

# **Harrison County School District**

**Financial Statements  
With Supplementary Information  
Year Ended June 30, 2022  
With Independent Auditors' Report**

# HARRISON COUNTY SCHOOL DISTRICT

Year Ended June 30, 2022

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**HARRISON COUNTY SCHOOL DISTRICT**

**Year Ended June 30, 2022**

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## **Independent Auditors' Report**

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

### **Report on the Audit of the Financial Statements**

#### **Opinions**

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, 2022, 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.

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, 2022, 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.

#### **Basis for Opinions**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Harrison County School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Harrison County School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Independent Auditors' Report  
(Continued)**

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Harrison County School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Harrison County School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Other Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the information on pages 4-8, 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.

**Independent Auditors' Report  
(Continued)**

***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 68-70 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 68-70 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 68-70 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 9, 2022 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.

***Change In Accounting Principle***

As discussed in Note 17 to the financial statements, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 87, *Leases*, effective as of July 1, 2021. Our opinion is not modified with respect to this matter.



Crestview Hills, Kentucky  
November 9, 2022

## HARRISON COUNTY SCHOOL DISTRICT

### Management's Discussion and Analysis (MD&A) Year Ended June 30, 2022

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, 2022. 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 \$7,166,939 in 2022 and \$4,665,809 in 2021. This represents an increase of \$2,501,130. This large increase was due to many reasons. General Fund cash on hand increased by \$2,843,272 due to a significant effort on the district's part to save general fund dollars to help with our upcoming high school construction project. With the help of federal ESSER funds, we were able to set aside \$2,500,000 during the fiscal year in the general fund for this purpose. Our Capital Outlay Fund cash and Building Fund cash both increased by \$266,426 and \$980,102, respectively. Again, this was an intentional effort on the district's part to save all available funds for the high school construction project. Our Food Service Fund cash increased by \$197,756 due largely in part to increased federal reimbursement rates for meals served to students during the year. We also had two funds with significant decreases during the year. Our Special Revenue Fund decreased by \$1,311,807. The reason for this decrease in cash on hand was a timing issue with reimbursement for expenses incurred at the end of the year. Lastly, our Construction Fund cash decreased by \$480,379. At the end of FY 21 we were still finishing the Southside School Renovation Project and still had some cash on hand designated for that project. By the end of FY 22, that project was complete and most of the funds for the project were depleted.

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

During fiscal year 2022, utility tax revenue was \$1,165,414. This represents an increase of 13% compared to the previous year.

Excluding on-behalf payments and transfers, the General Fund had \$19,376,913 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 \$16,735,912.

During fiscal year 2022, 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 approximately \$7,472,316 including general fund, school food service and debt service.



## HARRISON COUNTY SCHOOL DISTRICT

### Management's Discussion and Analysis (MD&A) Year Ended June 30, 2022 (Continued)

#### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements 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 9 and 10 of this report.

***Fund financial statements.*** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The 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 11 through 19 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 20 through 49 of this report.

## HARRISON COUNTY SCHOOL DISTRICT

### Management's Discussion and Analysis (MD&A) Year Ended June 30, 2022 (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 \$1,880,548 as of June 30, 2022.

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 2022 and 2021

The following is a summary of net position for the fiscal years ended 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Current assets	\$ 12,145,898	\$ 8,019,247
Noncurrent assets	<u>22,045,056</u>	<u>22,350,949</u>
Total assets	<u>34,190,954</u>	<u>30,370,196</u>
Deferred outflows	<u>4,497,476</u>	<u>4,703,152</u>
Current liabilities	2,213,295	2,202,666
Noncurrent liabilities	<u>28,115,125</u>	<u>33,055,941</u>
Total liabilities	<u>30,328,420</u>	<u>35,258,607</u>
Deferred inflows	<u>6,479,462</u>	<u>3,298,279</u>
Net position:		
Investment in capital assets (net of debt)	9,402,633	8,560,971
Restricted	(11,261,908)	(16,908,857)
Unrestricted	<u>3,189,614</u>	<u>4,864,348</u>
Total net position	<u>\$ 1,330,339</u>	<u>\$ (3,483,538)</u>

**HARRISON COUNTY SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)  
Year Ended June 30, 2022  
(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, 2022, net of interfund transfers and sale of assets, was \$25,943,469.
- General Fund budget compared to actual revenue varied from line item to line item with the ending actual balance being \$1,004,130 more than budget or approximately 3.93%.
- The total cost of General Fund programs and services was \$23,302,468, net of interfund transfers.
- General Fund revenue exceeded expenses by \$3,194,501 in fiscal year 2022.

The following table presents a summary of revenues and expenses for the fiscal years ended 2022 and 2021.

	<u>2022</u>	<u>2021</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 66,766	\$ 25,218
Operating grants and capital grants	<u>10,795,818</u>	<u>9,668,626</u>
Total grant revenues	<u>10,862,584</u>	<u>9,693,844</u>
General Revenues		
Taxes	8,134,492	7,035,304
Grants and entitlements	8,159,001	8,450,494
Earnings on investments	39,510	55,716
Miscellaneous	<u>2,170,611</u>	<u>2,703,944</u>
Total general revenues	<u>18,503,614</u>	<u>18,245,458</u>
Total revenues	<u>29,366,198</u>	<u>27,939,302</u>
<b>Expenses</b>		
Instructional	6,523,854	9,369,965
Student support services	2,499,150	2,550,714
Staff support	1,730,223	2,208,500
District administration	855,164	631,032
School administration	1,469,515	1,433,408
Business support	975,301	945,357
Plant operations	3,904,487	3,651,732
Student transportation	2,396,743	1,930,743
Other instructional	2,347	1,819
Food service operation	2,841,849	2,511,067
Community service	349,295	366,036
Other non-instructional	84	-
Facility acquisition and construction	133,982	-
Interest on long-term debt	<u>320,118</u>	<u>346,962</u>
Total expenses	<u>24,002,112</u>	<u>25,947,335</u>
Excess of revenues over expenses	<u>\$ 5,364,086</u>	<u>\$ 1,991,967</u>

## **HARRISON COUNTY SCHOOL DISTRICT**

### **Management's Discussion and Analysis (MD&A) Year Ended June 30, 2022 (Continued)**

#### **BUDGETARY IMPLICATIONS**

In Kentucky, the public schools fiscal year is July 1<sup>st</sup> – June 30<sup>th</sup>; 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 \$3,194,824 in contingency (10.98%).

#### **LOCAL INFORMATION**

Harrison County has an estimated 18,692 residents per the 2020 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, Harry Burchett or Chief Financial Officer, Julie Asher at (859) 234-7110 or by mail to Harrison County Public Schools, 308 Webster Avenue, Cynthiana, Kentucky 41031.

## HARRISON COUNTY SCHOOL DISTRICT

### Statement of Net Position – District Wide As of June 30, 2022

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
<b>Current:</b>			
Cash and cash equivalents	\$ 6,859,912	\$ 307,027	\$ 7,166,939
Accounts receivable	4,633,123	271,263	4,904,386
Prepays	21,138	-	21,138
Inventories for consumption	-	53,435	53,435
Total current	<u>11,514,173</u>	<u>631,725</u>	<u>12,145,898</u>
<b>Noncurrent:</b>			
Construction in progress	168,971	-	168,971
Nondepreciated capital assets:			
Land	1,164,371	-	1,164,371
Depreciated capital assets:			
Land improvements	126,282	-	126,282
Buildings and improvements	45,002,959	-	45,002,959
Infrastructure	84,283	-	84,283
Furniture and equipment	4,966,640	759,372	5,726,012
Less: accumulated depreciation	<u>(29,661,581)</u>	<u>(566,241)</u>	<u>(30,227,822)</u>
Total noncurrent	<u>21,851,925</u>	<u>193,131</u>	<u>22,045,056</u>
Total assets	<u>33,366,098</u>	<u>824,856</u>	<u>34,190,954</u>
<b>Deferred outflows</b>	<u>4,099,923</u>	<u>397,553</u>	<u>4,497,476</u>
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
<b>Current:</b>			
Current portion of bonds payable	1,183,754	-	1,183,754
Accounts payable	168,902	10,128	179,030
Accrued interest	101,841	-	101,841
Accrued sick leave	51,132	-	51,132
Accrued payroll and related expenses	323,788	-	323,788
Unearned revenues	354,890	18,860	373,750
Total current	<u>2,184,307</u>	<u>28,988</u>	<u>2,213,295</u>
<b>Noncurrent:</b>			
Accrued sick leave	460,188	-	460,188
MIF net OPEB liability	6,596,509	256,001	6,852,510
CERS net pension liability	7,622,253	1,709,919	9,332,172
Bond obligations	<u>11,470,255</u>	<u>-</u>	<u>11,470,255</u>
Total noncurrent	<u>26,149,205</u>	<u>1,965,920</u>	<u>28,115,125</u>
Total liabilities	<u>28,333,512</u>	<u>1,994,908</u>	<u>30,328,420</u>
<b>Deferred inflows</b>	<u>5,957,121</u>	<u>522,341</u>	<u>6,479,462</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	9,209,502	193,131	9,402,633
Restricted	(9,223,728)	(2,037,273)	(11,261,001)
Unrestricted	<u>3,189,614</u>	<u>549,302</u>	<u>3,738,916</u>
Total net position	<u>\$ 3,175,388</u>	<u>\$ (1,294,840)</u>	<u>\$ 1,880,548</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, 2022

