

Harrison County School District

**Financial Statements
With Supplementary Information
Year Ended June 30, 2019
With Independent Auditors' Report**

HARRISON COUNTY SCHOOL DISTRICT

Year Ended June 30, 2019

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HARRISON COUNTY SCHOOL DISTRICT

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Independent Auditors' Report

To the 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, 2019, 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; and the *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Harrison County School District, as of June 30, 2019, 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.

**Independent Auditors' Report
(Continued)**

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on pages 3-7, 52-53, and 58-67 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Harrison County School District's basic financial statements. The information on pages 50-51, 54, 55-57, and 68-69 as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The information on pages 50-51, 54, 55-57, and 68-69 as listed in the table of contents is 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 information on pages 50-51, 54, 55-57, and 68-69 as listed in the table of contents is 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 13, 2019 on our consideration of the Harrison County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Harrison County School District's 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.



HARRISON COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2019
(Continued)

As management of the Harrison County School District (District), we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

The ending cash balance for the District was \$4,284,968 in 2019 and \$4,901,975 in 2018. This represents a decrease of \$617,007. This large decrease was due to construction cash on hand at the end of fiscal year 2018 of \$1,262,105. Those construction projects were completed during fiscal year 2019, which resulted in only \$129,861 construction cash left on June 30, 2019.

Our management strategies included conservative estimation of revenue, as well as conservative spending.

During fiscal year 2019, utility tax revenue was \$1,028,579. This represents a 0.02% decrease as compared to the previous year.

Excluding on-behalf payments and interfund transfers, the General Fund had \$18,246,437 in revenue and other financing sources, which primarily consisted of SEEK, property, utilities, and motor vehicle taxes. Excluding on-behalf payments and transfers, General Fund expenditures totaled \$17,857,037.

During fiscal year 2019, the District recorded in its financial statements certain payments made by the State of Kentucky on behalf of the employees of the District, such as retirement plan match and insurance payments. These on-behalf payments totaled \$7,008,311 including general fund, school food service and debt service.

HARRISON COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2019 (Continued)

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The district-wide financial statements can be found on pages 8 and 9 of this report.

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

The basic governmental fund financial statements can be found on pages 10 through 18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 19-49 of this report.

HARRISON COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2019
(Continued)

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, liabilities and deferred inflows exceeded assets and deferred outflows by \$2,768,431 as of June 30, 2019.

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

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

Net Position for the periods ending June 30, 2019 and 2018

The following is a summary of net position for the fiscal years ended June 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Current assets	\$ 4,839,413	\$ 5,589,511
Noncurrent assets	<u>18,997,179</u>	<u>18,626,028</u>
Total assets	<u>23,836,592</u>	<u>24,215,539</u>
Deferred outflows	<u>3,703,659</u>	<u>4,509,781</u>
Current liabilities	1,702,540	1,448,374
Noncurrent liabilities	<u>29,523,162</u>	<u>31,226,027</u>
Total liabilities	<u>31,225,702</u>	<u>32,674,401</u>
Deferred inflows	<u>1,847,178</u>	<u>1,170,267</u>
Net position:		
Investment in capital assets (net of debt)	7,461,040	5,996,908
Restricted	(16,237,751)	(14,795,044)
Unrestricted	<u>3,244,082</u>	<u>3,678,788</u>
Total net position	<u>\$ (5,532,629)</u>	<u>\$ (5,119,348)</u>

HARRISON COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2019
(Continued)

DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

Comments on General Fund Budget Comparisons

- The District's total General Fund revenue for the fiscal year ended June 30, 2019, net of interfund transfers and sale of assets, was \$24,561,105.
- General Fund budget compared to actual revenue varied from line item to line item with the ending actual balance being \$18,169 more than budget or approximately 0.07%.
- The total cost of General Fund programs and services was \$24,171,705, net of interfund transfers.
- General Fund revenue exceeded expenses by \$458,440 in fiscal year 2019.

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Revenues		
Program revenues		
Charges for services	\$ 251,238	\$ 552,727
Operating grants and capital grants	5,239,639	6,294,239
Total grant revenues	<u>5,490,877</u>	<u>6,846,966</u>
General Revenues		
Taxes	6,473,654	6,561,318
Grants and entitlements	9,055,574	18,546,269
Earnings on investments	136,839	84,990
Miscellaneous	736,310	51,056
Total general revenues	<u>16,402,377</u>	<u>25,243,633</u>
Total revenues	<u>21,893,254</u>	<u>32,090,599</u>
Expenses		
Instructional	6,418,496	18,374,107
Student support services	2,411,695	2,175,651
Staff support	1,575,215	1,331,724
District administration	853,473	782,480
School administration	1,350,189	1,444,169
Business support	806,717	766,905
Plant operations	3,561,577	3,314,644
Student transportation	1,988,476	1,757,717
Food service operation	2,599,058	2,037,947
Community service	413,945	328,687
Interest on long-term debt	327,694	384,357
Total expenses	<u>22,306,535</u>	<u>32,698,388</u>
Excess of revenues over expenses	<u>\$ (413,281)</u>	<u>\$ (607,789)</u>

HARRISON COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2019 (Continued)

BUDGETARY IMPLICATIONS

In Kentucky, the public schools fiscal year is July 1st – June 30th; other programs, i.e. some federal programs operate on a different fiscal calendar but are reflected in the district overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget with \$3,187,742 in contingency (11.3%).

LOCAL INFORMATION

Harrison County has an estimated 18,778 residents per the 2018 census. Cynthiana is the county seat of Harrison County and was established in 1793. It is bordered on the west by the Kentucky River and on the north by the Ohio River. The city has a Mayor/Council form of government.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the school district's finances and to reflect the school district's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Superintendent, Andy Dotson or Director of Finance, Julie Asher at (859) 234-7110 or by mail to Harrison County School District, 308 Webster Avenue, Cynthiana, Kentucky 41031.

HARRISON COUNTY SCHOOL DISTRICT

**Statement of Net Position – District Wide
Year Ended June 30, 2019**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current:			
Cash (cash overdraft) and cash equivalents	\$ 3,950,984	\$ (92,729)	\$ 3,858,255
Accounts receivable	796,820	161,809	958,629
Prepays	2,788	-	2,788
Inventories for consumption	-	19,741	19,741
Total current	<u>4,750,592</u>	<u>88,821</u>	<u>4,839,413</u>
Noncurrent:			
Nondepreciated capital assets:			
Land	1,164,371	-	1,164,371
Depreciated capital assets:			
Land improvements	107,322	-	107,322
Buildings and improvements	39,280,964	-	39,280,964
Infrastructure	84,283	-	84,283
Furniture and equipment	4,371,184	621,643	4,992,827
Less: accumulated depreciation	<u>(26,085,452)</u>	<u>(547,136)</u>	<u>(26,632,588)</u>
Total noncurrent	<u>18,922,672</u>	<u>74,507</u>	<u>18,997,179</u>
Total assets	<u>23,673,264</u>	<u>163,328</u>	<u>23,836,592</u>
Deferred outflows	<u>3,275,606</u>	<u>428,053</u>	<u>3,703,659</u>
Liabilities and Net Position			
Liabilities			
Current:			
Current portion of bonds payable	1,143,769	-	1,143,769
Accounts payable	245,025	3,760	248,785
Accrued interest	86,168	-	86,168
Accrued sick leave	25,626	-	25,626
Accrued payroll and related expenses	2,316	-	2,316
Unearned revenues	195,876	-	195,876
Total current	<u>1,698,780</u>	<u>3,760</u>	<u>1,702,540</u>
Noncurrent:			
Accrued sick leave	230,636	-	230,636
MIF net OPEB liability	9,090,372	341,135	9,431,507
CERS net pension liability	7,948,234	1,462,992	9,411,226
Bond obligations	10,449,793	-	10,449,793
Total noncurrent	<u>27,719,035</u>	<u>1,804,127</u>	<u>29,523,162</u>
Total liabilities	<u>29,417,815</u>	<u>1,807,887</u>	<u>31,225,702</u>
Deferred inflows	<u>1,682,498</u>	<u>164,680</u>	<u>1,847,178</u>
Net Position			
Invested in capital assets, net of related debt	7,386,533	74,507	7,461,040
Restricted	(14,782,058)	(1,455,693)	(16,237,751)
Unrestricted	3,244,082	-	3,244,082
Total net position	<u>\$ (4,151,443)</u>	<u>\$ (1,381,186)</u>	<u>\$ (5,532,629)</u>

