20,168,474</u>
<b>Business-Type Activities</b>				
Technology Equipment	\$ 14,653	\$ -	\$ (2,262)	\$ 12,391
General Equipment	580,557	-	-	580,557
Total at Historic Cost	<u>595,210</u>	<u>-</u>	<u>(2,262)</u>	<u>592,948</u>
<b>Less Accumulated Depreciation</b>				
Technology Equipment	8,558	2,264	(2,262)	8,560
General Equipment	486,163	13,064	-	499,227
Total Accumulated Depreciation	<u>494,721</u>	<u>15,328</u>	<u>(2,262)</u>	<u>507,787</u>
<b>Business-Type Activities Capital Assets, Net</b>				
	<u>\$ 100,489</u>	<u>\$ (15,328)</u>	<u>\$ -</u>	<u>\$ 85,161</u>

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

**NOTE 5 - DEBT AND LEASE OBLIGATIONS**

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued by the Harrison County School District Finance Corporation.

The following is a summary of the District's long-term debt transactions for the year ended June 30, 2015.

	Amount of Debt Outstanding July 1, 2014	Additions	Reductions	Debt Outstanding June 30, 2015	Amounts Expected to be Paid Within One Year
Governmental Activities					
General Obligation					
Bonds	\$ 14,645,000	\$ -	\$ 995,000	\$ 13,650,000	\$ 1,020,000
Unamortized Discount	(172,299)	-	(13,883)	(158,416)	(13,883)
	<u>\$ 14,472,701</u>	<u>\$ -</u>	<u>\$ 981,117</u>	<u>\$ 13,491,584</u>	<u>\$ 1,006,117</u>

The repayment of general obligation bonds includes the following:

Paid by the District	\$ 732,869
Paid by the Kentucky School Facility Construction Commission	<u>262,131</u>
	<u>\$ 995,000</u>

**Bonds**

The District, through the General Fund, (including Facility Support Program of Kentucky Fund (FSPK) and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the sponsoring governmental entity to construct school facilities.

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

**NOTE 5 - DEBT AND LEASE OBLIGATIONS (Continued)**

The original amount of each outstanding issue, the issue date, interest rates and outstanding balances at June 30, 2015 are summarized below:

<u>Issue Date</u>	<u>Original Amount</u>	<u>Interest</u>	<u>Outstanding Balance at June 30, 2015</u>
May, 2008	\$ 5,595,000	3.00 - 3.90 %	\$ 4,765,000
June, 2008	3,110,000	2.25 - 3.50	1,115,000
September, 2010	1,075,000	0.60 - 2.60	730,000
April, 2012	2,210,000	0.50 - 2.25	870,000
June, 2012	995,000	1.15 - 3.20	1,950,000
January, 2013	4,300,000	1.00 - 3.00	4,220,000
Less: Unamortized Bond Discounts			<u>(158,416)</u>
			<u>\$ 13,491,584</u>

All issues may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2015 for debt service (principal and interest) are as follows:

<u>Fiscal Year</u>	<u>Harrison County School District</u>		<u>KY School Facilities Construction Commission</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015-16	\$ 753,221	\$ 319,898	\$ 266,779	\$ 80,881	\$ 1,420,779
2016-17	755,532	297,970	254,468	75,462	1,383,432
2017-18	780,230	275,543	259,770	69,698	1,385,241
2018-19	672,814	251,062	252,186	63,284	1,239,346
2019-20	697,757	230,549	257,243	57,214	1,242,763
2020-21	717,539	210,903	262,461	50,983	1,241,886
2021-22	617,150	190,510	267,850	44,584	1,120,094
2022-23	636,511	172,680	278,489	37,932	1,125,612
2023-24	650,212	153,585	264,788	30,784	1,099,369
2024-25	623,344	134,522	116,656	25,249	899,771
2025-26	645,811	115,020	124,189	21,341	906,361
2026-27	668,129	94,545	126,871	17,148	906,693
2027-28	690,328	72,193	134,672	12,832	910,025
2028-29	305,000	48,750	60,000	8,000	421,750
2029-30	315,000	39,600	60,000	6,080	420,680
2030-31	325,000	30,150	65,000	4,160	424,310
2031-32	335,000	20,400	65,000	2,080	422,480
2032-33	<u>345,000</u>	<u>10,350</u>	<u>-</u>	<u>-</u>	<u>355,350</u>
	<u>\$ 10,533,578</u>	<u>\$ 2,668,230</u>	<u>\$ 3,116,422</u>	<u>\$ 607,712</u>	<u>\$ 16,925,942</u>

**NOTE 6 - ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon providing proof of qualification as an annuitant from the Kentucky Teachers' Retirement System, certified and classified employees will receive from the District, an amount equal to 30% of the value of accumulated sick leave. At June 30, 2015, this amount totaled approximately \$310,866 for those employees with twenty-seven or more years of experience. The District has assigned \$155,433 of its General Fund for unpaid sick leave benefits.