Function/Programs	Expenses	Program Revenues			Net (expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
Instructional	\$ 6,523,854	\$ -	\$ 3,846,774	\$ -	\$ (2,677,080)	\$ -	\$ (2,677,080)
Student support services	2,499,150	-	152,127	-	(2,347,023)	-	(2,347,023)
Staff support services	1,730,223	-	817,830	-	(912,393)	-	(912,393)
District administration	855,164	-	298,207	-	(556,957)	-	(556,957)
School administration	1,469,515	-	16,570	-	(1,452,945)	-	(1,452,945)
Business support services	975,301	-	81,439	-	(893,862)	-	(893,862)
Plant operation and maintenance	3,904,487	-	1,601,994	-	(2,302,493)	-	(2,302,493)
Student transportation	2,396,743	-	828,734	-	(1,568,009)	-	(1,568,009)
Other instructional	2,347	-	-	-	(2,347)	-	(2,347)
Community service operations	349,295	-	260,513	-	(88,782)	-	(88,782)
Other non-instructional	84	-	-	-	(84)	-	(84)
Facility acquisition and construction	133,982	-	-	-	(133,982)	-	(133,982)
Food service operation	44,918	-	3,186	-	(41,732)	-	(41,732)
Interest on long-term debt	320,118	-	-	-	(320,118)	-	(320,118)
Total governmental activities	21,205,181	-	7,907,374	-	(13,297,807)	-	(13,297,807)
<b>Business-type activities</b>							
Food service	2,796,931	66,766	2,888,444	-	-	158,279	158,279
Total business-type activities	2,796,931	66,766	2,888,444	-	-	158,279	158,279
Total school district	\$ 24,002,112	\$ 66,766	\$ 10,795,818	\$ -	(13,297,807)	158,279	(13,139,528)
<b>General revenues:</b>							
Taxes					8,134,492	-	8,134,492
State and federal sources					8,159,001	-	8,159,001
Investment earnings					38,699	811	39,510
Miscellaneous					2,164,885	-	2,164,885
Special items:							
Gain (loss) on sale of fixed assets					12,001	(6,275)	5,726
Total general and special revenues					18,509,078	(5,464)	18,503,614
Change in net position					5,211,271	152,815	5,364,086
Net position - beginning					(2,035,883)	(1,447,655)	(3,483,538)
Net position - ending					\$ 3,175,388	\$ (1,294,840)	\$ 1,880,548

The accompanying notes are an integral part of these financial statements

**HARRISON COUNTY SCHOOL DISTRICT**

**Balance Sheet – Governmental Funds  
As of June 30, 2022**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
<b>Current:</b>				
Cash (overdraft) and cash equivalents	\$ 8,714,362	\$ (3,779,926)	\$ 1,925,476	\$ 6,859,912
Prepays	21,138	-	-	21,138
Accounts receivable	338,341	4,289,167	5,615	4,633,123
Total assets	<u>\$ 9,073,841</u>	<u>\$ 509,241</u>	<u>\$ 1,931,091</u>	<u>\$ 11,514,173</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
<b>Current:</b>				
Accounts payable	\$ 48,992	\$ 4,673	\$ 115,237	\$ 168,902
Unearned revenue	-	354,890	-	354,890
Accrued payroll and related expenses	174,110	149,678	-	323,788
	223,102	509,241	115,237	847,580
Total liabilities	<u>223,102</u>	<u>509,241</u>	<u>115,237</u>	<u>847,580</u>
<b>Fund Balances</b>				
Nonspendable - prepaids	21,138	-	-	21,138
Restricted:				
Future construction	-	-	7,818	7,818
SFCC escrow - current	-	-	907	907
Other	-	-	1,668,330	1,668,330
Committed:				
Future construction	4,500,000	-	-	4,500,000
Assigned:				
Site based carryforward	271,166	-	-	271,166
Sick leave	255,660	-	-	255,660
Other	-	-	138,799	138,799
Unassigned	3,802,775	-	-	3,802,775
Total fund balances	<u>8,850,739</u>	<u>-</u>	<u>1,815,854</u>	<u>10,666,593</u>
Total liabilities and fund balances	<u>\$ 9,073,841</u>	<u>\$ 509,241</u>	<u>\$ 1,931,091</u>	<u>\$ 11,514,173</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, 2022**

Total governmental fund balance		\$10,666,593
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Construction in process	168,971	
Cost of capital assets	51,344,535	
Accumulated depreciation	<u>(29,661,581)</u>	
		21,851,925
Deferred outflows		
Related to CERS	528,531	
CERS contributions made after the measurement date	759,124	
Related to MIF	2,306,802	
MIF contributions made after the measurement date	493,880	
Bond refunding	<u>11,586</u>	
		4,099,923
Deferred inflows		
Related to CERS	(1,569,360)	
Related to MIF	<u>(4,387,761)</u>	
		(5,957,121)
Long-term liabilities at year end consist of:		
Bonds payable		(12,731,641)
Premiums on bonds, net		(20,769)
Discounts on bonds, net		98,401
Accrued interest on bonds		(101,841)
Net pension liability		(7,622,253)
MIF net OPEB liability		(6,596,509)
Assessed KISBIT liability		-
Accrued sick leave		<u>(511,320)</u>
Total net position - governmental		<u>\$ 3,175,388</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, 2022**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes	\$ 6,932,408	\$ -	\$ 1,202,084	\$ 8,134,492
Earnings on investments	36,163	-	2,536	38,699
State sources	18,708,091	1,206,137	1,482,610	21,396,838
Federal sources	237,010	6,609,381	-	6,846,391
Other sources	29,797	91,856	796,353	918,006
Total revenues	<u>25,943,469</u>	<u>7,907,374</u>	<u>3,483,583</u>	<u>37,334,426</u>
<b>Expenditures</b>				
Instructional	13,471,713	3,305,275	699,585	17,476,573
Student support services	2,335,972	152,127	4,792	2,492,891
Staff support services	883,492	817,830	28,901	1,730,223
District administration	514,655	298,207	-	812,862
School administration	1,452,945	16,570	-	1,469,515
Business support services	890,278	81,439	-	971,717
Plant operation and maintenance	1,926,268	1,601,994	-	3,528,262
Student transportation	1,644,725	828,734	51,163	2,524,622
Other instructional	-	-	2,347	2,347
Food service operation	41,732	3,186	-	44,918
Community service operations	87,672	260,513	-	348,185
Other non-instructional	-	-	84	84
Facility acquisition and construction	-	-	587,620	587,620
Debt service:				
Principal	48,569	-	1,115,000	1,163,569
Interest	4,447	-	323,166	327,613
Total expenditures	<u>23,302,468</u>	<u>7,365,875</u>	<u>2,812,658</u>	<u>33,481,001</u>
Excess (deficit) of revenues over expenditures	<u>2,641,001</u>	<u>541,499</u>	<u>670,925</u>	<u>3,853,425</u>
<b>Other financing sources (uses)</b>				
Proceeds from sale of assets	12,001	-	-	12,001
Operating transfers in	620,113	78,614	909,937	1,608,664
Operating transfers out	(78,614)	(620,113)	(909,937)	(1,608,664)
Total other financing sources (uses)	<u>553,500</u>	<u>(541,499)</u>	<u>-</u>	<u>12,001</u>
Net change in fund balance	3,194,501	-	670,925	3,865,426
Fund balance, July 1, 2021	5,656,238	-	1,144,929	6,801,167
Fund balance, June 30, 2022	<u>\$ 8,850,739</u>	<u>\$ -</u>	<u>\$ 1,815,854</u>	<u>\$ 10,666,593</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, 2022**

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

Net changes-governmental funds \$ 3,865,426

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.