The accompanying notes are an integral part of these financial statements

HARRISON COUNTY SCHOOL DISTRICT

Statement of Activities – District Wide
Year Ended June 30, 2019

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
Governmental activities:							
Instructional	\$ 6,418,496	\$ -	\$ 2,217,458	\$ -	\$ (4,201,038)	\$ -	\$ (4,201,038)
Student support services	2,411,695	-	138,663	-	(2,273,032)	-	(2,273,032)
Staff support services	1,575,215	-	337,021	-	(1,238,194)	-	(1,238,194)
District administration	853,473	-	-	-	(853,473)	-	(853,473)
School administration	1,350,189	-	-	-	(1,350,189)	-	(1,350,189)
Business support services	806,717	-	61,873	-	(744,844)	-	(744,844)
Plant operation and maintenance	3,561,577	-	92,964	-	(3,468,613)	-	(3,468,613)
Student transportation	1,988,476	-	106,750	-	(1,881,726)	-	(1,881,726)
Community service operations	413,945	-	279,276	-	(134,669)	-	(134,669)
Food service operation	19,143	-	-	-	(19,143)	-	(19,143)
Interest on long-term debt	327,694	-	-	-	(327,694)	-	(327,694)
Total governmental activities	19,726,620	-	3,234,005	-	(16,492,615)	-	(16,492,615)
Business-type activities							
Food service	2,579,915	251,238	2,005,634	-	-	(323,043)	(323,043)
Total business-type activities	2,579,915	251,238	2,005,634	-	-	(323,043)	(323,043)
Total school district	\$ 22,306,535	\$ 251,238	\$ 5,239,639	\$ -	(16,492,615)	(323,043)	(16,815,658)
General revenues:							
					6,473,654	-	6,473,654
					9,055,574	-	9,055,574
					136,839	-	136,839
					729,092	-	729,092
					Special items:		
					7,218	-	7,218
					Gain on sale of fixed assets		
					16,402,377	-	16,402,377
					Total general and special revenues		
					(90,238)	(323,043)	(413,281)
					Change in net position		
					(4,061,205)	(1,058,143)	(5,119,348)
					Net position - beginning		
					\$ (4,151,443)	\$ (1,381,186)	\$ (5,532,629)
					Net position - ending		

The accompanying notes are an integral part of these financial statements

HARRISON COUNTY SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
As of June 30, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Current:				
Cash (overdraft) and cash equivalents	\$ 3,667,388	\$ (233,378)	\$ 516,974	\$ 3,950,984
Prepays	2,788	-	-	2,788
Accounts receivable	<u>329,052</u>	<u>467,768</u>	<u>-</u>	<u>796,820</u>
Total assets	<u>\$ 3,999,228</u>	<u>\$ 234,390</u>	<u>\$ 516,974</u>	<u>\$ 4,750,592</u>
Liabilities and Fund Balances				
Liabilities				
Current:				
Accounts payable	\$ 206,363	\$ 37,646	\$ 1,016	\$ 245,025
Unearned revenue	-	195,876	-	195,876
Accrued payroll and related expenses	<u>1,448</u>	<u>868</u>	<u>-</u>	<u>2,316</u>
	<u>207,811</u>	<u>234,390</u>	<u>1,016</u>	<u>443,217</u>
Total liabilities	<u>207,811</u>	<u>234,390</u>	<u>1,016</u>	<u>443,217</u>
Fund Balances				
Nonspendable - prepaids	2,788	-	-	2,788
Assigned:				
Site based carryforward	73,986	-	-	73,986
Other	-	-	174,133	174,133
Sick Leave	128,131	-	-	128,131
Restricted:				
Capital projects	-	-	341,825	341,825
Unassigned	<u>3,586,512</u>	<u>-</u>	<u>-</u>	<u>3,586,512</u>
Total fund balances	<u>3,791,417</u>	<u>-</u>	<u>515,958</u>	<u>4,307,375</u>
Total liabilities and fund balances	<u>\$ 3,999,228</u>	<u>\$ 234,390</u>	<u>\$ 516,974</u>	<u>\$ 4,750,592</u>

The accompanying notes are an integral part of these financial statements

HARRISON COUNTY SCHOOL DISTRICT

**Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
As of June 30, 2019**

Total governmental fund balance		\$ 4,307,375
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Construction in process	-	
Cost of capital assets	45,008,124	
Accumulated depreciation	<u>(26,085,452)</u>	18,922,672
Deferred outflows		
Related to CERS	1,414,789	
CERS contributions made after the measurement date	682,173	
Related to MIF	616,773	
MIF contributions made after the measurement date	504,448	
Bond refunding	<u>57,423</u>	3,275,606
Deferred inflows		
Related to CERS	(692,929)	
Related to MIF	<u>(989,569)</u>	(1,682,498)
Long-term liabilities at year end consist of:		
Bonds payable		(11,630,405)
Premiums on bonds, net		(30,135)
Discounts on bonds, net		66,978
Accrued interest on bonds		(86,168)
Net pension liability		(7,948,234)
MIF net OPEB liability		(9,090,372)
Assessed KISBIT liability		-
Accrued sick leave		<u>(256,262)</u>
Total net position - governmental		<u>\$ (4,151,443)</u>

The accompanying notes are an integral part of these financial statements

HARRISON COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds
Year Ended June 30, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 5,930,936	\$ -	\$ 542,718	\$ 6,473,654
Earnings on investments	131,569	383	4,887	136,839
State sources	18,243,499	1,068,994	1,209,210	20,521,703
Federal sources	196,887	1,969,821	-	2,166,708
Other sources	58,214	195,190	197,356	450,760
Total revenues	<u>24,561,105</u>	<u>3,234,388</u>	<u>1,954,171</u>	<u>29,749,664</u>
Expenditures				
Instructional	13,209,364	2,228,228	129,516	15,567,108
Student support services	2,242,295	138,663	24,478	2,405,436
Staff support services	1,195,020	337,021	43,174	1,575,215
District administration	851,993	-	-	851,993
School administration	1,350,189	-	-	1,350,189
Business support services	741,260	61,873	-	803,133
Plant operation and maintenance	2,939,941	92,964	-	3,032,905
Student transportation	1,881,990	106,750	4,473	1,993,213
Food service operation	19,143	-	-	19,143
Community service operations	113,314	279,276	-	392,590
Facility acquisition and construction	-	-	1,288,598	1,288,598
Debt service:				
Principal	46,626	-	1,070,000	1,116,626
Interest	7,283	-	297,074	304,357
Total expenditures	<u>24,598,418</u>	<u>3,244,775</u>	<u>2,857,313</u>	<u>30,700,506</u>
Excess (deficit) of revenues over expenditures	<u>(37,313)</u>	<u>(10,387)</u>	<u>(903,142)</u>	<u>(950,842)</u>
Other financing sources (uses)				
Proceeds from sale of assets	10,829	-	-	10,829
Operating transfers in	112,198	53,987	1,092,471	1,258,656
Operating transfers out	(53,987)	(43,600)	(1,161,069)	(1,258,656)
Total other financing sources (uses)	<u>69,040</u>	<u>10,387</u>	<u>(68,598)</u>	<u>10,829</u>
Net change in fund balance	31,727	-	(971,740)	(940,013)
Fund balance, July 1, 2018	3,759,690	-	1,487,698	5,247,388
Fund balance, June 30, 2019	<u>\$ 3,791,417</u>	<u>\$ -</u>	<u>\$ 515,958</u>	<u>\$ 4,307,375</u>

The accompanying notes are an integral part of these financial statements

HARRISON COUNTY SCHOOL DISTRICT

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
Year Ended June 30, 2019**

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

Net changes-governmental funds		\$ (940,013)
<p>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 capital outlays exceed depreciation expense for the year.</p>		
Depreciation expense	(1,314,049)	
Capital outlays	1,672,789	
Retirement of capital assets	<u>(3,611)</u>	
		355,129
<p>Bond and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Bond principal paid		1,116,626
Proceeds from sale of bonds		-
Amortization of deferred outflow from bond refunding		(20,788)
Amortization of bond premium and discount, net		(2,857)
Deferred outflows related to pensions		(544,129)
Deferred outflows related to MIF		(167,914)
Deferred inflows related to pensions		139,842
Deferred inflows related to MIF		(795,715)
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
		<u>769,581</u>
Changes in net position of governmental activities		<u>\$ (90,238)</u>

The accompanying notes are an integral part of these financial statements

HARRISON COUNTY SCHOOL DISTRICT
Statement of Net Position – Proprietary Funds
As of June 30, 2019