Changes in the District's compensated absences during fiscal year 2015 were as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Expected to be Paid Within One Year
Governmental Activities Accumulated Sick Leave	\$ 344,418	\$ -	\$ 33,552	\$ 310,866	\$ 61,404

The accumulated sick leave liability will be liquidated by the General Fund.

**NOTE 7 - COMMITMENTS UNDER NONCAPITALIZED LEASES**

The District has operating leases for twenty-seven copiers for sixty months at \$4,697 per month expiring in January, 2018 and three mailing systems for 48 months at \$150 per quarter expiring in June, 2016. Expenditures for the equipment under these operating leases totaled \$58,164 for the year ended June 30, 2015.

Future minimum rental lease payments under the leases are as follows:

Years Ended June 30,	
2016	\$ 58,164
2017	56,364
2018	<u>32,879</u>
Total	<u>\$ 147,407</u>

**NOTE 8 - RETIREMENT PLANS**

The District's total payroll for the year was \$16,113,978. The payroll for employees covered under the following plans totaled \$15,970,253.

**Kentucky Teachers' Retirement System**

Certified employees participate in the Kentucky Teachers' Retirement System (KTRS), which is a cost sharing, multiple-employer retirement system created by, and operating under, Kentucky law.

The Kentucky Teachers' Retirement System covers all regular certified full-time employees of each school district. The plan provides for retirement, disability and death benefits. KTRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601-3800.

**NOTE 8 - RETIREMENT PLANS (Continued)**

Participating employees contribute 12.105% of creditable compensation. Matching contributions are made by the state. These on behalf payments are reflected in the District's financial records and amounted to \$1,830,889 for 2015. The matching contributions are paid by the federal program for any salaries paid by that program. Such contribution rates are determined by the District of Trustees of Kentucky Retirement Systems. The District contributed 15.355% of the employee's compensation paid by federal programs for the fiscal year ended June 30, 2015. In addition, the District contributed 2.25% of the employee's compensation to the retiree medical insurance fund for employees who are not in federally funded positions.

The District's required contributions for pension obligations to KTRS for the fiscal years ended June 30, 2015, 2014, and 2013 were \$1,891,670 (composed of \$423,225 from the District and \$1,468,445 from the employees), \$1,674,683, and \$1,780,741, respectively; 100% has been contributed for fiscal years 2015, 2014, and 2013.

**County Employees Retirement System**

*Plan description:* County Employees Retirement System (CERS) consists of two plans, Nonhazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in nonhazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS.

*Benefits provided:* These systems provide for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

<b>Retirement Eligibility for Members Whose Participation Began Before 09/01/2008</b>		
<b>Age</b>	<b>Years of Service</b>	<b>Allowance Reduction</b>
65	4	None
Any	27	None
55	5	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.

<b>Retirement Eligibility for Members Whose Participation Began On or After 09/01/2008</b>		
<b>Age</b>	<b>Years of Service</b>	<b>Allowance Reduction</b>
65	5	None
57	Rule of 87	None
60	10	6.5% per year for first five years, and 4.5% for next five years before age 65 or Rule of 87 (age plus years of service).

NOTE 8 - RETIREMENT PLANS (Continued)

Benefit Formula				
Final Compensation	X	Benefit Factor	X	Years of Service
Average of the five highest if participation began before 09/01/2008.		2.20% if:	Member begins participating prior to 08/01/2004.	Includes earned service, purchased service, prior service, and sick leave (if the member's employer participates in an approved sick leave program).
		2.00% if:	Member begins participating on or after 08/01/2004 and before 09/01/2008.	
Average of the last complete five if participation began on or after 09/01/2008.		Increasing percent based on service at retirement* plus 2.00% for each year of service over 30 if:	Member begins participating on or after 09/01/2008.	

\* **Service (and Benefit Factor): 10 years or less (1.10%); 10 - 20 years (1.30%); 20 - 26 years (1.50%); 26 - 30 years (1.75%)**

For post-retirement death benefits, if the member is receiving a monthly benefit based on at least four (4) years of creditable service, the retirement system will pay a \$5,000 death benefit payment to the beneficiary named by the member specifically for this benefit.