Depreciation expense	(1,309,361)	
Capital outlays	<u>977,815</u>	(331,546)

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.

Bond principal paid	1,163,569	
Proceeds from sale of bonds	-	
Discount on sale of bonds	-	
Amortization of deferred outflow from bond refunding	(9,904)	
Amortization of bond premium and discount, net	(6,110)	

Deferred outflows related to pensions (594,207)

Deferred outflows related to MIF 466,346

Deferred inflows related to pensions (1,281,349)

Deferred inflows related to MIF (1,545,182)

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.

3,484,228

Changes in net position of governmental activities \$ 5,211,271

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, 2022**

	<b>Food Service</b>	<b>Total</b>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 307,027	\$ 307,027
Accounts receivable	271,263	271,263
Inventories for consumption	53,435	53,435
Total current	631,725	631,725
<b>Noncurrent</b>		
Equipment	759,372	759,372
Less: accumulated depreciation	(566,241)	(566,241)
Total noncurrent	193,131	193,131
Total assets	824,856	824,856
<b>Deferred outflows</b>	397,553	397,553
<b>Liabilities and Net Position</b>		
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable	10,128	10,128
Accrued payroll and related expenses	18,860	18,860
Total current	28,988	28,988
<b>Noncurrent</b>		
MIF net OPEB liability	256,001	256,001
CERS net pension liability	1,709,919	1,709,919
Total noncurrent	1,965,920	1,965,920
Total liabilities	1,994,908	1,994,908
<b>Deferred inflows</b>	522,341	522,341
<b>Net Position</b>		
Invested in assets, net of debt	193,131	193,131
Unrestricted	549,302	549,302
Restricted	(2,037,273)	(2,037,273)
Total net position	\$ (1,294,840)	\$(1,294,840)

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, 2022**

	<b>Food Service</b>	<b>Total</b>
<b>Operating revenues</b>		
Lunchroom sales	\$ 56,320	\$ 56,320
Other operating revenues	10,446	10,446
Total operating revenues	66,766	66,766
<b>Operating expenses</b>		
Salaries and benefits	1,316,382	1,316,382
Contract services	76,521	76,521
Materials and supplies	1,363,139	1,363,139
Depreciation	20,184	20,184
Other operating expenses	20,705	20,705
Total operating expenses	2,796,931	2,796,931
Operating loss	(2,730,165)	(2,730,165)
<b>Nonoperating revenues</b>		
Federal grants	2,380,956	2,380,956
State grants	325,907	325,907
Donated commodities and other donations	181,581	181,581
Loss on sale of capital assets	(6,275)	(6,275)
Interest income	811	811
Total nonoperating revenues	2,882,980	2,882,980
Change in net position	152,815	152,815
Total net position, July 1, 2021	(1,447,655)	(1,447,655)
Total net position, June 30, 2022	\$ (1,294,840)	\$ (1,294,840)

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, 2022**

	<b>Food Service Fund</b>	<b>Total</b>
<b>Cash flows from operating activities</b>		
Cash received from lunchroom sales	\$ 56,320	\$ 56,320
Cash received from other activities	(74,956)	(74,956)
Cash payments to employees for services	(1,147,540)	(1,147,540)
Cash payments to suppliers for goods and services	(1,473,211)	(1,473,211)
Net cash used in operating activities	(2,639,387)	(2,639,387)
<b>Cash flows from capital financing activities</b>		
Purchase of capital assets	(52,112)	(52,112)
Net cash used in capital financing activities	(52,112)	(52,112)
<b>Cash flows from noncapital financing activities</b>		
Non-operating revenues received	2,888,444	2,888,444
Net cash provided by noncapital financing activities	2,888,444	2,888,444
<b>Cash flows from investing activities</b>		
Interest on investments	811	811
Net cash provided by investing activities	811	811
Net increase in cash and cash equivalents	197,756	197,756
Cash and cash equivalents - beginning	109,271	109,271
Cash and cash equivalents - ending	\$ 307,027	\$ 307,027
<b>Reconciliation of operating loss to net cash used in operating activities</b>		
Operating loss	\$(2,730,165)	\$(2,730,165)
<b>Adjustments to reconcile operating loss to net cash used in operating activities</b>		
Depreciation	20,184	20,184
Changes in assets and liabilities:		
Decrease in deferred outflows	67,911	67,911
Increase in deferred inflows	354,652	354,652
Decrease in CERS net pension liability	(212,511)	(212,511)
Decrease in MIF net OPEB liability	(60,070)	(60,070)
Increase in accounts payable	1,541	1,541
Increase in accrued payroll and related expenses	18,860	18,860
Increase in accounts receivable	(85,402)	(85,402)
Increase in inventories	(14,387)	(14,387)
Net cash used in operating activities	\$(2,639,387)	\$(2,639,387)
<b>Schedule of non-cash transactions:</b>		
Donated commodities received from federal government	\$ 181,581	\$ 181,581
On behalf payments	\$ 308,763	\$ 308,763

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, 2022**

	<u>Fiduciary Funds</u>	<u>Total</u>
<b>Assets</b>		
Cash and cash equivalents	<u>\$1,871,250</u>	<u>\$1,871,250</u>
Total assets	<u>1,871,250</u>	<u>1,871,250</u>
<b>Net Position</b>		
Unrestricted	<u>1,871,250</u>	<u>1,871,250</u>
Total net position	<u><u>\$1,871,250</u></u>	<u><u>\$1,871,250</u></u>

The accompanying notes are an integral part of these financial statements

HARRISON COUNTY SCHOOL DISTRICT

Statement of Changes in Net Position – Fiduciary Funds  
For The Year Ended June 30, 2022

	<u>Fiduciary Funds</u>	<u>Total</u>
<b>Additions</b>		
Interest on investments	\$ 6,467	\$ 6,467
Total additions	<u>6,467</u>	<u>6,467</u>
<b>Deductions</b>		
Community service operations	<u>12,815</u>	<u>12,815</u>
Total deductions	<u>12,815</u>	<u>12,815</u>
Decrease in net position	(6,348)	(6,348)
Net position, July 1, 2021	<u>1,877,598</u>	<u>1,877,598</u>
Net position, June 30, 2022	<u>\$ 1,871,250</u>	<u>\$ 1,871,250</u>

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 68-69. 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) 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.
- (E) 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 \$7,818 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 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.

## HARRISON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statement (Continued)

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### IV. Fiduciary Fund Type (Agency and Trust Funds) (continued)

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.

##### ***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.

**HARRISON COUNTY SCHOOL DISTRICT**

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

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

***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.

***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, 2022 was as follows:

<u>Governmental Activities</u>	Balance June 30, 2021	Additions	Deductions	Balance June 30, 2022
Land	\$ 1,164,371	\$ -	\$ -	\$ 1,164,371
Land improvements	126,282	-	-	126,282
Buildings and improvements	39,424,994	5,577,965	-	45,002,959
Technology equipment	518,464	-	-	518,464
Vehicles	3,362,590	329,207	167,955	3,523,842
General equipment	918,282	31,981	25,929	924,334
Infrastructure	84,283	-	-	84,283
Construction work in progress	5,130,309	587,621	5,548,959	168,971
Totals at historical cost	<u>50,729,575</u>	<u>6,526,774</u>	<u>5,742,843</u>	<u>51,513,506</u>
Less: accumulated depreciation				
Land improvements	22,443	1,521	-	23,964
Buildings and improvements	24,940,545	1,040,195	-	25,980,740
Technology equipment	438,703	23,016	-	461,719
Vehicles	2,370,205	202,280	167,955	2,404,530
Infrastructure	54,172	4,214	-	58,386
General equipment	720,036	38,135	25,929	732,242
Total accumulated depreciation	<u>28,546,104</u>	<u>1,309,361</u>	<u>193,884</u>	<u>29,661,581</u>
Governmental activities capital assets - net	<u>\$ 22,183,471</u>	<u>\$ 5,217,413</u>	<u>\$ 5,548,959</u>	<u>\$ 21,851,925</u>
<u>Business - Type Activities</u>				
General equipment	\$ 743,342	\$ 52,112	\$ 38,305	\$ 757,149
Technology equipment	2,223	-	-	2,223
Totals at historical cost	<u>745,565</u>	<u>52,112</u>	<u>38,305</u>	<u>759,372</u>
Less: accumulated depreciation				
General equipment	575,864	20,184	32,030	564,018
Technology equipment	2,223	-	-	2,223
Total accumulated depreciation	<u>578,087</u>	<u>20,184</u>	<u>32,030</u>	<u>566,241</u>
Business - type activities capital assets - net	<u>\$ 167,478</u>	<u>\$ 31,928</u>	<u>\$ 6,275</u>	<u>\$ 193,131</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, 2022 was as follows:

	Governmental	Business-Type
Instruction	\$ 483,583	\$ -
Student support services	6,259	-
District administration	42,302	-
Business support services	3,584	-
Plant operation and maintenance	571,195	-
Student transportation	201,328	-
Community service	1,110	-
Food service	-	20,184
Total	\$ 1,309,361	\$ 20,184

**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, 2022, this amount totaled approximately \$511,320 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
April 1, 2012	\$ 2,210,000	2.000%
June 1, 2012	995,000	2.250%
January 1, 2013	4,300,000	2.000%
September 1, 2015	477,919	2.000%
April 1, 2016	590,000	2.950%
August 1, 2016	4,245,000	2.000%
February 1, 2018	1,140,000	3.000%
February 19, 2020	3,445,000	2.000% - 2.500%
April 1, 2020	1,265,000	2.000% - 2.375%

## HARRISON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statement (Continued)

#### NOTE 6 LEASE OBLIGATIONS AND BONDED DEBT (Continued)

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.

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 16 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, 2022 for debt service (principal and interest) are reported in Note 16.

#### 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, 2022, was \$1,154,175, which consisted of \$929,420 from the District and \$224,755 from the employees. Total contributions for the year ended June 30, 2021 and 2020 were \$1,126,135 and \$1,143,029, respectively. The contributions have been contributed in full for fiscal years 2022, 2021 and 2020.

## 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](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 12.855% 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, 2022, was \$2,390,704, which consisted of \$655,698 from the District and \$1,735,006 from the employees. Total contributions for the year ended June 30, 2021 and 2020 were \$2,239,611 and \$2,150,624, respectively. The contributions have been contributed in full for fiscal years 2022, 2021 and 2020.

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, 2022, 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	\$ 9,332,172
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>45,751,641</u>
	<u>\$ 55,083,813</u>

The net pension liability for each plan was measured as of June 30, 2021, 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, 2021, the District's proportion was 0.146369% percent.

**HARRISON COUNTY SCHOOL DISTRICT**

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

**NOTE 7 RETIREMENT PLANS (Continued)**

For the year ended June 30, 2022, the District recognized pension expense of \$664,855 related to CERS. The District also recognized a reduction of expense of \$10,779,398 and a reduction of revenue of \$10,779,398 for TRS support provided by the Commonwealth due to a change in assumptions. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 107,162	\$ 90,575
Net difference between projected and actual earnings on pension plan investments	362,026	1,605,848
Changes of assumptions	125,249	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	52,661	224,995
District contributions subsequent to the measurement date	929,420	-
Total	\$ 1,576,518	\$ 1,921,418

\$929,420 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, 2022. 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:	
2023	\$ (214,712)
2024	(383,861)
2025	(286,246)
2026	(389,501)
2027	-

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, 2022 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	3.30%	3.5-7.3%
Investment rate of return, net of investment expense and inflation	6.25%	7.10%

For CERS, mortality rates used for active members was PUB-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on a mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rate, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

For TRS, mortality rates were based on Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each groups: service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 6-year period ending June 30, 2020, adopted by the board on September 10, 2021.

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 2014 through 2018, is outlined in a report dated April 18, 2019. 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' and CERS' investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>TRS Target Allocation</u>	<u>TRS 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%	21.8%	5.70%
International Equity	22.0%	22.00%	21.8%	6.35%
Core bonds			10.0%	0.00%
Private equity	7.0%	6.90%	10.0%	9.70%
High yield	2.0%	1.70%	15.0%	2.80%
Fixed income	15.0%	-0.10%		
Additional categories	5.0%	2.20%		
Real estate	7.0%	4.00%	10.0%	5.40%
Opportunistic			0.0%	N/A
Real return			10.0%	4.55%
Cash	2.0%	-0.30%	1.5%	-0.60%
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 7.10%. 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 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	\$ 11,968,953	\$ 9,332,172	\$ 7,150,297
KTRS	6.10%	7.10%	8.10%
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, 2022, the Harrison County School District reported a liability of \$6,852,510 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, 2021, 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 both June 30, 2021 and 2020, the District's proportion was 0.19 percent for TRS and 0.15 percent for CERS.

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	\$ 2,801,510
District's proportionate share of the TRS net OPEB liability	4,051,000
State's proportionate share of the net OPEB liability associated with the District	<u>3,290,000</u>
	<u>\$ 10,142,510</u>

**HARRISON COUNTY SCHOOL DISTRICT**

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

**NOTE 8 OPEB PLANS (CONTINUED)**

For the year ended June 30, 2022, the District recognized OPEB expense of (\$2,789) and revenue of \$272,131 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual performance	\$ 440,538	\$ 3,245,438
Net difference between projected and actual earnings on OPEB plan investments	141,148	1,011,406
Change of Assumptions	1,801,734	2,605
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,906	298,595
District contributions subsequent to the measurement date	513,046	-
Total	\$ 2,909,372	\$ 4,558,044

Of the total amount reported as deferred outflows of resources related to OPEB, \$513,046 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, 2023. 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:	
2023	\$ (445,204)
2024	(514,704)
2025	(491,203)
2026	(599,607)
2027	(104,000)
Thereafter	(7,000)

**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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	TRRS	CERS
Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.	6.25%
Projected salary increases	3.50 - 7.20%, including inflation	3.30% to 10.30%, varies by service
Inflation rate	2.50%	2.30%
Real Wage Growth	0.25%	
Wage Inflation	2.75%	
Healthcare cost trend rates		
Under 65	7.00% for FY 2021 decreasing to an ultimate rate of 4.50% by FY 2031	Initial trend starting at 6.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Ages 65 and Older	5.00% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2024	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Medicare Part B Premiums	4.40% for FY 2021 with an ultimate rate of 4.50% by 2034	
Municipal Bond Index Rate	2.13%	1.92%
Discount Rate	7.10%	5.20%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including price inflation	

For TRS, mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020 valuation were based on the results of the most actuarial experience studies, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

For CERS, mortality rates used for active members was PUB-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on a mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

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, 2020 valuation.

For TRS, 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%	5.1%
Fixed Income	9.0%	-0.1%
Real Estate	6.5%	4.0%
Private Equity	8.5%	6.9%
Other Additional Categories	17.0%	3.9%
Cash (LIBOR)	1.0%	-0.3%
Total	100.0%	

***Discount rate***

For TRS, the discount rate used to measure the total OPEB liability was 7.10%. 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 5.20%. 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 or 1-percentage-point higher than the current rate:

	<u>1% Decrease (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
TRS			
District's net OPEB liability	\$ 5,186,000	\$ 4,051,000	\$ 3,112,000
	<u>1% Decrease (4.20%)</u>	<u>Current Discount Rate (5.20%)</u>	<u>1% Increase (6.20%)</u>
CERS			
Districts' net OPEB liability	\$ 3,846,453	\$ 2,801,510	\$ 1,943,962

***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	\$ 2,943,000	\$ 4,051,000	\$ 5,429,000
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
CERS			
District's net OPEB liability	\$ 2,016,755	\$ 2,801,510	\$ 3,748,723

***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, 2022, 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		44,000
		<u>44,000</u>
	\$	<u>44,000</u>

For the year ended June 30, 2022, the District recognized OPEB expense of \$0- and revenue of \$6,702 for support provided by the State.