	<u>Food Service</u>	<u>Total</u>
Assets		
Current		
Cash (overdraft) and cash equivalents	\$ (92,729)	\$ (92,729)
Accounts receivable	161,809	161,809
Inventories for consumption	19,741	19,741
Total current	<u>88,821</u>	<u>88,821</u>
Noncurrent		
Equipment	621,643	621,643
Less: accumulated depreciation	<u>(547,136)</u>	<u>(547,136)</u>
Total noncurrent	<u>74,507</u>	<u>74,507</u>
Total assets	<u>163,328</u>	<u>163,328</u>
Deferred outflows	<u>428,053</u>	<u>428,053</u>
Liabilities and Net Position		
Liabilities		
Current		
Accounts payable	<u>3,760</u>	<u>3,760</u>
Total current	<u>3,760</u>	<u>3,760</u>
Noncurrent		
MIF net OPEB liability	341,135	341,135
CERS net pension liability	<u>1,462,992</u>	<u>1,462,992</u>
Total noncurrent	<u>1,804,127</u>	<u>1,804,127</u>
Total liabilities	<u>1,807,887</u>	<u>1,807,887</u>
Deferred inflows	<u>164,680</u>	<u>164,680</u>
Net Position		
Invested in assets, net of debt	74,507	74,507
Restricted	<u>(1,455,693)</u>	<u>(1,455,693)</u>
Total net position	<u>\$ (1,381,186)</u>	<u>\$ (1,381,186)</u>

The accompanying notes are an integral part of these financial statements

HARRISON COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenses and Changes in Net Position –
Proprietary Funds
Year Ended June 30, 2019**

	Food Service	Total
Operating revenues		
Lunchroom sales	\$ 251,050	\$ 251,050
Other operating revenues	188	188
	251,238	251,238
Operating expenses		
Salaries and benefits	1,295,890	1,295,890
Contract services	65,006	65,006
Materials and supplies	1,197,326	1,197,326
Depreciation	11,928	11,928
Other operating expenses	9,765	9,765
	2,579,915	2,579,915
Total operating expenses	2,579,915	2,579,915
Operating loss	(2,328,677)	(2,328,677)
Nonoperating revenues		
Federal grants	1,574,765	1,574,765
State grants	287,024	287,024
Donated commodities and other donations	143,845	143,845
	2,005,634	2,005,634
Total nonoperating revenues	2,005,634	2,005,634
Change in net position	(323,043)	(323,043)
Total net position, July 1, 2018	(1,058,143)	(1,058,143)
Total net position, June 30, 2019	\$ (1,381,186)	\$ (1,381,186)

The accompanying notes are an integral part of these financial statements

HARRISON COUNTY SCHOOL DISTRICT

**Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2019**

	Food Service Fund	Total
Cash flows from operating activities		
Cash received from lunchroom sales	\$ 251,050	\$ 251,050
Cash received from other activities	(151,006)	(151,006)
Cash payments to employees for services	(1,008,770)	(1,008,770)
Cash payments to suppliers for goods and services	(1,261,952)	(1,261,952)
Net cash used in operating activities	(2,170,678)	(2,170,678)
Cash flows from capital financing activities		
Purchase of capital assets	(27,950)	(27,950)
Proceeds on sale of capital assets	-	-
Net cash used in capital financing activities	(27,950)	(27,950)
Cash flows from noncapital financing activities		
Non-operating revenues received	2,005,634	2,005,634
Net cash provided by noncapital financing activities	2,005,634	2,005,634
Net decrease in cash and cash equivalents	(192,994)	(192,994)
Cash and cash equivalents - beginning	100,265	100,265
Cash (overdraft) and cash equivalents - ending	\$ (92,729)	\$ (92,729)
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$(2,328,677)	\$(2,328,677)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	11,928	11,928
Transfers	-	-
Changes in assets and liabilities:		
Decrease in deferred outflows	73,291	73,291
Increase in deferred inflows	21,038	21,038
Increase in CERS net pension liability	282,385	282,385
Increase in MIF net OPEB liability	(89,594)	(89,594)
Decrease in accounts payable	2,567	2,567
Increase in accounts receivable	(151,194)	(151,194)
Decrease in inventories	7,578	7,578
Net cash used in operating activities	\$(2,170,678)	\$(2,170,678)
Schedule of non-cash transactions:		
Donated commodities received from federal government	\$ 143,845	\$ 143,845
On behalf payments	\$ 270,828	\$ 270,828

The accompanying notes are an integral part of these financial statements

HARRISON COUNTY SCHOOL DISTRICT
Statement of Net Position – Fiduciary Funds
As of June 30, 2019

	<u>Fiduciary Funds</u>	<u>School Activity Funds</u>	<u>Total</u>
Assets			
Cash and cash equivalents	<u>\$1,814,596</u>	<u>\$ 317,862</u>	<u>\$2,132,458</u>
Total assets	<u>1,814,596</u>	<u>317,862</u>	<u>2,132,458</u>
Liabilities			
Accounts Payable	694	-	694
Due to student groups	<u>-</u>	<u>317,862</u>	<u>317,862</u>
Total liabilities	<u>694</u>	<u>317,862</u>	<u>318,556</u>
Net Position			
Assigned	694	-	694
Unrestricted	<u>1,813,208</u>	<u>-</u>	<u>1,813,208</u>
Total net position	<u>\$1,813,902</u>	<u>\$ -</u>	<u>\$1,813,902</u>

The accompanying notes are an integral part of these financial statements

HARRISON COUNTY SCHOOL DISTRICT

**Statement of Changes in Net Position – Fiduciary Funds
As of June 30, 2019**

	Fiduciary Funds	Total
Additions		
Contributions	\$ 68,279	\$ 68,279
Interest on investments	36,562	36,562
Total additions	104,841	104,841
Deductions		
Community service operations	37,286	37,286
Total deductions	37,286	37,286
Increase in net position	67,555	67,555
Net position, July 1, 2018	1,746,347	1,746,347
Net position, June 30, 2019	\$1,813,902	\$1,813,902

The accompanying notes are an integral part of these financial statements

HARRISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

Harrison County School District Finance Corporation - The Board authorized the establishment of the Harrison County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board 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.

HARRISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total net position. 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 68. This is a major fund of the District.
- (C) Special Revenue Activity Fund is used to support co-curricular activities and are not raised and expended by student groups. District activity funds accounted for in the District bank account are not subject to the Redbook and may be expended with more flexibility than school activity funds but must meet the "educational purpose" standard for all District expenditures.

HARRISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

I. Governmental Fund Types (continued)

(D) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky 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.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. The District is committed to construction contracts in the amount of \$129,861 for ongoing projects.

II. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law. This is a major fund of the District.

III. Proprietary Fund (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The Food Service fund is a major fund of the District.

The Day Care Fund accounts for the daycare operations of the District. Amounts have been recorded for on-behalf payments for retirement and health insurance paid by the State of Kentucky.

IV. Fiduciary Fund Type (Agency and Trust Funds)

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 Uniform Program of Accounting for School Activity Funds.

The Trust Fund is used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments. Revenues consist of donations and interest income. Expenditures represent scholarships.

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

HARRISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The GASB is responsible for establishing GAAP for state and local government through its pronouncements (Statements and Interpretations).

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.

Nonexchange 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 nonexchange transactions must also be available before they can be recognized.

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

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

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

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

HARRISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than GAAP of the United States of America. The major differences between the budgetary basis and the GAAP basis are:

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

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

Cash and Cash Equivalents

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

Inventories

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.

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 five thousand dollars, with the exception of computers, digital cameras and real property, for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

HARRISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statement
(Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	5-15 years
Food service equipment	5-12 years
Other	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 fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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.

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.

HARRISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Reserves

Beginning with fiscal year 2012 the District implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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.

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 their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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.

HARRISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and 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.

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 Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("TRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. 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.

Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they were reported by TRS. 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, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

NOTE 2 ESTIMATES

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

NOTE 3 CASH AND CASH EQUIVALENTS

The District maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The amounts exceeding the federally insured limits are covered by a collateral agreement and the collateral is held by the pledging banks' trust departments in the District's name. The District has not experienced any losses in such accounts and the District believes it is not exposed to any significant credit risk on cash and cash equivalents.

