

HARDIN COUNTY SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

Year Ended June 30, 2018

HARDIN COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Hardin County School District
Elizabethtown, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hardin County School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2018, the District adopted Governmental Accounting Standards Board Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement 85, *Omnibus 2017*, and Statement 86, *Certain Debt Extinguishment Issues*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 9, budgetary comparison information on pages 59 to 60, schedule of proportionate share of the net pension and OPEB liabilities on pages 61 to 65 and schedule of contributions on pages 66 to 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hardin County School District's basic financial statements. The combining financial statements, school schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 combining financial statements, school schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with accounting standards generally accepted in the United States of America. In our opinion, the combining financial statements, school schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 5, 2018, on our consideration of Hardin County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hardin County School District's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Stiles, Carter & Associates, CPAs, PSC". The signature is written in a cursive, flowing style.

Stiles, Carter & Associates, CPAs, PSC
Elizabethtown, Kentucky
October 5, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HARDIN COUNTY SCHOOL DISTRICT - ELIZABETHTOWN, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2018**

The discussion and analysis of Hardin County School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to review the School District's financial performance as a whole; readers should also review the financial statements and notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- 1 The beginning General Fund fund balance was \$25.8 million. The ending fund balance was \$27.6 million. The major reason for the change was due to increased tax income.
- 2 The beginning Construction Fund fund balance was \$13.5 million. The ending fund balance was \$5.2 million. The major reason for the change in fund balance was due to spending prior year bond proceeds on projects.

USING THIS ANNUAL REPORT

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

Government-wide financial statements. The government-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 deferred outflows and liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as one 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 government-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. Capital assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 10 - 11 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, proprietary and fiduciary funds. The fiduciary funds are agency funds for student education and private purpose trust funds. The proprietary funds are the food service, child care, early college and career center and educational television operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 12 – 20 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 government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 - 58 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as an indicator of a government's financial position. In the case of the District, net position was \$42.3 million as of June 30, 2018. The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is 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 are not 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, disposal and depreciation of capital assets.

Net Position for the period ending June 30, 2018 and 2017
(Table 1)

Category	Governmental	Governmental2	Business-type	Business-type3	Total	Total4
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 37,306,525	\$ 44,789,053	\$ 2,296,435	\$ 1,985,410	\$ 39,602,960	\$ 46,774,463
Capital Assets	230,955,013	228,482,650	1,014,575	1,040,435	231,969,588	229,523,085
Total Assets	268,261,538	273,271,703	3,311,010	3,025,845	271,572,548	276,297,548
Deferred Outflows	22,143,232	11,128,925	3,127,950	1,422,770	25,271,182	12,551,695
Long-term Debt	227,034,281	179,363,163	9,933,711	6,409,768	236,967,992	185,772,931
Other Liabilities	12,089,452	12,281,128	69,573	23,194	12,159,025	12,304,322
Total Liabilities	239,123,733	191,644,291	10,003,284	6,432,962	249,127,017	198,077,253
Deferred Inflows	4,606,867	7,477	829,160	1,471	5,436,027	8,948
Net Position						
Net investment in capital assets	92,812,955	82,778,056	1,014,575	1,040,435	93,827,530	83,818,491
Restricted	7,893,212	15,630,931	-	-	7,893,212	15,630,931
Unrestricted	(54,031,997)	(5,660,127)	(5,409,059)	(3,026,253)	(59,441,056)	(8,686,380)
Total Net Position	\$ 46,674,170	\$ 92,748,860	\$ (4,394,484)	\$ (1,985,818)	\$ 42,279,686	\$ 90,763,042

The following Table 2 presents a summary of changes in net position for the fiscal years ended June 30, 2018 and 2017.