***Actuarial assumptions***

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.00 - 7.50%, including wage inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal Bond Index Rate	2.13%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including price inflation

**HARRISON COUNTY SCHOOL DISTRICT**

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

**NOTE 8 OPEB PLANS (CONTINUED)**

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020 valuation were based on the results of the most actuarial experience studies, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

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, 2020 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Large Cap Equity	40.0%	4.4%
International Equity	23.0%	5.6%
Fixed Income	18.0%	-0.1%
Real Estate	6.0%	4.0%
Private Equity	5.0%	6.9%
Other Additional Categories	6.0%	2.1%
Cash (LIBOR)	2.0%	-0.3%
Total	<u>100.0%</u>	

***Discount rate***

The discount rate used to measure the total OPEB liability for life insurance was 7.10%. 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 7.10%, 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 (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
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:

District Activity Fund	\$	1,897
Construction Fund		587,620
Southside Elementary School		422
Westside Elementary School		9,268

**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 TRANSFER OF FUNDS**

The following transfers were made during the year.

From Fund	To Fund	Purpose	Amount
General Fund	Special Revenue	Match	\$ 55,949
General Fund	Special Revenue	Vaccine incentive	22,665
School Activity	School Activity	Transfers between accounts	68,738
District Activity	District Activity	Transfers between accounts	30
Building Fund	Debt Service	Debt service	841,169
Special Revenue	General Fund	Indirect costs	620,113

**NOTE 15 ON-BEHALF PAYMENTS**

For the year ended June 30, 2022, total payments of \$7,472,316 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	\$	6,566,556
Debt Service		596,997
Food Service		308,763
Total On-Behalf		<u>\$ 7,472,316</u>

**HARRISON COUNTY SCHOOL DISTRICT**

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

**NOTE 16 SCHEDULE OF LONG-TERM OBLIGATIONS**

2012, 2012-REF, 2013, 2015 KISTA, 2016, 2016-REF, 2018, 2020, and 2020B

FISCAL YEAR	Harrison County School District			KY School Facilities Construction Commission			Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2022-2023	\$ 717,575	\$ 178,518	\$ 896,093	\$ 472,289	\$ 124,708	\$ 596,997	\$ 1,493,090
2023-2024	724,296	163,269	887,565	463,445	114,078	577,523	1,465,088
2024-2025	688,860	148,448	837,308	325,176	105,057	430,233	1,267,541
2025-2026	662,361	133,776	796,137	322,639	97,443	420,082	1,216,219
2026-2027	675,474	119,828	795,302	334,526	89,892	424,418	1,219,720
2027-2028	693,086	104,609	797,695	321,914	82,055	403,969	1,201,664
2028-2029	431,364	88,717	520,081	268,636	74,161	342,797	862,878
2029-2030	444,336	77,040	521,376	285,664	67,283	352,947	874,323
2030-2031	452,218	65,003	517,221	282,782	60,015	342,797	860,018
2031-2032	469,799	52,624	522,423	295,201	52,747	347,948	870,371
2032-2033	479,511	39,793	519,304	230,489	45,180	275,669	794,973
2033-2034	150,200	26,606	176,806	239,800	39,513	279,313	456,119
2034-2035	158,600	23,343	181,943	251,400	33,528	284,928	466,871
2035-2036	166,589	19,824	186,413	253,411	27,059	280,470	466,883
2036-2037	161,208	16,126	177,334	228,792	20,426	249,218	426,552
2037-2038	170,911	12,373	183,284	234,089	14,380	248,469	431,753
2038-2039	174,327	8,392	182,719	160,673	8,208	168,881	351,600
2039-2040	172,360	4,174	176,534	167,640	4,192	171,832	348,366
	<u>\$ 7,593,075</u>	<u>\$ 1,282,463</u>	<u>\$ 8,875,538</u>	<u>\$ 5,138,566</u>	<u>\$ 1,059,925</u>	<u>\$ 6,198,491</u>	<u>\$ 15,074,029</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, 2022 is as follows:

Governmental Activities	July 1, 2021	Additions	Payments	June 30, 2022
Bond obligations	<u>\$ 13,895,210</u>	<u>\$ -</u>	<u>\$ 1,163,569</u>	<u>\$ 12,731,641</u>
Bond premium	<u>\$ 23,891</u>	<u>\$ -</u>	<u>\$ 3,122</u>	<u>\$ 20,769</u>
Bond discount	<u>\$ (107,633)</u>	<u>\$ -</u>	<u>\$ (9,232)</u>	<u>\$ (98,401)</u>
Accrued sick leave	<u>\$ 411,807</u>	<u>\$ 163,322</u>	<u>\$ 63,809</u>	<u>\$ 511,320</u>

**NOTE 17 CHANGE IN ACCOUNTING PRINCIPLE**

Effective July 1, 2021, the District elected to adopt Governmental Accounting Standards Board (“GASB”) Statement no. 87, *Leases*, as it relates to accounting and financial reporting for leases. Under this Statement, a single model for lease accounting is established based on the foundational principle that leases are financings of the right to use an underlying asset. Leases are recognized and measured using the facts and circumstances that existed at the beginning of the period of implementation. There was no material impact on the financial statements as a result of this change in accounting principle.

**NOTE 18 SUBSEQUENT EVENTS**

Subsequent events were considered through November 9, 2022, 2022, which represents the release date of our report.

SUPPLEMENTARY  
INFORMATION

**HARRISON COUNTY SCHOOL DISTRICT**

**Combining Balance Sheet – Nonmajor Governmental Funds  
As of June 30, 2022**

	<u>Debt Service Fund</u>	<u>Building Fund</u>	<u>District Activity Fund</u>	<u>Capital Outlay Fund</u>	<u>Construction Fund</u>	<u>School Activity Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>							
<b>Current:</b>							
Cash and cash equivalents	\$ -	\$ 981,009	\$ 138,460	\$ 266,426	\$ 121,142	\$ 418,439	\$ 1,925,476
Accounts receivable			426	-	-	5,189	5,615
Total current	<u>\$ -</u>	<u>\$ 981,009</u>	<u>\$ 138,886</u>	<u>\$ 266,426</u>	<u>\$ 121,142</u>	<u>\$ 423,628</u>	<u>\$ 1,931,091</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable	\$ -	\$ -	\$ 87	\$ -	\$ 113,324	\$ 1,826	\$ 115,237
Total liabilities	<u>-</u>	<u>-</u>	<u>87</u>	<u>-</u>	<u>113,324</u>	<u>1,826</u>	<u>115,237</u>
<b>Fund Balances:</b>							
Assigned:							
Other	-	-	138,799	-	-	-	138,799
Restricted:							
Future construction	-	-	-	-	7,818	-	7,818
SFCC escrow - current	-	907	-	-	-	-	907
Other	-	980,102	-	266,426	-	421,802	1,668,330
Total fund balances	<u>-</u>	<u>981,009</u>	<u>138,799</u>	<u>266,426</u>	<u>7,818</u>	<u>421,802</u>	<u>1,815,854</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 981,009</u>	<u>\$ 138,886</u>	<u>\$ 266,426</u>	<u>\$ 121,142</u>	<u>\$ 423,628</u>	<u>\$ 1,931,091</u>

**HARRISON COUNTY SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance –  
Nonmajor Governmental Funds  
Year Ended June 30, 2022**

	<u>Debt Service Fund</u>	<u>Building Fund</u>	<u>District Activity Fund</u>	<u>Capital Outlay Fund</u>	<u>Construction Fund</u>	<u>School Activity Fund</u>	<u>Total Nonmajor Government Funds</u>
<b>Revenues:</b>							
Taxes	\$ -	\$ 1,202,084	\$ -	\$ -	\$ -	\$ -	\$ 1,202,084
Earnings on investments	-	-	2,533	-	-	3	2,536
State sources	596,997	619,187	-	266,426	-	-	1,482,610
Other sources	-	-	99,761	-	-	696,592	796,353
Total revenues	<u>596,997</u>	<u>1,821,271</u>	<u>102,294</u>	<u>266,426</u>	<u>-</u>	<u>696,595</u>	<u>3,483,583</u>
<b>Expenditures:</b>							
Instructional	-	-	84,448	-	-	615,137	699,585
Student support services	-	-	1,713	-	-	3,079	4,792
Staff support services	-	-	15,604	-	-	13,297	28,901
Student transportation	-	-	2,426	-	-	48,737	51,163
Other instruction	-	-	-	-	-	2,347	2,347
Other non-instruction	-	-	-	-	-	84	84
Facility acquisition and construction	-	-	-	-	587,620	-	587,620
Debt service:							
Principal	1,115,000	-	-	-	-	-	1,115,000
Interest	323,166	-	-	-	-	-	323,166
Total expenditures	<u>1,438,166</u>	<u>-</u>	<u>104,191</u>	<u>-</u>	<u>587,620</u>	<u>682,681</u>	<u>2,812,658</u>
Excess (deficit) of revenues over expenditures	<u>(841,169)</u>	<u>1,821,271</u>	<u>(1,897)</u>	<u>266,426</u>	<u>(587,620)</u>	<u>13,914</u>	<u>670,925</u>
<b>Other Financing Sources (Uses)</b>							
Operating transfers in	841,169	-	30	-	-	68,738	909,937
Operating transfers out	-	(841,169)	(30)	-	-	(68,738)	(909,937)
Total other financing sources(uses)	<u>841,169</u>	<u>(841,169)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	980,102	(1,897)	266,426	(587,620)	13,914	670,925
Fund balance, July 1, 2021	-	907	140,696	-	595,438	407,888	1,144,929
Fund balance, June 30, 2022	<u>\$ -</u>	<u>\$ 981,009</u>	<u>\$ 138,799</u>	<u>\$ 266,426</u>	<u>\$ 7,818</u>	<u>\$ 421,802</u>	<u>\$ 1,815,854</u>