HARRISON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 4 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

<u>Governmental Activities</u>	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
Land	\$ 1,164,371	\$ -	\$ -	\$ 1,164,371
Land improvements	107,322	-	-	107,322
Buildings and improvements	37,702,621	1,578,343	-	39,280,964
Technology equipment	419,467	-	-	419,467
Vehicles	3,154,165	236,037	333,563	3,056,639
General equipment	898,213	7,220	10,355	895,078
Infrastructure	84,283	-	-	84,283
Construction work in progress	148,811	-	148,811	-
Totals at historical cost	<u>43,679,253</u>	<u>1,821,600</u>	<u>492,729</u>	<u>45,008,124</u>
Less: accumulated depreciation				
Land improvements	17,880	1,521	-	19,401
Buildings and improvements	22,051,093	1,003,694	-	23,054,787
Technology equipment	346,794	23,377	-	370,171
Vehicles	2,071,805	229,326	331,346	1,969,785
Infrastructure	41,530	4,214	-	45,744
General equipment	582,608	51,917	8,961	625,564
Total accumulated depreciation	<u>25,111,710</u>	<u>1,314,049</u>	<u>340,307</u>	<u>26,085,452</u>
Governmental activities capital assets - net	<u>\$ 18,567,543</u>	<u>\$ 507,551</u>	<u>\$ 152,422</u>	<u>\$ 18,922,672</u>
<u>Business - Type Activities</u>				
General equipment	\$ 591,470	\$ 27,950	\$ -	\$ 619,420
Technology equipment	2,223	-	-	2,223
Totals at historical cost	<u>593,693</u>	<u>27,950</u>	<u>-</u>	<u>621,643</u>
Less: accumulated depreciation				
General equipment	532,985	11,928	-	544,913
Technology equipment	2,223	-	-	2,223
Total accumulated depreciation	<u>535,208</u>	<u>11,928</u>	<u>-</u>	<u>547,136</u>
Business - type activities capital assets - net	<u>\$ 58,485</u>	<u>\$ 16,022</u>	<u>\$ -</u>	<u>\$ 74,507</u>

HARRISON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 4 CAPITAL ASSETS (Continued)

Depreciation expense by function for the fiscal year ended June 30, 2019 was as follows:

	Governmental	Business-Type
Instruction	514,179	\$ -
Student support services	6,259	-
Staff support services	-	-
District administration	1,480	-
School administration	-	-
Business support services	3,584	-
Plant operation and maintenance	535,892	-
Student transportation	231,300	-
Community service	21,355	-
Food service		11,928
Total	\$ 1,314,049	\$ 11,928

NOTE 5 ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher’s Retirement System and County Employees 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, 2019, this amount totaled approximately \$256,262 for those employees with twenty-seven or more years of experience.

NOTE 6 LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued.

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

Issue Date	Proceeds	Rates
September 1, 2010	\$ 1,075,000	2.60%
April 1, 2012	2,210,000	2.00%
June 1, 2012	995,000	2.25%
January 1, 2013	4,300,000	2.00%
September 1, 2015	477,919	2.00%
April 1, 2016	590,000	2.95%
August 1, 2016	4,245,000	2.00%
February 1, 2018	1,140,000	3.00%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Harrison County School District Finance Corporation to construct school facilities.

HARRISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 6 LEASE OBLIGATIONS AND BONDED DEBT (Continued)

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 17 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 has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2019 for debt service (principal and interest) are reported in Note 17.

NOTE 7 RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

General information about the County Employees Retirement System Non-Hazardous

Plan description

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

HARRISON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 7 RETIREMENT PLANS (Continued)

Benefits provided

CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. One month's service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's spouse will receive the higher of the normal death benefit and \$10,000 plus 75% of the decedent's monthly average rate of pay. If the surviving spouse remarries, the monthly rate will be recalculated to 25% of the decedent's monthly average. Any dependent child will receive 50% of the decedent's monthly final rate of pay up to 75% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions

Required contributions by the employee are based on the following tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

The contribution requirement for CERS for the year ended June 30, 2019, was \$1,013,151, which consisted of \$807,737 from the District and \$205,413 from the employees. Total contributions for the year ended June 30, 2018 and 2017 were \$857,924 and \$943,495, respectively. The contributions have been contributed in full for fiscal years 2019, 2018 and 2017.

HARRISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 7 RETIREMENT PLANS (Continued)

General information about the Teachers' Retirement System of the State of Kentucky

Plan description

Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at http://www.TRS.ky.gov/05_publications/index.htm.

Benefits provided

For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

HARRISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 7 RETIREMENT PLANS (Continued)

Benefits provided (continued)

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. TRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions—Contribution rates are established by Kentucky Revised Statutes. Non-university employees are required to contribute 12.8555% of their salaries to the System. University employees are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to TRS. The contribution requirement for TRS for the year ended June 30, 2019, was \$2,129,731, which consisted of \$543,374 from the District and \$1,586,357 from the employees. Total contributions for the year ended June 30, 2018 and 2017 were \$2,148,696 and \$2,098,258, respectively. The contributions have been contributed in full for fiscal years 2019, 2018 and 2017.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

Plan description

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

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

HARRISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statement
(Continued)

NOTE 7 RETIREMENT PLANS (Continued)

Funding policy

In order to fund the post-retirement healthcare benefit, 6.59% of the gross annual payroll of employees before July 1, 2008 is contributed. 3.75% is paid by member contributions, 0.16% is credited to the Commonwealth, and 3.00% is contributed by the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 9,411,226
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>48,627,737</u>
	<u>\$ 58,038,963</u>

The net pension liability for each plan was measured as of June 30, 2018, 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 for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2018, the District's proportion was 0.154528% percent.

HARRISON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 7 RETIREMENT PLANS (Continued)

For the year ended June 30, 2019, the District recognized pension expense of \$52,643 related to CERS. The District also recognized a reduction of expense of \$9,398,378 and a reduction of revenue of \$9,398,378 for TRS support provided by the Commonwealth due to a change in assumptions. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 306,968	\$ 137,760
Net difference between projected and actual earnings on pension plan investments	437,629	550,475
Changes of assumptions	919,751	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,854	132,238
District contributions subsequent to the measurement date	807,737	-
Total	\$ 2,482,939	\$ 820,473

\$807,737 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 695,114
2021	338,894
2022	(128,768)
2023	(50,511)
2024	-

HARRISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statement
(Continued)

NOTE 7 RETIREMENT PLANS (Continued)

Actuarial assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	2.30%	2.30%
Projected salary increases	3.05%	3.5-7.3%
Investment rate of return, net of investment expense and inflation	6.25%	7.50%

For CERS, mortality rates used for active members was RP-2000 Combined Mortality table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

For TRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 with set forward two years for males and one year for females. The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015 adopted by the Board on November 19, 2016.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

HARRISON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 7 RETIREMENT PLANS (Continued)

Actuarial assumptions (Continued)

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

<u>Asset Class</u>	<u>KTRS Target Allocation</u>	<u>KTRS Long-Term Expected Real Rate of Return</u>	<u>CERS Target Allocation</u>	<u>CERS Long-Term Expected Real Rate of Return</u>
US equity	40.0%	4.20%		
US large cap			5.0%	4.50%
US mid cap			6.0%	4.50%
US small cap			6.5%	5.50%
International developed			12.5%	6.50%
Emerging markets			5.0%	7.25%
International Equity	22.0%	5.20%		
Global bonds			4.0%	3.00%
Global credit			2.0%	3.75%
Emerging market debt			5.0%	6.00%
Private equity	7.0%	6.30%	10.0%	6.50%
High yield			7.0%	5.50%
Illiquid private			10.0%	8.50%
Fixed income	15.0%	1.20%		
Additional categories	8.0%	3.30%	10.0%	7.00%
Real estate	6.0%	3.80%	5.0%	9.00%
Absolute return			10.0%	5.00%
Cash	2.0%	0.90%	2.0%	1.50%
Total	<u>100%</u>		<u>100%</u>	

Discount rate

For CERS, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For TRS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates, adjusted by 95%, for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

HARRISON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 7 RETIREMENT PLANS (Continued)

Sensitivity of CERS and TRS proportionate share of net pension liability to changes in the discount rate

The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 11,847,759	\$ 9,411,226	\$ 7,369,838
KTRS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	-	-	-

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and TRS.

NOTE 8 OPEB PLANS

General information about the Teachers' Retirement System OPEB Plan

Plan description

Teaching-certified employees of the Harrison County Schools are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS) – a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans.

HARRISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statement (Continued)

NOTE 8 OPEB PLANS (CONTINUED)

Medical Insurance Plan

Plan description

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

Benefits provided

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Contributions

In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

General information about the County Employees Retirement System Non-Hazardous OPEB Plan

Plan description

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov>.

HARRISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statement
(Continued)

NOTE 8 OPEB PLANS (CONTINUED)

Benefits provided

CERS provides health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date. See Note 7 for tier classifications.

Contributions

Required contributions by the employee are based on the tiers disclosed in Note 7.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2019, the Harrison County School District reported a liability of \$9,431,507 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018 Harrison County Schools' proportion was 0.36% for TRS, which is the same as its proportion measured as of June 30, 2017 and 0.15% for CERS which is the same as its proportion measured as of June 30, 2017.