For disability benefits, members participating before 08/01/2004 may retire on account of disability provided the member has at least 60 months of service credit and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula. Members participating on or after 08/01/2004 but before 01/01/2014 may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed as the higher of 20% of Final Rate of Pay or the amount calculated under the Benefit Formula based upon actual service. Members participating on or after 01/01/2014 may retire on account of disability provided the member has at least 60 months of service credit. The hypothetical account which includes member contributions, employer contributions, and interest credits can be withdrawn from the System as a lump sum or an annuity equal to the larger of 20% of the member's monthly final rate of pay or the annuitized hypothetical account into a single life annuity option. Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

For pre-retirement death benefits, the beneficiary of a deceased active member will be eligible for a monthly benefit if the member was: (1) eligible for retirement at the time of death or, (2) under the age of 55 with at least 60 months of service credit and currently working for a participating agency at the time of death or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment of the member's contributions and any accumulated interest.

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. On July 1, 2013, the COLA was not granted. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2014, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands.

**NOTE 8 - RETIREMENT PLANS (Continued)**

Each system's assets are used only for the payment of benefits to the members of that system, and a pro rata share of administrative costs in accordance with the provisions of Kentucky Revised Statute Section 78.630.

*Contributions:* For the fiscal years ended June 30, 2015 and 2014, plan members who began participating prior to September 1, 2008, were required to contribute 5% nonhazardous and 8% hazardous of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate for CERS pensions. Per Kentucky Revised Statute Section CERS 78.545, normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the fiscal year ended June 30, 2015, participating employers contributed 17.67% for the nonhazardous system and 34.31% for the hazardous system of each employee's creditable compensation. The actuarially determined rates, set by the Board for the fiscal years, was a percentage of each employee's creditable compensation. Contributions to the pension plan from the District were \$674,474 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$5,351,760 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2015, the District's proportion for the nonhazardous system was 0.16%.

For the year ended June 30, 2015, the District recognized pension expense of \$1,143,042. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 597,387
District Contributions Subsequent to the Measurement Date	<u>674,474</u>	<u>-</u>
Total	<u>\$ 674,474</u>	<u>\$ 597,387</u>

**NOTE 8 - RETIREMENT PLANS (Continued)**

The \$674,474 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	
2016	\$ 119,477
2017	119,477
2018	119,477
2019	119,477
2020	<u>119,479</u>
Total	<u>\$ 597,387</u>

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

Valuation Date	June 30, 2014
Experience Study	July 1, 2005 – June 30, 2008
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5%, average, including inflation
Investment Rate of Return	7.75% net of pension plan investment expense, including inflation

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

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

**NOTE 8 - RETIREMENT PLANS (Continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Nominal Return</u>
Domestic Equity	30.00 %	8.45 %
International Equity	22.00	8.85
Emerging Market Equity	5.00	10.50
Private Equity	7.00	11.25
Real Estate	5.00	7.00
Core U.S. Fixed Income	10.00	5.25
High Yield U.S. Fixed Income	5.00	7.25
Non U.S. Fixed Income	5.00	5.50
Commodities	5.00	7.75
TIPS	5.00	5.00
Cash	1.00	3.25
Total	<u>100.00 %</u>	

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

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate:* The following presents the District's proportionate share of the net pension liability using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Nonhazardous	\$ 7,042,561	\$ 5,351,760	\$ 3,857,902

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**NOTE 9 - CONTINGENCIES**

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

**NOTE 10 - INSURANCE AND RELATED ACTIVITIES**

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

**NOTE 11 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Districts Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Districts Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage, and for any reason, by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs, and claims for which coverage was provided) would be returned to the member on a pro rata basis.

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 insurance coverage in any of the past three fiscal years.

**NOTE 12 - TRANSFER OF FUNDS**

The following transfers were made during the year.

From Fund	To Fund	Purpose	Amount
General	Special Revenue	KETS Match	\$ 65,517
General	Day Care Fund	Operating Expenses	40,504
Special Revenue	Special Revenue	Flex Focus Grant	56,000
Special Revenue	Construction	Vocational School Security & Welding Project	62,925
Capital Outlay	Construction	Security Project Excess	(2,816)
Capital Outlay	General	CFR Property Insurance & KSBIT Assessment	232,335
Capital Outlay	General	CFR Maintenance	102,168
Capital Outlay	Debt Service	Bond Payments	58,213
Building Fund	General	CFR Maintenance	9,563
Building Fund	Debt Service	Bond Payments	1,015,206