**HARRISON COUNTY SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual – General Fund  
Year Ended June 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>Revenues</b>				
Taxes	\$ 6,734,627	\$ 6,734,627	\$ 6,932,408	\$ 197,781
Earnings on investments	30,000	30,000	36,163	6,163
State sources	18,648,671	18,562,618	18,708,091	145,473
Federal sources	148,000	148,000	237,010	89,010
Other sources	<u>96,208</u>	<u>96,208</u>	<u>661,911</u>	<u>565,703</u>
Total revenues	<u>25,657,506</u>	<u>25,571,453</u>	<u>26,575,583</u>	<u>1,004,130</u>
<b>Expenditures</b>				
Instructional	13,815,984	13,790,790	13,471,713	319,077
Student support services	2,450,778	2,450,378	2,335,972	114,406
Staff support services	1,064,020	1,067,220	883,492	183,728
District administration	691,548	691,548	514,655	176,893
School administration	1,569,387	1,572,469	1,452,945	119,524
Business support services	935,575	935,575	890,278	45,297
Plant operation and maintenance	3,157,791	3,157,791	1,926,268	1,231,523
Student transportation	2,012,179	2,012,179	1,644,725	367,454
Food service operation	25,679	25,679	41,732	(16,053)
Community service operations	81,093	81,093	87,672	(6,579)
Debt service	53,016	53,016	53,016	-
Other	<u>3,250,791</u>	<u>3,184,050</u>	<u>78,614</u>	<u>3,105,436</u>
Total expenditures	<u>29,107,841</u>	<u>29,021,788</u>	<u>23,381,082</u>	<u>5,640,706</u>
Net change in fund balance	(3,450,335)	(3,450,335)	3,194,501	6,644,836
Fund balance, July 1, 2021	<u>3,450,335</u>	<u>3,450,335</u>	<u>5,656,238</u>	<u>2,205,903</u>
Fund balance, June 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,850,739</u>	<u>\$ 8,850,739</u>

**HARRISON COUNTY SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual – Special Revenue Fund  
Year Ended June 30, 2022**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Revenues</b>				
State sources	\$ 1,089,492	\$ 1,099,447	\$ 1,206,137	\$ 106,690
Federal sources	2,512,577	2,570,128	6,609,381	4,039,253
Other sources	55,949	55,949	170,470	114,521
	<u>3,658,018</u>	<u>3,725,524</u>	<u>7,985,988</u>	<u>4,260,464</u>
<b>Expenditures</b>				
Instructional	2,466,961	2,475,919	3,305,275	(829,356)
Student support services	67,147	107,300	152,127	(44,827)
Staff support services	580,720	584,204	817,830	(233,626)
District administration	-	-	298,207	(298,207)
School administration	-	-	16,570	(16,570)
Business support services	63,532	63,532	81,439	(17,907)
Plant operation and maintenance	114,000	122,697	1,601,994	(1,479,297)
Student transportation	61,441	61,441	828,734	(767,293)
Food service operation	-	-	3,186	(3,186)
Community service operations	250,009	250,009	260,513	(10,504)
Other	54,208	60,422	620,113	(559,691)
	<u>3,658,018</u>	<u>3,725,524</u>	<u>7,985,988</u>	<u>(4,260,464)</u>
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**HARRISON COUNTY SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balance  
Bond and Interest Redemption Funds  
For the Year Ended June 30, 2022**

	<u>Issue of 2012</u>	<u>Issue of 2012 - Ref</u>	<u>Issue of 2013</u>	<u>Issue of 2015 KISTA</u>	<u>Issue of 2016</u>
<b>Cash at July 1, 2021</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Receipts:</b>					
Transfers and miscellaneous deposits	<u>63,082</u>	<u>236,862</u>	<u>337,740</u>	<u>53,016</u>	<u>38,865</u>
<b>Disbursements:</b>					
Bonds paid	45,000	225,000	245,000	48,569	25,000
Interest coupons	<u>18,082</u>	<u>11,862</u>	<u>92,740</u>	<u>4,447</u>	<u>13,865</u>
Total disbursements	<u>63,082</u>	<u>236,862</u>	<u>337,740</u>	<u>53,016</u>	<u>38,865</u>
Excess of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash at June 30, 2022</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance at June 30, 2022</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Issue of 2016 - Ref</u>	<u>Issue of 2018</u>	<u>Issue of 2020</u>	<u>Issue of 2020B</u>	<u>Total</u>
<b>Cash at July 1, 2021</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Receipts:</b>					
Transfers and miscellaneous deposits	<u>459,400</u>	<u>72,819</u>	<u>192,113</u>	<u>37,285</u>	<u>1,491,182</u>
<b>Disbursements:</b>					
Bonds paid	400,000	45,000	120,000	10,000	1,163,569
Interest coupons	<u>59,400</u>	<u>27,819</u>	<u>72,113</u>	<u>27,285</u>	<u>327,613</u>
Total disbursements	<u>459,400</u>	<u>72,819</u>	<u>192,113</u>	<u>37,285</u>	<u>1,491,182</u>
Excess of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash at June 30, 2022</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance at June 30, 2022</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**HARRISON COUNTY SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balance  
Harrison County High School Activity Fund  
For the Year Ended June 30, 2022**

	<b>Fund Balance July 1, 2021</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Fund Balance June 30, 2022</b>
Academic Team	\$ 1,331	\$ -	\$ -	\$ 1,331
AFJROTC	10,898	24,318	23,409	11,807
Archery	7,337	40,613	32,732	15,218
Art Club	58	2,628	384	2,302
Athletic	2,406	3,765	3,488	2,683
Athletic Concessions	2,809	36,142	32,413	6,538
Athletic Officials	1,675	43,655	44,000	1,330
Band Boosters	16,590	25,894	37,372	5,112
Band Trips	55	-	-	55
Baseball	21,351	26,499	28,509	19,341
Beta Club	1,604	5,007	5,745	866
Book Club	741	-	287	454
Bowling	2,867	10,456	5,759	7,564
Boys Basketball	9,800	39,712	36,677	12,835
Boys Soccer	6,062	5,275	4,153	7,184
Boys Track	1,893	3,257	2,798	2,352
Cheerleading	8,758	36,741	31,022	14,477
Chorus	752	1,577	812	1,517
Class of 2022	156	60	216	-
Class of 2023	685	40	-	725
Class of 2024	-	9	-	9
Class of 2025	-	38	-	38
Community Enrichment Club	947	-	-	947
Counselors	3,548	4,397	2,420	5,525
Cross Country	251	4,686	1,721	3,216
Culinary Club	1,861	6,316	5,656	2,521
Dance Team	735	-	-	735
District/Region Tournament	-	5,496	5,496	-
Esports	365	533	898	-
FCCLA	4,142	363	280	4,225
FFA	5,171	11,866	8,110	8,927
FFA Greenhouse	18,804	24,887	21,560	22,131
FFA Service Project	864	5,922	6,786	-
FFA- Soil Conservation	823	-	-	823
Football	7,943	36,086	41,884	2,145
Football Boosters	434	-	-	434
General	11,922	288	7,810	4,400
Girls Basketball	3,006	29,047	25,300	6,753
Girls Soccer	17,301	15,149	13,425	19,025