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

District's proportionate share of the CERS net OPEB liability	\$ 2,743,507
District's proportionate share of the TRS net OPEB liability	6,688,000
State's proportionate share of the net OPEB liability associated with the District	<u>5,764,000</u>
	<u>\$ 12,452,000</u>

HARRISON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

For the year ended June 30, 2019, the District recognized OPEB expense of (\$110,352) and revenue of \$295,913 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual performance	\$ -	\$ 662,719
Net difference between projected and actual earnings on OPEB plan investments	-	215,974
Change of Assumptions	639,919	6,339
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	141,673
District contributions subsequent to the measurement date	523,378	-
Total	\$ 1,163,297	\$ 1,026,705

Of the total amount reported as deferred outflows of resources related to OPEB, \$523,378 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2020	\$ (72,762)
2021	(72,762)
2022	(72,762)
2023	(24,060)
2024	(96,338)
Thereafter	(48,102)

HARRISON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

Actuarial assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	TRS	CERS
Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.	7.50%
Projected salary increases	3.50 - 7.20%, including inflation	4.00%, average
Inflation rate	3.00%	3.25%
Real Wage Growth	0.50%	
Wage Inflation	3.50%	
Healthcare cost trend rates		
Under 65	7.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Ages 65 and Older	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.
Medicare Part B Premiums	0.00% for FY 2018 with an ultimate rate of 5.00% by 2030	
Municipal Bond Index Rate	3.89%	3.62%
Discount Rate	8.00%	5.85%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation	

For TRS, mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

For CERS, mortality rates were based on the RP-2000 Combined Mortality Table projected to 2013 with projection scale BB and set back 1 year for females.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

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

HARRISON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	58.0%	4.6%
Fixed Income	9.0%	1.2%
Real Estate	5.5%	3.8%
Private Equity	6.5%	6.3%
Other Additional Categories	20.0%	3.3%
Cash (LIBOR)	1.0%	0.9%
Total	<u>100.0%</u>	

Discount rate

For TRS, the discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

For CERS, the discount rate used to measure the total OPEB liability was 5.85%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

HARRISON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 8.00%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
TRS			
District's net OPEB liability	\$ 7,843,000	\$ 6,688,000	\$ 5,726,000
	<u>1% Decrease (4.85%)</u>	<u>Current Discount Rate (5.85%)</u>	<u>1% Increase (6.85%)</u>
CERS			
Districts' net OPEB liability	\$ 3,563,376	\$ 2,743,507	\$ 2,045,129

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates

The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
TRS			
District's net OPEB liability	\$ 5,545,600	\$ 6,688,000	\$ 8,098,000
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
CERS			
District's net OPEB liability	\$ 2,042,568	\$ 2,743,507	\$ 3,569,713

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

Life Insurance Plan

Plan description

TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

HARRISON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

Benefits provided

TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit funded by the Life Insurance Fund (LIF) is payable upon the death of the member to the member's estate or to a party designated by the member.

Contributions

In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the state.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2019, the Harrison County School District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the District		99,000
	\$	99,000

For the year ended June 30, 2018, the District recognized OPEB expense of \$-0- and revenue of \$2,584 for support provided by the State.

Actuarial assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 - 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.89%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation

HARRISON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

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

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

Asset Class*	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Large Cap Equity	40.0%	4.2%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Other Additional Categories	6.0%	3.3%
Cash (LIBOR)	2.0%	0.9%
Total	<u>100.0%</u>	

** As the LIF investment policy is to change, the above reflects the pension allocation and returns that achieve the target 7.5% long-term rate of return*

Discount rate

The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

HARRISON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's net OPEB liability	\$ -	\$ -	\$ -

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

NOTE 9 CONTINGENCIES

Grant Fund Approval

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and 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, which includes workers' compensation insurance.

NOTE 11 RISK MANAGEMENT

The District is self-insured for unemployment insurance benefits. The District reimburses the state for any claims paid. The District purchases workers' compensation insurance through Kentucky Employer's Mutual Insurance. 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.

HARRISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statement
(Continued)

NOTE 12 DEFICIT OPERATING/FUND BALANCES

The District's food service fund currently has a deficit fund balance. The following funds have operations that resulted in a current year deficit of revenues over expenditures, resulting in a corresponding reduction of fund balance:

Construction Fund	\$ 1,132,244
District Activity Fund	7,539
Capital Outlay Fund	3,329
Eastside Elementary School	584
Northside Elementary School	1,606

NOTE 13 COBRA

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

NOTE 14 COMMITMENTS UNDER NONCAPITALIZED LEASES

The District has operating leases for twenty-five copiers for sixty months at \$4,190 per month expiring in January 2023 and three mailing systems for 60 months at \$198 per quarter expiring in October 2021. Expenditures for the equipment under these operating leases totaled \$51,072 for the year ended June 30, 2019.

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

Year Ending <u>June 30,</u>	
2020	\$ 51,072
2021	50,478
2022	50,280
2023	<u>29,330</u>
Total minimum payments	<u>\$ 181,160</u>

HARRISON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 15 TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Capital Outlay	General Fund	Capital Funds	\$ 112,198
General Fund	Special Revenue	Match	53,987
Special Revenue	Debt Service	Debt service	43,600
Capital Outlay	Construction Fund	Construction	148,213
Building Fund	Debt service	Debt Service	900,658

NOTE 16 ON-BEHALF PAYMENTS

For the year ended June 30, 2019, total payments of \$7,008,311 were made for life insurance, health insurance, TRS matching, technology and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 6,314,668
Debt Service	422,815
Food Service	<u>270,828</u>
Total On-Behalf	<u>\$ 7,008,311</u>

HARRISON COUNTY SCHOOL DISTRICT

**Notes to the Financial Statement
(Continued)**

NOTE 17 SCHEDULE OF LONG-TERM OBLIGATIONS

2010-REF, 2012, 2012-REF, 2013, 2015 KISTA, 2016, 2016-REF and 2018

FISCAL YEAR	Harrison County School District			KY School Facilities Construction Commission			Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2019-2020	\$ 814,900	\$ 185,110	\$ 1,000,010	\$ 331,726	\$ 93,289	\$ 425,015	\$ 1,425,025
2020-2021	832,377	167,643	1,000,020	336,192	85,873	422,065	1,422,085
2021-2022	687,819	149,848	837,667	345,750	78,367	424,117	1,261,784
2022-2023	699,361	135,915	835,276	355,503	70,514	426,017	1,261,293
2023-2024	701,881	121,030	822,911	340,860	62,220	403,080	1,225,991
2024-2025	667,360	106,657	774,017	196,676	55,650	252,326	1,026,343
2025-2026	636,890	92,415	729,305	198,110	50,606	248,716	978,021
2026-2027	655,427	78,977	734,404	204,573	45,546	250,119	984,523
2027-2028	668,938	64,159	733,097	211,062	40,308	251,370	984,467
2028-2029	305,000	48,750	353,750	140,000	34,631	174,631	528,381
2029-2030	315,000	39,600	354,600	145,000	30,326	175,326	529,926
2030-2031	325,000	30,150	355,150	150,000	25,871	175,871	531,021
2031-2032	335,000	20,400	355,400	155,000	21,259	176,259	531,659
2032-2033	345,000	10,350	355,350	90,000	16,496	106,496	461,846
2033-2034	-	-	-	95,000	13,814	108,814	108,814
2034-2035	-	-	-	100,000	10,906	110,906	110,906
2035-2036	-	-	-	105,000	7,843	112,843	112,843
2036-2037	-	-	-	70,000	4,550	74,550	74,550
2037-2038	-	-	-	70,000	2,275	72,275	72,275
	<u>\$ 7,989,953</u>	<u>\$ 1,251,004</u>	<u>\$ 9,240,957</u>	<u>\$ 3,640,452</u>	<u>\$ 750,344</u>	<u>\$ 4,390,796</u>	<u>\$ 13,631,753</u>

A summary of the changes in the principal of the outstanding bond obligations and sick leave accrual for the District during the year ended June 30, 2019 is as follows:

Governmental Activities	Balance July 1, 2018	Additions	Payments	Balance June 30, 2019
Bond obligations	<u>\$ 12,747,031</u>	<u>\$ -</u>	<u>\$ 1,116,626</u>	<u>\$ 11,630,405</u>
Bond premium	<u>\$ 33,257</u>	<u>\$ -</u>	<u>\$ 3,122</u>	<u>\$ 30,135</u>
Bond discount	<u>\$ (72,957)</u>	<u>\$ -</u>	<u>\$ (5,979)</u>	<u>\$ (66,978)</u>
Accrued sick leave	<u>\$ 336,749</u>	<u>\$ 26,434</u>	<u>\$ 106,921</u>	<u>\$ 256,262</u>

NOTE 18 SUBSEQUENT EVENTS

Subsequent events were considered through November 13, 2019, which represents the release date of our report.