**NOTE 13 - ON-BEHALF PAYMENTS**

As amounts are paid by various state agencies on-behalf of the District, the amounts are recognized as revenues and expenditures by the District. On the statement of revenues, expenditures and changes in fund balance, the on-behalf payments are included with state revenue and are included in the functional expense classifications. On the statement of activities, the on-behalf payments are included in the functional expense classifications and are included with program operating grants and contributions for the respective functions. A summary of on-behalf payments during 2015 is as follows:

	<u>2015</u>
Payments Made by the State for Fringe Benefits of District Employees and Technology Expenses - Included in the Following Expense Classifications:	
Instruction	\$ 2,670,076
Supporting Services	
Student	346,815
Instructional Staff	265,581
District Administration	71,936
School Administration	393,124
Business Support Services	147,533
Plant Operation and Maintenance	269,933
Student Transportation	205,319
Community Services	11,794
Day Care Operations	40,455
Food Service Operations	<u>179,088</u>
	<u>\$ 4,601,654</u>
Payments Made by the KSFCC for its Participation in the District's Bonds - Included in Debt Service Expenditures	<u>\$ 347,317</u>

**NOTE 14 - DEFICIT FUND BALANCE**

As a result of implementation of GASB 68 and 71, the net position of the Food Service Fund and Daycare Operations Fund reflect a deficit balance.

**NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT AND PRIOR PERIOD ADJUSTMENT**

The District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, for the County Employee’s Retirement System and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit pensions, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to period of employee service. These Statements also require enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope.

Additionally, accounting standards require original issue debt premiums and discounts to be reported along with the related debt as valuation accounts and amortized as a component of interest expense over the life of the bond. The discounts associated with existing bond liabilities were not recorded in the prior year financial statements.

The implementation of GASB Statements No. 68 and 71 and the recording of bond discounts had the following effect:

Net Position, June 30, 2014	\$ 9,695,935
Recognition of Contributions after Measurement Date	714,696
Recognition of Net Pension Liability	(5,520,801)
Recording of Bond Discounts, Net	<u>172,299</u>
Restated Net Position, June 30, 2014	<u>\$ 5,062,129</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**HARRISON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 5,200,000	\$ 5,499,089	\$ 5,478,493	\$ (20,596)
Tuition	600	600	-	(600)
Other Local Sources	20,000	10,000	5,177	(4,823)
State Sources	15,996,932	16,176,807	16,636,289	459,482
Federal Sources	100,000	100,000	142,051	42,051
Other Sources	33,000	30,800	64,253	33,453
<b>Total Revenues</b>	<b>21,350,532</b>	<b>21,817,296</b>	<b>22,326,263</b>	<b>508,967</b>
<b>Expenditures</b>				
Instructional	12,003,927	12,413,438	12,168,834	244,604
Support Services				
Student	1,218,662	1,175,039	1,299,372	(124,333)
Instructional Staff	853,956	956,763	1,076,182	(119,419)
District Administration	692,031	926,358	916,822	9,536
School Administration	1,680,444	1,726,321	1,767,198	(40,877)
Business	823,841	817,619	822,323	(4,704)
Plant Operation and Maintenance	2,661,946	2,672,239	2,691,111	(18,872)
Student Transportation	1,629,830	1,949,844	1,669,749	280,095
Community Services	55,855	58,004	63,170	(5,166)
Contingency	1,938,136	2,367,503	-	2,367,503
<b>Total Expenditures</b>	<b>23,558,628</b>	<b>25,063,128</b>	<b>22,474,761</b>	<b>2,588,367</b>
<b>Deficit of Revenues Over Expenditures</b>	<b>(2,208,096)</b>	<b>(3,245,832)</b>	<b>(148,498)</b>	<b>3,097,334</b>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	63,910	232,335	344,066	(725,189)
Operating Transfers Out	(54,690)	(88,000)	(106,021)	1,036,341
<b>Total Other Financing Sources (Uses)</b>	<b>9,220</b>	<b>144,335</b>	<b>238,045</b>	<b>311,152</b>
<b>Net Change in Fund Balance</b>	<b>(2,198,876)</b>	<b>(3,101,497)</b>	<b>89,547</b>	<b>3,408,486</b>
<b>Fund Balance July 1, 2014</b>	<b>3,273,707</b>	<b>3,273,707</b>	<b>3,273,707</b>	<b>-</b>
<b>Fund Balance June 30, 2015</b>	<b>\$ 1,074,831</b>	<b>\$ 172,210</b>	<b>\$ 3,363,254</b>	<b>\$ 3,408,486</b>