**HARRISON COUNTY SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balance  
Harrison County High School Activity Fund  
Year Ended June 30, 2022 (continued)**

	<b>Fund Balance July 1, 2021</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Fund Balance June 30, 2022</b>
Girls Track	3,394	1,940	2,798	2,536
Golf Team	2,683	6,872	5,591	3,964
Health Explorers Club	428	-	-	428
High School Gaming	503	4,685	4,682	506
High School Musical	-	4,096	135	3,961
Kuna	-	2,661	2,309	352
Library	27	-	-	27
Pep Club	883	-	352	531
Project Graduation	507	13,517	13,715	309
Prom	8,062	19,032	18,099	8,995
ROTC Marksmanship Team	61	-	-	61
Senior Graduation Fund	19	-	19	-
Softball	20,669	16,190	18,404	18,455
Softball Boosters	12,680	6,208	8,893	9,995
Spanish Club	179	-	-	179
Speech Club	779	500	787	492
Staff Account	221	163	229	155
Student Council	675	346	425	596
Swim Team	41	-	-	41
Tennis	4,189	1,670	1,740	4,119
Tenth Region GBCA	2,612	1,400	4,012	-
Track Boosters	1,532	784	-	2,316
Tri-M	544	-	192	352
Volleyball	5,965	10,696	11,379	5,282
Volleyball Boosters	8,012	7,499	7,253	8,258
Wrestling	4,194	15,412	9,661	9,945
Wrestling Boosters	6,938	4,201	2,353	8,786
Yearbook Fund	11,819	4,175	12,291	3,703
Youth Service Center	303	-	292	11
<b>Total</b>	<b><u>\$ 273,864</u></b>	<b><u>\$ 572,769</u></b>	<b><u>\$ 556,733</u></b>	<b><u>\$ 289,900</u></b>

**HARRISON COUNTY SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balance  
School Activity Funds  
For the Year Ended June 30, 2022**

	<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, 2021	\$ 12,284	\$ 32,189	\$ 18,510	\$ 11,331	\$ 59,711	\$ 134,025
Add: receipts	18,800	23,390	5,433	35,757	109,184	192,564
Less: disbursements	<u>(14,838)</u>	<u>(23,812)</u>	<u>(14,701)</u>	<u>(35,212)</u>	<u>(106,123)</u>	<u>(194,686)</u>
Fund balance at June 30, 2022	<u>\$ 16,246</u>	<u>\$ 31,767</u>	<u>\$ 9,242</u>	<u>\$ 11,876</u>	<u>\$ 62,772</u>	<u>\$ 131,903</u>

**HARRISON COUNTY SCHOOL DISTRICT**

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

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the net pension liability	0%	0%	0%	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>45,751,641</u>	<u>50,070,447</u>	<u>48,760,694</u>	<u>48,627,737</u>	<u>99,430,873</u>	<u>108,642,112</u>	<u>86,783,333</u>	<u>*</u>	<u>*</u>	<u>*</u>
<b>Total</b>	<b><u>\$ 45,751,641</u></b>	<b><u>\$ 50,070,447</u></b>	<b><u>\$ 48,760,694</u></b>	<b><u>\$ 48,627,737</u></b>	<b><u>\$ 99,430,873</u></b>	<b><u>\$ 108,642,112</u></b>	<b><u>\$86,783,333</u></b>	<b><u>*</u></b>	<b><u>*</u></b>	<b><u>*</u></b>
District's covered-employee payroll	\$ 12,053,828	\$ 12,569,716	\$ 12,323,286	\$ 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%	0%	0%	0%	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	65.59%	58.27%	58.76%	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 from 4.88% to 4.20%.

*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*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 655,698	\$ 595,835	\$ 551,718	\$ 543,374	\$ 530,186	\$ 517,880	\$ 485,598	*	*	*
Contributions in relation to the contractually required contribution	(655,698)	(595,835)	(551,718)	(543,374)	(530,186)	(517,880)	(485,598)	*	*	*
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*
District's covered-employee payroll	\$ 13,521,540	\$ 12,053,828	\$ 12,569,716	\$ 12,323,286	\$ 12,606,882	\$ 12,303,521	\$ 11,518,006	*	*	*
Contributions as a percentage of covered-employee payroll	4.85%	4.94%	4.39%	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*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Districts proportion of net pension liability	0.146369%	0.150889%	0.149036%	0.154528%	0.157587%	0.157211%	0.163326%	0.164955%	*	*
Districts proportionate share of the net pension liability	\$ 9,332,172	\$ 11,573,061	\$ 10,481,768	\$ 9,411,226	\$ 9,224,052	\$ 7,740,457	\$ 7,022,415	\$ 5,351,760	*	*
Total net pension liability	\$ 6,375,784,388	\$ 7,669,917,211	\$ 7,033,044,552	\$ 6,090,304,793	\$ 5,853,307,482	\$ 4,923,618,237	\$ 4,299,525,565	\$ 3,244,377,000	*	*
Districts covered-employee payroll	\$ 3,807,137	\$ 3,865,481	\$ 3,758,761	\$ 3,915,252	\$ 3,908,124	\$ 3,732,093	\$ 3,839,356	\$ 3,790,176	*	*
Districts proportionate share of the net pension liability as a percentage of its covered-employee payroll	245.12%	299.40%	278.86%	240.37%	236.02%	207.40%	182.91%	141.20%	*	*
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	50.45%	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 tire for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tired 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*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 929,420	\$ 915,720	\$ 930,037	\$ 807,737	\$ 566,595	\$ 544,978	\$ 466,930	\$ 487,636	\$ 378,121	*
Contributions in relation to the contractually required contribution	(929,420)	(915,720)	(930,037)	(807,737)	(566,595)	(544,978)	(466,930)	(487,636)	(378,121)	*
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	\$ 3,451,501	\$ 3,807,137	\$ 3,865,481	\$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	26.93%	24.05%	24.06%	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\*

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the collective trust OPEB liability	0%	0%	0%	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	44,000	117,000	105,000	99,000	52,000	*	*	*	*	*
Total net OPEB liability	\$ 44,000	\$ 117,000	\$ 105,000	\$ 99,000	\$ 52,000	*	*	*	*	*
District's covered-employee payroll	\$ 12,053,828	\$ 12,569,716	\$ 12,323,286	\$ 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%	0.0%	0.0%	0.0%	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	89.15%	71.57%	73.40%	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, 2021:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	26 years
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% - 7.45%
Discount rate	7.50%

**HARRISON COUNTY SCHOOL DISTRICT**

**Schedule of District Contributions – LIF**

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*	*	*
Contributions in relation to the contractually required contribution	-	-	-	-	-	*	*	*	*	*
Contribution deficiency	-	-	-	-	-	*	*	*	*	*
District's covered-employee payroll	\$ 13,521,540	\$ 12,053,828	\$ 12,569,716	\$ 12,323,286	\$ 12,606,882	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	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*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the collective trust OPEB liability	0.188780%	0.190887%	0.191690%	0.192762%	0.195477%	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 4,051,000	\$ 4,818,000	\$ 5,610,000	\$ 6,688,000	\$ 6,970,000	*	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ 3,290,000	\$ 3,859,000	\$ 4,531,000	\$ 5,764,000	\$ 5,637,000	*	*	*	*	*
Total net OPEB liability	\$ 7,341,000	\$ 8,677,000	\$ 10,141,000	\$ 12,452,000	\$ 12,607,000	*	*	*	*	*
District's covered-employee payroll	\$ 12,053,828	\$ 12,569,716	\$ 12,323,286	\$ 12,606,882	\$ 12,303,521	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	33.6%	38.3%	45.5%	53.1%	56.7%	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	51.74%	39.05%	32.58%	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* - None

The Health Trust is not funded based on actuarially determined contribution, but instead is funded based on statutorily determined amounts as noted in the assumed asset allocation for MIF.

**HARRISON COUNTY SCHOOL DISTRICT**

**Schedule of District Contributions – MIF**

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 335,086	\$ 337,119	\$ 333,785	\$ 343,370	\$ 334,908	*	*	*	*	*
Contributions in relation to the contractually required contribution	(335,086)	(337,119)	(333,785)	(343,370)	(334,908)	*	*	*	*	*
Contribution deficiency	-	-	-	-	-	*	*	*	*	*
District's covered-employee payroll	\$ 13,521,540	\$ 12,053,828	\$ 12,569,716	\$ 12,323,286	\$ 12,606,882	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	2.48%	2.80%	2.66%	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 - None*

The Health Trust is not funded based on actuarially determined contribution, but instead is funded based on statutorily determined amounts as noted in the assumed asset allocation for MIF.