SUPPLEMENTARY
INFORMATION

HARRISON COUNTY SCHOOL DISTRICT

**Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2019**

	Debt Service Fund	Building Fund	District Activity Fund	Capital Outlay Fund	Construction Fund	Total Nonmajor Government Funds
Assets						
Current:						
Cash and cash equivalents	\$ -	\$ 171,564	\$ 175,149	\$ 40,400	\$ 129,861	\$ 516,974
Total current	\$ -	\$ 171,564	\$ 175,149	\$ 40,400	\$ 129,861	\$ 516,974
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 1,016	\$ -	\$ -	\$ 1,016
Total liabilities	-	-	1,016	-	-	1,016
Fund Balances:						
Restricted:						
Capital projects fund	-	171,564	-	40,400	129,861	341,825
Other	-	-	174,133	-	-	174,133
Total fund balances	-	171,564	174,133	40,400	129,861	515,958
Total liabilities and fund balances	\$ -	\$ 171,564	\$ 175,149	\$ 40,400	\$ 129,861	\$ 516,974

HARRISON COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance –
Nonmajor Governmental Funds
Year Ended June 30, 2019**

	<u>Debt Service Fund</u>	<u>Building Fund</u>	<u>District Activity Fund</u>	<u>Capital Outlay Fund</u>	<u>Construction Fund</u>	<u>Total Nonmajor Government Funds</u>
Revenues:						
Taxes	\$ -	\$ 542,718	\$ -	\$ -	\$ -	\$ 542,718
Earnings on investments	-	-	4,887	-	-	4,887
State sources	422,816	529,312	-	257,082	-	1,209,210
Other sources	-	-	197,356	-	-	197,356
Total revenues	<u>422,816</u>	<u>1,072,030</u>	<u>202,243</u>	<u>257,082</u>	<u>-</u>	<u>1,954,171</u>
Expenditures:						
Instructional	-	-	129,516	-	-	129,516
Student support services	-	-	24,478	-	-	24,478
Staff support services	-	-	43,174	-	-	43,174
Student transportation	-	-	4,473	-	-	4,473
Facility acquisition and construction	-	-	8,141	-	1,280,457	1,288,598
Debt service:						
Principal	1,070,000	-	-	-	-	1,070,000
Interest	297,074	-	-	-	-	297,074
Total expenditures	<u>1,367,074</u>	<u>-</u>	<u>209,782</u>	<u>-</u>	<u>1,280,457</u>	<u>2,857,313</u>
Excess (deficit) of revenues over expenditures	<u>(944,258)</u>	<u>1,072,030</u>	<u>(7,539)</u>	<u>257,082</u>	<u>(1,280,457)</u>	<u>(903,142)</u>
Other Financing Sources (Uses)						
Operating transfers in	944,258	-	-	-	148,213	1,092,471
Operating transfers out	-	(900,658)	-	(260,411)	-	(1,161,069)
Total other financing sources(uses)	<u>944,258</u>	<u>(900,658)</u>	<u>-</u>	<u>(260,411)</u>	<u>148,213</u>	<u>(68,598)</u>
Net change in fund balance	-	171,372	(7,539)	(3,329)	(1,132,244)	(971,740)
Fund balance, July 1, 2018	-	192	181,672	43,729	1,262,105	1,487,698
Fund balance, June 30, 2019	<u>\$ -</u>	<u>\$ 171,564</u>	<u>\$ 174,133</u>	<u>\$ 40,400</u>	<u>\$ 129,861</u>	<u>\$ 515,958</u>

HARRISON COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund
Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Taxes	\$ 5,970,000	\$ 5,977,954	\$ 5,930,936	\$ (47,018)
Earnings on investments	45,000	45,000	131,569	86,569
State sources	18,277,331	18,346,985	18,243,499	(103,486)
Federal sources	198,000	198,000	196,887	(1,113)
Other sources	<u>98,024</u>	<u>98,024</u>	<u>181,241</u>	<u>83,217</u>
Total revenues	<u>24,588,355</u>	<u>24,665,963</u>	<u>24,684,132</u>	<u>18,169</u>
Expenditures				
Instructional	13,634,608	13,639,651	13,209,364	430,287
Student support services	2,272,827	2,263,814	2,242,295	21,519
Staff support services	1,084,402	1,185,459	1,195,020	(9,561)
District administration	715,108	855,108	851,993	3,115
School administration	1,416,681	1,416,864	1,350,189	66,675
Business support services	773,014	773,701	741,260	32,441
Plant operation and maintenance	2,912,277	2,921,183	2,939,941	(18,758)
Student transportation	1,952,162	1,968,162	1,881,990	86,172
Food service operation	24,023	24,023	19,143	4,880
Debt service	53,909	53,909	53,909	-
Other	<u>3,347,769</u>	<u>3,162,514</u>	<u>53,987</u>	<u>3,108,527</u>
Total expenditures	<u>28,186,780</u>	<u>28,264,388</u>	<u>24,652,405</u>	<u>3,611,983</u>
Net change in fund balance	(3,598,425)	(3,598,425)	31,727	3,630,152
Fund balance, July 1, 2018	<u>3,598,425</u>	<u>3,598,425</u>	<u>3,759,690</u>	<u>161,265</u>
Fund balance, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,791,417</u>	<u>\$ 3,791,417</u>

HARRISON COUNTY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Special Revenue Fund
Year Ended June 30, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Earnings on investments	\$ -	\$ -	\$ 383	\$ 383
State sources	1,069,677	1,073,519	1,068,994	(4,525)
Federal sources	2,037,474	2,036,094	1,969,821	(66,273)
Other sources	93,987	93,987	249,177	155,190
Total revenues	3,201,138	3,203,600	3,288,375	84,775
Expenditures				
Instructional	2,200,137	2,272,304	2,228,228	44,076
Student support services	55,153	53,153	138,663	(85,510)
Staff support services	425,494	356,147	337,021	19,126
Business support services	56,269	56,269	61,873	(5,604)
Plant operation and maintenance	80,337	78,137	92,964	(14,827)
Student transportation	78,335	78,335	106,750	(28,415)
Community service operations	261,813	265,655	279,276	(13,621)
Other	43,600	43,600	43,600	-
Total expenditures	3,201,138	3,203,600	3,288,375	(84,775)
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2018	-	-	-	-
Fund balance, June 30, 2019	\$ -	\$ -	\$ -	\$ -

HARRISON COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Bond and Interest Redemption Funds
For the Year Ended June 30, 2019**

	<u>Issue of 2008 - Ref</u>	<u>Issue of 2010 - Ref</u>	<u>Issue of 2012</u>	<u>Issue of 2012 - Ref</u>	<u>Issue of 2013</u>	<u>Issue of 2015 KISTA</u>
Cash at July 1, 2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Transfers and miscellaneous deposits	119,025	134,880	66,120	240,163	198,440	53,909
Disbursements:						
Bonds paid	115,000	125,000	45,000	215,000	95,000	46,626
Interest coupons	4,025	9,880	21,120	25,163	103,440	7,283
Total disbursements	119,025	134,880	66,120	240,163	198,440	53,909
Excess of receipts over disbursements	-	-	-	-	-	-
Cash at June 30, 2019	-	-	-	-	-	-
Fund Balance at June 30, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	<u>Issue of 2016</u>	<u>Issue of 2016 - Ref</u>	<u>Issue of 2018</u>	<u>Total</u>
Cash at July 1, 2018	\$ -	\$ -	\$ -	\$ -
Receipts:				
Transfers and miscellaneous deposits	41,078	457,500	109,868	1,420,983
Disbursements:				
Bonds paid	25,000	375,000	75,000	1,116,626
Interest coupons	16,078	82,500	34,868	304,357
Total disbursements	41,078	457,500	109,868	1,420,983
Excess of receipts over disbursements	-	-	-	-
Cash at June 30, 2019	-	-	-	-
Fund Balance at June 30, 2019	\$ -	\$ -	\$ -	\$ -

HARRISON COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Harrison County High School Activity Fund
For the Year Ended June 30, 2019**

	Fund Balance July 1, 2018	Receipts	Disbursements	Fund Balance June 30, 2019
10th Region GBCA	\$ 734	\$ 2,250	\$ 2,672	\$ 312
Academic Boosters	539	-	-	539
Academic Team	687	550	-	1,237
AFJROTC	7,889	21,182	21,896	7,175
Annual Fund	11,193	5,429	6,142	10,480
Archery	14,809	22,124	23,930	13,003
Art Club	58	-	-	58
Band Boosters	12,357	72,900	69,275	15,982
Band Trips	264	3,732	3,747	249
Baseball	13,998	17,398	19,061	12,335
Beta Club	437	2,553	2,352	638
Book Club	807	395	423	779
Bowling	3,477	2,250	4,157	1,570
Boys Basketball	4,454	25,761	24,380	5,835
Boys Soccer	4,465	4,061	4,311	4,215
Boys Track	1,392	3,077	3,360	1,109
Cheerleading	3,029	18,957	19,884	2,102
Chorus	1,293	1,350	1,879	764
Class of 2018-2019	365	1,890	2,255	-
Class of 2019 Senior Trip	11,566	43,170	54,736	-
Class of 2019-2020	1,374	-	-	1,374
Class of 2021	1,418	-	-	1,418
Class of 2022	-	156	-	156
Class of 2020 Senior Trip	-	13,921	1,590	12,331
Community Enrichment Club	-	1,068	471	597
Concessions Athletic	4,824	28,248	29,025	4,047
Cross Country	1,491	650	1,124	1,017
Culinary Club	-	7,527	4,574	2,953
Dance Team	735	-	-	735
District Baseball	(2)	-	-	(2)
FCCLA	455	10,852	8,890	2,417
FFA	6,731	18,189	23,187	1,733
FFA Greenhouse	7,379	19,968	18,644	8,703
FFA Service Project	-	5,804	5,804	-
FFA- Soil Conservation	823	-	-	823
Football	1,036	65,562	50,890	15,708
Football Boosters	279	-	-	279
Football Playoffs	-	6,416	6,416	-
French Club	40	-	-	40
Friends of Rachel	121	-	-	121
General	6,428	5,625	-	12,053
Girls Basketball	4,444	20,455	23,673	1,226