Category	Governmental	Governmental2	Business-type	Business-type3	Total	Total4
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
REVENUES						
Program revenues						
Charges for services	\$ 144,828	\$ 150,385	\$ 2,130,907	\$ 2,470,324	\$ 2,275,735	\$ 2,620,709
Operating grants and contributions	68,960,293	76,209,036	8,510,351	8,089,224	77,470,644	84,298,260
Capital grants and contributions	5,778,425	6,050,838	-	-	5,778,425	6,050,838
General revenues						
Property taxes	37,173,409	35,779,324	-	-	37,173,409	35,779,324
Motor vehicle taxes	3,600,607	3,464,873	-	-	3,600,607	3,464,873
Utility taxes	6,145,746	5,657,021	-	-	6,145,746	5,657,021
Other taxes	9,662	9,928	-	-	9,662	9,928
Investment earnings	357,031	96,860	9,480	3,639	366,511	100,499
Gain on disposal of capital assets	43,094	-				
State and formula grants	55,307,224	55,187,802	-	-	55,307,224	55,187,802
Miscellaneous	515,143	544,709	-	-	515,143	544,709
Total revenues	178,035,462	183,150,776	10,650,738	10,563,187	188,643,106	193,713,963
EXPENSES						
Program Activities						
Instruction	118,072,415	124,457,955	-	-	118,072,415	124,457,955
Student support	10,053,726	9,661,991	-	-	10,053,726	9,661,991
Instructional staff support	8,546,894	8,070,259	-	-	8,546,894	8,070,259
District administrative support	1,268,680	1,295,108	-	-	1,268,680	1,295,108
School administrative support	7,791,745	7,424,201	-	-	7,791,745	7,424,201
Business support	2,418,848	2,272,567	-	-	2,418,848	2,272,567
Plant operation and maintenance	11,549,003	11,318,187	-	-	11,549,003	11,318,187
Student transportation	12,514,093	9,603,414	-	-	12,514,093	9,603,414
Community service activities	1,357,293	1,265,016	-	-	1,357,293	1,265,016
Other	227,509	543,116	-	-	227,509	543,116
Interest costs	4,969,683	5,216,788	-	-	4,969,683	5,216,788
Business-type Activities						
Food service	-	-	10,004,027	8,973,706	10,004,027	8,973,706
Childcare	-	-	1,278,616	1,181,742	1,278,616	1,181,742
Early College and Career Center			28,140	30,791	28,140	30,791
Educational television	-	-	102,123	102,661	102,123	102,661
Total expenses	178,769,889	181,128,602	11,412,906	10,288,900	190,182,795	191,417,502
Transfers	(248,042)	(109,732)	248,042	109,732	-	-
Increase (decrease) in net position	\$ (982,469)	\$ 1,912,442	\$ (514,126)	\$ 384,019	\$ (1,539,689)	\$ 2,296,461

Governmental Activities

Instruction comprises 66%, support services comprise 30% and expense for community services, interest and other items accounts for 4% of governmental expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Function	Total	Total2	Net	Net3
	2018	2017	2018	2017
Instruction	\$ 118,072,415	\$ 124,457,955	\$ 60,530,490	\$ 60,493,121
Support Services	54,142,989	49,645,727	43,906,734	38,556,881
Community Services	1,357,293	1,266,016	93,214	21,315
Facility acquisition and construction	-	-	(4,824,440)	(4,983,786)
Other	227,509	543,116	164,647	481,076
Interest costs	4,969,683	5,216,788	4,015,698	4,149,736
Total expenses	\$ 178,769,889	\$ 181,129,602	\$ 103,886,343	\$ 98,718,343

Business-Type Activities

The business-type activities include the food service, child care, early college and career center and educational television operations. These programs had total revenues of \$10,650,738 and expenses of \$11,412,906 for fiscal year 2018. Of the revenues, \$2,130,907 was charges for services, \$8,510,351 was from State and Federal operating grants and \$9,480 was from investment earnings. The food service fund also received \$173,042 of capital assets paid for by the Construction Fund and the school age child care fund received \$75,000 from the general fund. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of this activity. If it becomes necessary, the School District will make adjustments to the operations of this activity.

The School District's Funds

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$178.6 million and expenditures and other financing uses of \$184.1 million. Net changes in fund balances for the year were most significant in the General Fund \$1.8 million and the Construction Fund (\$8.3) million.

The increase in the General Fund was primarily due to additional tax revenue. The increase in the Construction Fund was due to not spending bond proceeds received during the fiscal year.

General Fund-Budget Highlights

The School District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. The State Department of Education requires a zero-based budget with any budgeted remaining fund balance shown as a contingency expense in the budget process.

For the General Fund revenues were budgeted at \$89.3 million with actual amounts of \$128.8 million. Budgeted expenditures of \$112.1 million compare with actual expenditures of \$127.6 million. The most significant fluctuation is for on-behalf payments of \$34 million.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018 the School District had \$231.9 million invested in land, land improvements, buildings, vehicles, equipment, and construction in progress, and \$230.9 million in governmental activities. Table 4 shows fiscal year 2018 and 2017 balances, net of depreciation.

Column1	Governmental	Governmental2	Business-type	Business-type3	Total	Total4
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 7,490,917	\$ 7,539,317	\$ 16,790	\$ 16,790	\$ 7,507,707	\$ 7,556,107
Land improvements	5,552,785	2,628,970	-	-	5,552,785	2,628,970
Buildings and improvements	193,876,248	176,908,011	16,407	20,612	193,892,655	176,928,623
Technology	1,215,634	2,154,912	-	58	1,215,634	2,154,970
Vehicles	5,543,610	5,652,499	56,572	59,861	5,600,182	5,712,360
General equipment	1,734,161	1,843,506	924,806	943,114	2,658,967	2,786,620
Total	215,413,355	196,727,215	1,014,575	1,040,435	216,427,930	197,767,650
Construction in progress	15,541,658	31,755,435	-	-	15,541,658	31,755,435
Total	\$ 230,955,013	\$ 228,482,650	\$ 1,014,575	\$ 1,040,435	\$ 231,969,588	\$ 229,523,085

Table 5 shows the changes in capital assets for the fiscal years ended June 30, 2018 and 2017.