**HARRISON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>with Final Budget Favorable (Unfavorable)</b>
<b>Revenues</b>				
Earnings on Investments	\$ 39	\$ 50	\$ 12	\$ (38)
State Sources	730,256	997,987	1,045,061	47,074
Federal Sources	1,734,359	1,762,531	1,740,611	(21,920)
Other Sources	41,261	-	132,193	132,193
	<u>2,505,915</u>	<u>2,760,568</u>	<u>2,917,877</u>	<u>157,309</u>
<b>Expenditures</b>				
Instructional	1,774,730	1,918,941	1,966,483	(47,542)
Support Services				
Student	143,117	132,541	188,834	(56,293)
Instructional Staff	229,405	293,030	306,545	(13,515)
Business	58,877	60,101	56,447	3,654
Plant Operation and Maintenance	102,271	92,319	33,943	58,376
Student Transportation	35,773	81,243	96,289	(15,046)
Community Services	250,462	252,393	267,221	(14,828)
Daycare Operations	-	-	4,707	(4,707)
	<u>2,594,635</u>	<u>2,830,568</u>	<u>2,920,469</u>	<u>(89,901)</u>
Deficit of Revenues Over Expenditures	(88,720)	(70,000)	(2,592)	67,408
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	48,000	126,000	121,517	(725,189)
Operating Transfers Out	-	(56,000)	(118,925)	1,036,341
	<u>48,000</u>	<u>70,000</u>	<u>2,592</u>	<u>311,152</u>
Net Change in Fund Balance	(40,720)	-	-	378,560
<b>Fund Balance July 1, 2014</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance June 30, 2015</b>	<u>\$ (40,720)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 378,560</u>

**HARRISON COUNTY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 JUNE 30,**

**County Employees Retirement System**

	<b>2015</b>
District's Proportion of the Net Pension Liability (Asset)	0.16%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,351,760
District's Covered - Employee Payroll	\$ 3,792,709
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	141.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%

**HARRISON COUNTY SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
JUNE 30,**

**County Employees Retirement System  
Last 3 Fiscal Years**

<u>Nonhazardous</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 674,474	\$ 714,696	\$ 789,108
Contributions in Relation to the Contractually Required Contribution	<u>(674,474)</u>	<u>(714,696)</u>	<u>(789,108)</u>
Contribution Deficiency (Excess)	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
District's Covered-Employee Payroll	\$ 3,839,356	\$ 3,790,176	\$ 4,043,268
Contributions as a Percentage of Covered-Employee Payroll	17.57%	18.86%	19.52%

**OTHER SUPPLEMENTARY INFORMATION**

**HARRISON COUNTY SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	Capital Outlay Fund	FSPK Building Fund	District Activity Fund	Construction Fund	Total Non-Major Governmental Funds
<b>Assets</b>					
Cash and Cash Equivalents	\$ 73,131	\$ 103,129	\$ 213,749	\$ 261,863	\$ 651,872
<b>Total Assets</b>	<u>\$ 73,131</u>	<u>\$ 103,129</u>	<u>\$ 213,749</u>	<u>\$ 261,863</u>	<u>\$ 651,872</u>
 <b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$ -	\$ -	\$ 5,763	\$ 34,805	\$ 40,568
Total Liabilities	<u>-</u>	<u>-</u>	<u>5,763</u>	<u>34,805</u>	<u>40,568</u>
 <b>Fund Balances</b>					
Restricted					
Capital Outlay Fund	73,131	-	-	-	73,131
Building Fund	-	103,129	-	-	103,129
Construction Fund	-	-	-	227,058	227,058
Assigned					
District Activity Fund	<u>-</u>	<u>-</u>	<u>207,986</u>	<u>-</u>	<u>207,986</u>
Total Fund Balances	<u>73,131</u>	<u>103,129</u>	<u>207,986</u>	<u>227,058</u>	<u>611,304</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 73,131</u>	<u>\$ 103,129</u>	<u>\$ 213,749</u>	<u>\$ 261,863</u>	<u>\$ 651,872</u>