HARRISON COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Harrison County High School Activity Fund
Year Ended June 30, 2019**

	Fund Balance July 1, 2018	Receipts	Disbursements	Fund Balance June 30, 2019
Girls Soccer	11,068	12,777	11,137	12,708
Girls Track	1,214	3,644	2,500	2,358
Golf Team	1,027	5,429	5,808	648
Health Explorers Club	165	490	566	89
Journalism/ Writing Club	38	-	-	38
Kuna	407	-	-	407
Pep Club	1,125	-	-	1,125
Project Graduation	882	14,374	14,897	359
Prom	14,308	20,475	18,862	15,921
PTSO	65	-	-	65
Regional Track	-	2,895	2,895	-
ROTC Marksmanship Team	528	68	535	61
School Musical	79	-	-	79
Senior Graduation Fund	399	-	92	307
Softball	6,773	6,126	5,686	7,213
Softball Boosters	6,480	11,546	10,934	7,092
Spanish Club	179	-	-	179
Speech Club	485	1,271	1,425	331
Student Council	724	350	264	810
Swim Team	16	-	15	1
Teachers Drink Fund	219	345	437	127
Tennis	902	2,425	1,784	1,543
Track Boosters	166	940	164	942
Tri-M	590	550	605	535
Volleyball	1,703	7,673	7,644	1,732
Volleyball Boosters	10,071	9,978	10,469	9,580
Wrestling	1,492	5,702	6,743	451
Wrestling Boosters	8,750	10,016	9,530	9,236
Youth Service Center	475	-	81	394
Total	\$ 201,719	\$ 570,544	\$ 551,821	\$ 220,442

HARRISON COUNTY SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
School Activity Funds
For the Year Ended June 30, 2019**

	<u>Northside Elementary School</u>	<u>Southside Elementary School</u>	<u>Westside Elementary School</u>	<u>Eastside Elementary School</u>	<u>Harrison County Middle School</u>	<u>Total</u>
Fund balance at July 1, 2018	\$ 6,527	\$ 19,109	\$ 5,054	\$ 7,418	\$ 44,538	\$ 82,646
Add: receipts	25,465	20,765	14,718	27,749	168,426	257,123
Less: disbursements	<u>(27,071)</u>	<u>(20,953)</u>	<u>(14,653)</u>	<u>(28,333)</u>	<u>(151,339)</u>	<u>(242,349)</u>
Fund balance at June 30, 2019	<u>\$ 4,921</u>	<u>\$ 18,921</u>	<u>\$ 5,119</u>	<u>\$ 6,834</u>	<u>\$ 61,625</u>	<u>\$ 97,420</u>

HARRISON COUNTY SCHOOL DISTRICT

Schedule of District's Proportionate Share of the Net Pension Liability – TRS

	Last 10 Fiscal Years*									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability	0%	0%	0%	0%	*	*	*	*	*	*
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	*	*	*	*	*	*
State's proportionate share of the net pension liability associated with the District	<u>48,627,737</u>	<u>99,430,873</u>	<u>108,642,112</u>	<u>86,783,333</u>	*	*	*	*	*	*
Total	<u>\$ 48,627,737</u>	<u>\$ 99,430,873</u>	<u>\$ 108,642,112</u>	<u>\$ 86,783,333</u>	*	*	*	*	*	*
District's covered-employee payroll	\$ 12,606,882	\$ 12,303,521	\$ 11,518,006	*	*	*	*	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%	0%	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	59.27%	39.83%	35.22%	42.49%	45.59%	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: None

Changes of assumption: In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Table rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

Changes of assumption: In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.

Changes of assumption: In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%.

Changes of assumption: In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation for the Single Equivalent Interest Rate (SEIR) resulted in an assumption change

Changes of assumption: In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%.

Changes of assumption: In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

HARRISON COUNTY SCHOOL DISTRICT

Schedule of District Contributions – TRS

Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 543,374	\$ 530,186	\$ 517,880	\$ 485,598	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(543,374)</u>	<u>(530,186)</u>	<u>(517,880)</u>	<u>(485,598)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$12,323,286	\$12,606,882	\$12,303,521	\$ 11,518,006	*	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	4.41%	4.21%	4.21%	4.22%	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

HARRISON COUNTY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability – CERS

	Last 10 Fiscal Years*									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of net pension liability	0.154528%	0.157587%	0.157211%	0.163326%	0.164955%	*	*	*	*	*
District's proportionate share of the net pension liability	\$ 9,411,226	\$ 9,224,052	\$ 7,740,457	\$ 7,022,415	\$ 5,351,760	*	*	*	*	*
Total net pension liability	\$6,090,304,793	\$5,853,307,482	\$4,923,618,237	\$4,299,525,565	\$3,244,377,000	*	*	*	*	*
District's covered-employee payroll	\$ 3,915,252	\$ 3,908,124	\$ 3,732,093	\$ 3,839,356	\$ 3,790,176	*	*	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	240.37%	236.02%	207.40%	182.91%	141.20%	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.30%	55.50%	59.97%	66.80%	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: As cash balance plan was introduced for member whose participation date is on or after January 1, 2014.

Changes of assumption: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2015: The assumed investment rate of return was decreased from 7.75% to 7.50%.

2015: The assumed rate of inflation was reduced from 3.50% to 3.25%.

2015: The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

2015: Payroll growth assumption was reduced from 4.50% to 4.00%.

2015: The mortality table used for active members is RP-2000 Combined Mortality table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

2015: For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

2015: The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2017: The assumed investment rate of return was decreased from 7.50% to 6.25%.

2017: The assumed rate of inflation was reduced from 3.25% to 2.30%.

2017: The assumed rate of salary growth was reduced from 4.00% to 3.05%.

HARRISON COUNTY SCHOOL DISTRICT

Schedule of District Contributions – CERS

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 807,737	\$ 566,595	\$ 544,978	\$ 466,930	\$ 487,636	\$ 378,121	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(807,737)</u>	<u>(566,595)</u>	<u>(544,978)</u>	<u>(466,930)</u>	<u>(487,636)</u>	<u>(378,121)</u>	*	*	*	*
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	*	*	*	*
District's covered-employee payroll	\$ 3,758,761	\$ 3,915,252	\$ 3,908,124	\$3,732,093	\$3,839,356	\$3,790,176	*	*	*	*
Contributions as a percentage of covered-employee payroll	21.49%	14.47%	13.94%	12.51%	12.70%	9.98%	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

HARRISON COUNTY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net OPEB Liability - LIF

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the collective trust OPEB liability	0%	0%	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	*	*	*	*	*	*	*	*
State's proportionate share of the collective net OPEB liability (asset) associated with the District	99,000	52,000	*	*	*	*	*	*	*	*
Total net OPEB liability	\$ 99,000	\$ 52,000	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 12,606,882	\$ 12,303,521	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	0.0%	0.0%	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	74.97%	79.99%	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms - None.

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.50%
Real wage growth	0.50%
Wage inflation	4.00%
Salary increases, including wage inflation	4.00% - 8.10%
Discount rate	7.50%

HARRISON COUNTY SCHOOL DISTRICT

Schedule of District Contributions – LIF

Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ -	\$ -	*	*	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u>-</u>	<u>-</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 12,323,286	\$ 12,606,882	*	*	*	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	0.00%	0.00%	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

HARRISON COUNTY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net OPEB Liability – MIF

	Last 10 Fiscal Years*									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the collective trust OPEB liability	0.192762%	0.195477%	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 6,688,000	\$ 6,970,000	*	*	*	*	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ 5,764,000	\$ 5,637,000	*	*	*	*	*	*	*	*
Total net OPEB liability	\$ 12,452,000	\$ 12,607,000	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 12,606,882	\$ 12,303,521	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	53.1%	56.7%	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	25.54%	21.18%	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms - With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP "Shared Responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contributions rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and older	5.75% for FY 20178 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B premiums	0.00% for FY 2018 with an ultimate rate of 5.00% by 2030
Under age 65 claims	the current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

HARRISON COUNTY SCHOOL DISTRICT

Schedule of District Contributions – MIF

	Last 10 Fiscal Years*									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 343,370	\$ 334,908	*	*	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	(343,370)	(334,908)	*	*	*	*	*	*	*	*
Contribution deficiency	-	-	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$ 12,323,286	\$ 12,606,882	*	*	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	2.79%	2.66%	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms - With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP "Shared Responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contributions rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and older	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B premiums	0% for FY 2018 with an ultimate rate of 5.00% by 2030
Under age 65 claims	the current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

HARRISON COUNTY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net OPEB Liability – MIF (CERS)

	Last 10 Fiscal Years*									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the collective trust OPEB liability	0.154522%	0.157587%	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$2,743,507	\$3,168,038	*	*	*	*	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ -	\$ -	*	*	*	*	*	*	*	*
Total net OPEB liability	\$2,743,507	\$3,168,038	*	*	*	*	*	*	*	*
District's covered-employee payroll	\$3,915,252	\$3,908,124	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	70.1%	81.1%	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.40%	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes in assumptions:

1. The assumed investment return was changed from 7.50% to 6.25%.
2. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service.
3. The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.
4. For the Non-Hazardous Plan, the single discount rate changed from 6.89% to 5.84%.