**HARRISON COUNTY SCHOOL DISTRICT**

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

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the collective trust OPEB liability	0.146335%	0.150845%	0.148900%	0.154522%	0.157587%	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 2,801,510	\$ 3,642,448	\$ 2,506,062	\$ 2,743,507	\$ 3,168,038	*	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*	*	*
Total net OPEB liability	\$ 2,801,510	\$ 3,642,448	\$ 2,506,062	\$ 2,743,507	\$ 3,168,038	*	*	*	*	*
District's covered-employee payroll	\$ 3,807,137	\$ 3,865,481	\$ 3,758,761	\$ 3,915,252	\$ 3,908,124	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	73.6%	94.2%	66.7%	70.1%	81.1%	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	51.67%	60.44%	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:* None

2018: Updated health care trend rates were implemented.

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

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 177,960	\$ 183,974	\$ 197,740	\$ 180,008	\$ 183,909	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(177,960)</u>	<u>(183,974)</u>	<u>(197,740)</u>	<u>(180,008)</u>	<u>(183,909)</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	\$ 3,451,501	\$ 3,807,137	\$ 3,865,481	\$ 3,758,761	\$ 3,915,252	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	5.16%	4.83%	5.12%	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.



**HARRISON COUNTY SCHOOL DISTRICT**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Agreement Number</u>	<u>Federal Expenditures for FYE 06/30/2022</u>
<b><u>U.S. Department of Education</u></b>			
<b><i>Passed through Kentucky Department of Education</i></b>			
Special Education Cluster			
Special Education_Grants to States	84.027	3810002 20	\$ 636,324
Total Federal Assistance #84.027			<u>636,324</u>
Special Education_Preschool Grants	84.173	3800002 21	24,776
<b><i>COVID-related funding:</i></b>			
Special Education_Preschool Grants	84.173X	4900002-21	14,427
Total Federal Assistance #84.173			<u>39,203</u>
<b>Total Special Education Cluster</b>			<b><u>675,527</u></b>
Title I Grants to Local Educational Agencies	84.010	310002 20	35
Title I Grants to Local Educational Agencies	84.010	310002 21	228,767
Title I Grants to Local Educational Agencies	84.010	310002 22	599,711
Total Federal Assistance #84.010			<u>828,513</u>
Vocational Education - Basic Grants to States	84.048	3710002 21	30,091
Total Federal Assistance #84.048			<u>30,091</u>
Twenty-First Century Community Learning Centers	84.287	3400002 20	243,696
Twenty-First Century Community Learning Centers	84.287	3400002 21	460,233
Total Federal Assistance #84.287			<u>703,929</u>
Title II Improving Teacher Quality State Grants	84.367	3230002 20	6,349
Title II Improving Teacher Quality State Grants	84.367	3230002 21	35,438
Title II Improving Teacher Quality State Grants	84.367	3230002 22	99,376
Total Federal Assistance #84.367			<u>141,163</u>
Title IV, Part A, Student Support and Academic Enrichment	84.424A	3420002 20	2,649
Title IV, Part A, Student Support and Academic Enrichment	84.424A	3420002 21	7,675
Title IV, Part A, Student Support and Academic Enrichment	84.424A	3420002 22	56,505
Total Federal Assistance #84.424A			<u>66,829</u>
CARES Elementary and Secondary School Emergency Relief Fund	84.425D	4000002-20	4,367
2020-2021 Digital Learning Coaches	84.425D	4200003-21	3,484
CARES Governor's Emergency Relief Fund	84.425D	4200002-21	1,954,461
FY 21 Elementary and Secondary School Emergency Relief Fund II	84.425D	4200003-21	189,067
FY 21 Elementary and Secondary School Emergency Relief Fund II	84.425D	4200003-21	37,724
American Rescue Plan (ESSER III)	84.425U	4300002-21	3,323
American Rescue Plan (ESSER III)	84.425U	4300002-21	1,910,645
Total Federal Assistance #84.425			<u>4,103,071</u>
<b>Total Passed through Kentucky Department of Education</b>			<b><u>6,549,123</u></b>
<b>Total U.S. Department of Education</b>			<b><u>6,549,123</u></b>
<b><u>Federal Communications Commission</u></b>			
<b><i>Passed through Kentucky Department of Education</i></b>			
Emergency Connectivity Fund Program	30.009	559I	24,790
Total Federal Assistance #30.009			<u>24,790</u>
<b>Total Federal Communications Commission</b>			
<b><u>U.S. Department of Defense</u></b>			
<b><i>Passed through Kentucky Department of Education</i></b>			
ROTC	12.000	31002 13	57,388
<b>Total U.S. Department of Defense</b>			<b><u>57,388</u></b>
<b><u>U.S. Department of Homeland Security</u></b>			
<b><i>Passed through Kentucky Department of Education</i></b>			
Disaster Grants - Public Assistance Presidentially Declared Disasters)	97.036	70070201453	35,466
<b>Total U.S. Department of Homeland Security</b>			<b><u>35,466</u></b>

**HARRISON COUNTY SCHOOL DISTRICT**

**Schedule of Expenditures of Federal Awards  
(Continued)  
For the Year Ended June 30, 2022**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Agreement Number</u>	<u>Federal Expenditures for FYE 06/30/2022</u>
<b><u>U.S. Department of Agriculture</u></b>			
Child Nutrition Cluster			
<b><i>Passed through Kentucky Department of Education</i></b>			
Summer Food Service Program for Children	10.559	7690024 21	3,366
Summer Food Service Program for Children	10.559	7740023 21	32,793
National School Lunch Program	10.555	7750002 21	288,325
National School Lunch Program	10.555	7750002 22	1,351,229
National School Lunch Program	10.555	9980000 22	81,144
School Breakfast Program	10.553	7760005 21	109,943
School Breakfast Program	10.553	7760005 22	430,907
			<u>2,297,707</u>
<b><i>Passed through Kentucky Department of Agriculture</i></b>			
National School Lunch Program - Food Donation (Commodities)	10.555	057502-02	181,581
<b>Total Child Nutrition Cluster</b>			<u>2,479,288</u>
<b><i>Passed through Kentucky Department of Education</i></b>			
Child and Adult Care Food Program	10.558	7790021 21	7,763
Child and Adult Care Food Program	10.558	7790021 22	46,362
Child and Adult Care Food Program	10.558	7800016 21	551
Child and Adult Care Food Program	10.558	7800016 22	20,631
Child and Adult Care Food Program	10.558	7980000 21	3,976
Total Federal Assistance #10.558			<u>79,283</u>
State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grants	10.649	9990000 21	3,063
State Administrative Expenses for Child Nutrition	10.560	7700001 21	903
<b>Total U.S. Department of Agriculture</b>			<u>2,562,537</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 9,229,304</u>

**HARRISON COUNTY SCHOOL DISTRICT**

**Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022**

**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, 2022, 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, 2022, the District reported food commodities expended in the amount of \$181,581.

**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, 2022.

**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, 2022, 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 9, 2022.

**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) as a basis for designing 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 were not identified.

**Report on 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 78-79.

**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 9, 2022

**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**

***Opinion on 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, 2022. 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.

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, 2022.

***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Harrison County School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Harrison County School District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Harrison County School District's federal programs.

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

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Harrison County School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Harrison County School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Harrison County School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Harrison County School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Harrison County School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

**BARNES DENNIG**

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 9, 2022



**HARRISON COUNTY SCHOOL DISTRICT**

**Schedule of Findings of Questioned Costs  
Year Ended June 30, 2022**

**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
84.425	Education Stabilization Fund
10.553/10.555/10.559	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, 2022**

Reference Number	Summary of Findings	Status
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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, 2022**

In planning and performing our audit of the financial statements of Harrison County School District for the year ended June 30, 2022, 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 9, 2022 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 9, 2022, 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**

No matters are reportable

**Northside Elementary School**

No matters are reportable

**Southside Elementary School**

No matters are reportable

**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, 2022**

**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**

No matters are reportable

**Southside Elementary School**

No matters are reportable

**Eastside Elementary School**

No matters are reportable

**Westside Elementary School**

No matters are reportable