**HARRISON COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015**

	<b>Capital Outlay Fund</b>	<b>FSPK Building Fund</b>	<b>District Activity Fund</b>	<b>Construction Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>Revenues</b>					
Taxes	\$ -	\$ 508,762	\$ -	\$ -	\$ 508,762
Earnings on Investments	-	-	298	-	298
State Sources	272,993	513,599	-	-	786,592
Other Sources	-	-	242,998	345,101	588,099
<b>Total Revenues</b>	<u>272,993</u>	<u>1,022,361</u>	<u>243,296</u>	<u>345,101</u>	<u>1,883,751</u>
<b>Expenditures</b>					
Instructional	-	-	182,850	-	182,850
Support Services					
Students	-	-	15,969	-	15,969
Instructional Staff	-	-	41,646	-	41,646
Student Transportation	-	-	1,777	-	1,777
Building Improvements	-	-	8,275	466,727	475,002
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>250,517</u>	<u>466,727</u>	<u>717,244</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>272,993</u>	<u>1,022,361</u>	<u>(7,221)</u>	<u>(121,626)</u>	<u>1,166,507</u>
<b>Other Financing Sources (Uses)</b>					
Operating Transfers In	-	-	-	60,109	60,109
Operating Transfers Out	(389,900)	(1,024,769)	-	-	(1,414,669)
<b>Total Other Financing Sources (Uses)</b>	<u>(389,900)</u>	<u>(1,024,769)</u>	<u>-</u>	<u>60,109</u>	<u>(1,354,560)</u>
<b>Net Change in Fund Balance</b>	(116,907)	(2,408)	(7,221)	(61,517)	(188,053)
<b>Fund Balance July 1, 2014</b>	<u>190,038</u>	<u>105,537</u>	<u>215,207</u>	<u>288,575</u>	<u>799,357</u>
<b>Fund Balance June 30, 2015</b>	<u>\$ 73,131</u>	<u>\$ 103,129</u>	<u>\$ 207,986</u>	<u>\$ 227,058</u>	<u>\$ 611,304</u>

**HARRISON COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE  
HARRISON HIGH SCHOOL ACTIVITY FUNDS  
YEAR ENDED JUNE 30, 2015  
(Continued)**

<u>Fund Accounts</u>	<u>Cash Balances July 1, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash Balances June 30, 2015</u>	<u>Accounts Receivable</u>	<u>Accounts Payable</u>	<u>Fund Balances June 30, 2015</u>
FCCLA	\$ 472	\$ -	\$ 195	\$ 277	\$ -	\$ -	\$ 277
FFA	1,722	17,260	18,744	238	5,936	-	6,174
FFA Greenhouse	8,696	7,331	10,856	5,171	-	-	5,171
FFA- Soil Conservation	932	543	485	990	-	-	990
Football	5,612	23,881	20,138	9,355	-	-	9,355
Football Boosters	11,183	7,462	16,281	2,364	-	-	2,364
French Club	254	1,698	1,741	211	-	-	211
Friends of Rachel	321	100	300	121	-	-	121
General	582	49	60	571	-	-	571
Girls Basketball	2,366	26,268	27,788	846	-	171	675
Girls Soccer	2,044	14,941	12,933	4,052	-	-	4,052
Girls Track	1,419	1,947	2,147	1,219	-	-	1,219
Golf Team	2,326	5,602	5,135	2,793	-	-	2,793
Journalism/ Writing Club	167	40	101	106	-	-	106
Kuna	-	600	153	447	-	-	447
Pep Club	1,325	-	200	1,125	-	-	1,125
Project Graduation	1,483	14,824	15,266	1,041	-	-	1,041
Prom	8,374	23,515	23,071	8,818	-	-	8,818
PTSO	65	-	-	65	-	-	65
Senior Trip	-	40,608	40,608	-	-	-	-
Softball Boosters	10,411	14,200	15,972	8,639	-	-	8,639
Softball	3,240	6,850	7,619	2,471	-	-	2,471
Spanish Club	700	220	610	310	-	-	310
Speech Club	537	2,447	2,446	538	-	-	538
Student Council	651	2,029	2,017	663	-	-	663
SWEEP	-	9	-	9	-	-	9
Teachers Drink Fund	1,008	638	1,426	220	-	-	220
Tennis	2,681	996	1,905	1,772	-	-	1,772
Track Boosters	629	938	1,117	450	-	-	450

**HARRISON COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE  
HARRISON HIGH SCHOOL ACTIVITY FUNDS  
YEAR ENDED JUNE 30, 2015**