HARRISON COUNTY SCHOOL DISTRICT
Schedule of District Contributions – MIF (CERS)

	Last 10 Fiscal Years*									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 180,008	\$ 183,909	*	*	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(180,008)</u>	<u>(183,909)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>
District's covered-employee payroll	\$3,758,761	\$3,915,252	*	*	*	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	4.79%	4.70%	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

2018: Updated health care trend rates were implemented.

HARRISON COUNTY SCHOOL DISTRICT

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Agreement Number</u>	<u>Federal Expenditures for FYE 6/30/2019</u>
U.S. Department of Education			
<i>Passed through Kentucky Department of Education</i>			
Special Education Cluster			
Special Education_Grants to States	84.027	3810002 19	\$ 658,933
Total CFDA #84.027			658,933
Special Education_Preschool Grants	84.173	3800002 18	465
Special Education_Preschool Grants	84.173	3800002 19	24,339
Total CFDA #84.173			24,804
Total Special Education Cluster			683,737
Title I Grants to Local Educational Agencies	84.010	310002 17	21,638
Title I Grants to Local Educational Agencies	84.010	310002 18	75,403
Title I Grants to Local Educational Agencies	84.010	310002 19	638,965
Total CFDA #84.010			736,006
Migrant Education State Program	84.011	31002 18	2,926
Migrant Education State Program	84.011	31002 19	33,000
Total CFDA #84.011			35,926
Vocational Education - Basic Grants to States	84.048	3710002 18	923
Vocational Education - Basic Grants to States	84.048	3710002 19	24,151
Total CFDA #84.048			25,074
Twenty-First Century Community Learning Centers	84.287	3400002 18	115,892
Twenty-First Century Community Learning Centers	84.287	3400002 18	122,516
Total CFDA #84.287			238,408
Title II Improving Teacher Quality State Grants	84.367	3230002 17	149
Title II Improving Teacher Quality State Grants	84.367	3230002 18	38,480
Title II Improving Teacher Quality State Grants	84.367	3230002 19	93,112
Total CFDA #84.367			131,741
Title IV, Part A, Student Support and Academic Enrichment	84.424A	3420002 18	18,496
Title IV, Part A, Student Support and Academic Enrichment	84.424A	3420002 19	47,176
Total CFDA #84.424A			65,672
Rural Education	84.358	3140002 18	1,881
Rural Education	84.358	3140002 19	51,376
Total CFDA #84.358			53,257
Total Passed through Kentucky Department of Education			1,969,821
Total U.S. Department of Education			1,969,821
U.S. Department of Defense			
<i>Passed through Kentucky Department of Education</i>			
ROTC	12.000	31002 13	42,622
Total U.S. Department of Defense			42,622
U.S. Department of Agriculture			
Child Nutrition Cluster			
<i>Passed through Kentucky Department of Education</i>			
Summer Food Service Program for Children	10.559	7690024 18	2,051
Summer Food Service Program for Children	10.559	7740023 18	19,657
National School Lunch Program	10.555	7750002 18	217,606
National School Lunch Program	10.555	7750002 19	886,455
School Breakfast Program	10.553	7760005 18	83,633
School Breakfast Program	10.553	7760005 19	326,188
Supper Food Service Program	10.558	7790021 18	6,656
Supper Food Service Program	10.558	7790021 19	29,922
Supper Food Service Program	10.558	7800016 18	473
Supper Food Service Program	10.558	7800016 19	2,124
Total Passed through Kentucky Department of Education			1,574,765
National School Lunch Program - Food Donation (Commodities)	10.555	057502-02	143,845
Total Child Nutrition Cluster			1,718,610
Total U.S. Department of Agriculture			1,718,610
Total Expenditures of Federal Awards			\$ 3,731,053

HARRISON COUNTY SCHOOL DISTRICT

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Harrison County School District under programs of the federal government for the year ended June 30, 2019, and is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Harrison County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting in accordance with generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2019, the District reported food commodities expended in the amount of \$143,845.

NOTE 4 INDIRECT COST RATE

The District has elected not to use the 10% de minimus indirect cost rate allowed under Uniform Guidance.

NOTE 5 SUBRECIPIENTS

The District did not have any subrecipients during the year ended June 30, 2019.

**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**

To the 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, 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, 2019, 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 13 2019.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

We noted other matters that we reported to management of the District on pages 76-78.

**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
(CONTINUED)**

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.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 13, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Members of the Board of Education
Harrison County School District
Cynthiana, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Harrison County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Harrison County School District's major federal programs for the year ended June 30, 2019. Harrison County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Harrison County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Harrison County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Harrison County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(CONTINUED)**

Report on Internal Control Over Compliance

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

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

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

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

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 13, 2019

HARRISON COUNTY SCHOOL DISTRICT

**Schedule of Findings of Questioned Costs
Year Ended June 30, 2019**

SECTION I -SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted

- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted

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 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major programs

CFDA No.	Name of Federal Program or Cluster
10.553/10.555/10.559/10.558	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

HARRISON COUNTY SCHOOL DISTRICT

**Summary Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2019**

<u>Reference Number</u>	<u>Summary of Findings</u>	<u>Status</u>
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SECTION I -SUMMARY OF AUDITOR'S RESULTS

No matters are reportable.

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

HARRISON COUNTY SCHOOL DISTRICT

Management Letter Comments Year Ended June 30, 2019

In planning and performing our audit of the financial statements of Harrison County School District for the year ended June 30, 2019, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated November 13, 2019 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 13, 2019, on the financial statements of the Harrison County School District.

CURRENT YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable

ACTIVITY FUNDS

Harrison County High School

No matters are reportable

Harrison County Middle School

2019-01: No support for disbursement

Criteria – Per best practices recommended by the Kentucky Department of Education, all disbursements should be supported by an invoice and purchase order.

Condition – During the testing of the Activity Fund, it was noted that one payment tested did not have the appropriate support.

Effect – Best practices of cash disbursements notes to ensure a purchase order is completed prior to purchase and an invoice is received prior to making a payment to avoid the possibility of improper payment.

Cause – Best practices were not properly followed as designed by the District.

Recommendation – We recommend that documentation for all payments be retained by the school.

Board Response – We have discussed this with the Principal and School Bookkeeper and feel it was simply an isolated incident. They understand the importance of always maintaining appropriate documentation for all expenditures. They will be more vigilant in the future so that no invoices are ever replaced.

Northside Elementary School

No matters are reportable

HARRISON COUNTY SCHOOL DISTRICT

**Management Letter Comments (Continued)
Year Ended June 30, 2019**

Southside Elementary School

2019-02: Annual Financial Report not prepared and reviewed timely

Criteria – Per best practices recommended by the Kentucky Department of Education, schools should have a process in place to prepare and review the Annual Financial Report in a timely manner.

Condition – During the testing of the Activity Fund, it was noted that the Annual Financial Report was not prepared timely.

Effect – Proper documentation of the Annual Financial Report was not followed.

Cause – Best practices were not properly followed as designed by the District.

Recommendation – We recommend that the financial secretary prepare and submit the Annual Financial Report to the principal for review in a timely manner.

Board Response – This has been discussed with the Principal and School Bookkeeper. She is confident it was prepared prior to the due date but has simply misplaced that report. In the future, she will have an AFR prepared, signed and dated prior to July 25.

Eastside Elementary School

No matters are reportable

Westside Elementary School

No matters are reportable

HARRISON COUNTY SCHOOL DISTRICT

**Management Letter Comments (Continued)
Year Ended June 30, 2019**

STATUS OF PRIOR YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable

Harrison County High School

No matters are reportable

Harrison County Middle School

No matters are reportable

Northside Elementary School

Statement of prior year deficiency: It was noted that the Principal did not sign and date the first page of one bank statement to indicate review of the bank reconciliation.

Current year follow-up: No such instances noted.

Southside Elementary School

No matters are reportable

Eastside Elementary School

No matters are reportable

Westside Elementary School

No matters are reportable