<b>Fund Accounts</b>	<b>Cash Balances July 1, 2014</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Cash Balances June 30, 2015</b>	<b>Accounts Receivable</b>	<b>Accounts Payable</b>	<b>Fund Balances June 30, 2015</b>
10th Region GBCA	\$ -	\$ 2,886	\$ 1,092	\$ 1,794	\$ -	\$ -	\$ 1,794
AFJROTC	10,067	5,056	11,800	3,323	-	-	3,323
Academic Boosters	739	-	200	539	-	-	539
Academic Team	839	-	-	839	-	-	839
Annual Fund	5,296	13,219	4,514	14,001	-	-	14,001
Archery	1,209	12,184	9,866	3,527	-	-	3,527
Art Club	862	240	487	615	-	-	615
Band Boosters	5,691	51,292	45,216	11,767	-	-	11,767
Band Trips	-	4,807	4,302	505	-	-	505
Baseball	17,409	16,639	22,201	11,847	-	-	11,847
Beta Club	216	1,870	1,994	92	-	-	92
Book Club	607	365	252	720	-	-	720
Bowling	1,493	6,735	7,182	1,046	-	-	1,046
Boys Basketball	2,884	27,844	26,286	4,442	-	-	4,442
Boys Soccer	4,191	4,859	6,646	2,404	-	-	2,404
Boys Track	1,829	1,867	2,200	1,496	-	-	1,496
Boys Varsity Cheerleading	1,424	2,648	1,501	2,571	-	-	2,571
Carol Smith Foundation	3,246	-	557	2,689	-	-	2,689
Chess Club	11	-	11	-	-	-	-
Chorus	5	7,777	5,077	2,705	-	-	2,705
Class of 2014-2015	1,135	1,872	3,007	-	-	-	-
Class of 2015-2016	1,605	700	401	1,904	-	-	1,904
Class of 2016-2017	1,311	2,072	951	2,432	-	-	2,432
Class of 2017-2018	-	1,036	-	1,036	-	-	1,036
Concessions Athletic	4,886	21,907	23,215	3,578	-	-	3,578
Cross Country	702	3,674	3,243	1,133	-	-	1,133
Dance Team	1,277	4,260	4,561	976	-	-	976
District Baseball	-	2,035	2,035	-	-	-	-
FCA	427	-	-	427	-	-	427

**HARRISON COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE  
HARRISON HIGH SCHOOL ACTIVITY FUNDS  
YEAR ENDED JUNE 30, 2015  
(Continued)**

<u>Fund Accounts</u>	<u>Cash Balances July 1, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash Balances June 30, 2015</u>	<u>Accounts Receivable</u>	<u>Accounts Payable</u>	<u>Fund Balances June 30, 2015</u>
Tri-M	278	442	420	300	-	-	300
Volleyball	1,460	8,866	8,788	1,538	-	-	1,538
Wrestling Boosters	3,018	5,945	6,496	2,467	-	-	2,467
Wrestling	277	4,729	4,908	98	-	-	98
Youth Service Center	1,187	-	503	684	-	-	684
Total General	144,781	432,822	439,226	138,377	5,936	171	144,142
Gaming Fund	501	7,882	7,883	500	-	-	500
Total Harrison County High School	<u>\$ 145,282</u>	<u>\$ 440,704</u>	<u>\$ 447,109</u>	<u>\$ 138,877</u>	<u>\$ 5,936</u>	<u>\$ 171</u>	<u>\$ 144,642</u>

**HARRISON COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE  
OTHER SCHOOL ACTIVITY FUNDS  
YEAR ENDED JUNE 30, 2015**

	<u>Northside Elementary School</u>	<u>Southside Elementary School</u>	<u>Westside Elementary School</u>	<u>Westside Elementary Gaming</u>	<u>Eastside Elementary School</u>	<u>Harrison County Middle School</u>	<u>Total</u>
<b>Cash Balance at July 1, 2014</b>	\$ 3,921	\$ 2,158	\$ 1,793	\$ 501	\$ 1,855	\$ 27,132	\$ 9,727
Add: Receipts	29,677	38,732	2,656	47	27,771	150,219	98,836
Less: Disbursements	<u>(26,485)</u>	<u>(34,566)</u>	<u>(2,473)</u>	<u>(47)</u>	<u>(24,480)</u>	<u>(136,292)</u>	<u>(88,004)</u>
Cash Balance at June 30, 2015	7,113	6,324	1,976	501	5,146	41,059	20,559
Accounts Receivable	49	-	-	-	75	98	124
Accounts Payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance at June 30, 2015</b>	<u>\$ 7,162</u>	<u>\$ 6,324</u>	<u>\$ 1,976</u>	<u>\$ 501</u>	<u>\$ 5,221</u>	<u>\$ 41,157</u>	<u>\$ 20,683</u>

**HARRISON COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015**

<b>Federal Grants/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Grantors Number</b>	<b>Expenditures</b>	<b>Program/ Cluster Total</b>
<b>U.S. Department of Education</b>				
<i>Passed Through State Department of Education</i>				
Title I - Grants to Local Education Agencies	84.010	3100002	\$ 776,806	\$ 776,806
Migrant Education State Grant Program	84.011	31002 13	94,317	94,317
Career and Technical Education - Basic Grants to States	84.048		22,989	22,989
Rural Education	84.358		72,180	72,180
Title II - Improving Teacher Quality State Grant	84.367	3230002	138,201	138,201
Race to the Top	84.413A		1,485	1,485
<u>Special Education Cluster</u>				
Special Education Grants to States	84.027	3810002	633,549	
Special Education Preschool Grants	84.173	3800002	1,084	634,633
Total U.S. Department of Education			1,740,611	1,740,611
<b>U.S. Department of Defense</b>				
<i>Passed Through State Department of Education</i>				
ROTC	12.000	31002 13	59,633	59,633
<b>U.S. Department of Agriculture</b>				
<i>Passed Through State Department of Education</i>				
Child and Adult Care Food Program	10.558		8,609	8,609
<u>Child Nutrition Cluster</u>				
School Breakfast Program	10.553	7750002-14	252,027	
National School Lunch Program	10.555	7750002-14	858,045	
Summer Food Service Program for Children	10.559	7750002-14	9,150	1,119,222
<i>Passed Through State Department of Agriculture</i>				
National School Lunch Program - Food Donation	10.565	019-0202	103,141	103,141
Total U.S. Department of Agriculture			1,230,972	1,230,972
Total Expenditures of Federal Awards			\$ 3,031,216	\$ 3,031,216

**HARRISON COUNTY SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Harrison County Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. 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 2 - FOOD DISTRIBUTION**

Non-monetary assistance is reported in the schedule at the fair value of the commodities disbursed.

**HARRISON COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

<b>FINANCIAL STATEMENTS</b>	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
<ul style="list-style-type: none"> <li>• Material weakness(es) identified?</li> </ul>	No
<ul style="list-style-type: none"> <li>• Significant deficiency(ies) identified?</li> </ul>	None reported
Noncompliance material to financial statements noted?	No
<b>FEDERAL AWARDS</b>	
Internal control over major programs:	
<ul style="list-style-type: none"> <li>• Material weakness(es) identified?</li> </ul>	No
<ul style="list-style-type: none"> <li>• Significant deficiency(ies) identified?</li> </ul>	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	<ul style="list-style-type: none"> <li>• Title I Grants to Local Educational Agencies [CFDA #84.010]</li> <li>• Special Education Cluster [CFDA #84.027 and #84.173]</li> <li>• Title II Improving Teacher Quality State Grants [CFDA #84.367]</li> </ul>
Dollar threshold used to distinguish between type A and type B programs:	Type A: > \$300,000 Type B: > all others
Auditee qualified as low-risk auditee?	Yes

**HARRISON COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015  
(Continued)**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None Reported

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None Reported

**HARRISON COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

None Reported

**INDEPENDENT AUDITORS' 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**

Kentucky State Committee for School District Audits and  
Members of the Board of Education  
Harrison County School District  
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 Independent Auditor's Contract – General Audit Requirements, State Compliance Requirements, Appendix I to the Independent Auditor's Contract – Audit Extension Request and Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report, Audit Acceptance Statement and Statement of Certification, 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, 2015, 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 12, 2015.

### **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 of 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

Kentucky State Committee for School District Audits and  
Members of the Board of Education  
Harrison County School District

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Harrison County School District's financial statements are free of 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 is required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*VonLehman & Company Inc.*

Fort Mitchell, Kentucky  
November 12, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

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

We have audited the 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 the District's major federal programs for the year ended June 30, 2015. The Harrison County School District's major federal programs are identified in the summary of auditors' result 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the 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 Independent Auditor's Contract – General Audit Requirements, State Compliance Requirements, Appendix I to the Independent Auditor's Contract – Audit Extension Request and Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report, Audit Acceptance Statement and Statement of Certification. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 the District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Harrison County School District, complied in all material respects, with the types of compliance requirements referred to above that could have direct material effect on each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

Management of the 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 the 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

*VonLehman & Company Inc.*

**HARRISON COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

In planning and performing our audit of the financial statements of the Harrison County School District (the District) for the year ended June 30, 2015, we considered the District's internal controls in order to determine the audit procedures that are appropriate for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls. During the course of our audit we also selected samples of school activity funds for our auditing tests. No management letter comments were identified necessary to communicate and there were no comments in the prior year to follow up on.