Column1	Governmental	Governmental2	Business-type	Business-type3	Total	Total4
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 228,482,654	\$ 221,235,815	\$ 1,040,435	\$ 1,079,561	\$ 229,523,089	\$ 222,315,376
Additions	36,782,997	33,772,490	199,036	164,112	36,982,033	33,936,602
Retirements	(26,091,838)	(18,059,499)	(4,414)	(3,610)	(26,096,252)	(18,063,109)
Depreciation	(8,218,800)	(8,466,152)	(220,482)	(199,628)	(8,439,282)	(8,665,780)
Ending balance	\$ 230,955,013	\$ 228,482,654	\$ 1,014,575	\$ 1,040,435	\$ 231,969,588	\$ 229,523,089

Ongoing construction costs are in construction in progress at June 30, 2018.

Debt

At June 30, 2018, the School District had \$140.8 million in bonds outstanding, of this amount \$6.4 million is to be paid from KSFCC funding provided by the State of Kentucky. A total of \$6 million is due within one year. The District issued the 2017 refunding bonds during the fiscal year.

District Challenges for the Future

The primary challenges for Hardin County Schools are to continue to increase the level of achievement of our students, continue to maintain and improve the average daily attendance of our students, and continue to provide modern facilities for continuous growth in student enrollment.

The most important challenge is to increase the academic achievement of our students. The District is continuing programs such as IRead, APEX, and Compass Learning in many schools as measures to improve learning and data quality. In addition, a data consultant has been hired to review the data within the District to measure program success. Technology is being funded at higher levels to increase student development with hand held devices. The District is striving to be a one for one, bring your own device,

District. Lincoln Trail and East Hardin will start construction this school year, with hopes of opening in 2019-2020.

The second District challenge is maintaining and improving average daily attendance. The District receives funding through the SEEK formula based on this count. Growth within the District has steadily increased over the last year and is remaining constant. As a result of continued growth in average daily attendance the District was able to levy a BRAC nickel in FY11. This has enabled the District to add additional classroom space and improve overall building culture. Adhering to the facilities plan is essential in providing excellent learning environments to meet the needs of all students. It is important to note good attendance correlates to student achievement. Maintaining excellence and emphasizing service the public are the main factors influencing this District challenge.

The District is facing financial concerns with no state grants for textbooks and professional development. A key challenge will be to maintain the level of student achievement with current funding sources. Adhering to the facilities plan is essential in providing excellent learning environments to meet the needs of all our students. The District currently has one new school in construction and two being renovated.

Future Budgetary Implications

In Kentucky, the public schools fiscal year is July 1 - June 30; 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 for 2018-2019 with a 6.0% contingency. Significant Board action that impacts the finances includes pay increases for all employees including TRS/CERS and issuing a COLA raises, additional spending for facility repairs outside of bonded building and renovation projects, and continued funding of Board initiatives.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. Questions about this report or additional information needed should be directed to John Stith, Chief Operations Officer (270) 769-8800, 65 W. A. Jenkins Road, Elizabethtown, Kentucky, 42701.

BASIC FINANCIAL STATEMENTS

HARDIN COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2018

Assets	Governmental Activities	Business-Type Activities	Total
<u>Current Assets</u>			
Cash, cash equivalents and investments	\$ 34,732,146	\$ 2,007,147	\$ 36,739,293
Inventory		191,812	191,812
Receivables:			
Taxes-current	302,267		302,267
Taxes-delinquent	128,803		128,803
Other receivables	252,729	9,651	262,380
Intergovernmental-State	53,167		53,167
Intergovernmental-Indirect Federal	1,826,444	87,825	1,914,269
Intergovernmental-Direct Federal	10,969		10,969
Total Current Assets	37,306,525	2,296,435	39,602,960
<u>Noncurrent Assets</u>			
Non-depreciable capital assets	23,032,575	16,790	23,049,365
Depreciable capital assets, net of accumulated depreciation	207,922,438	997,785	208,920,223
Total Noncurrent Assets	230,955,013	1,014,575	231,969,588
Total Assets	268,261,538	3,311,010	271,572,548
<u>Deferred Outflows of Resources</u>			
Deferred amount on debt refundings	3,918,988		3,918,988
CERS Pension	12,697,262	2,425,444	15,122,706
CERS OPEB	3,677,634	702,506	4,380,140
TRS MIF OPEB	1,849,348		1,849,348
Total Deferred Outflows of Resources	22,143,232	3,127,950	25,271,182
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable	1,262,493	69,573	1,332,066
Unearned revenue	1,076,105		1,076,105
Bond obligations	7,865,000		7,865,000
Compensated absences	350,805		350,805
Interest payable	1,535,049		1,535,049
Total Current Liabilities	12,089,452	69,573	12,159,025
<u>Noncurrent Liabilities</u>			
Bond obligations	134,196,046		134,196,046
Net pension liability - CERS	38,708,599	7,394,158	46,102,757
Net OPEB liability - CERS	13,294,625	2,539,553	15,834,178
Net OPEB liability - TRS MIF	37,677,768		37,677,768
Compensated absences	3,157,243		3,157,243
Total Noncurrent Liabilities	227,034,281	9,933,711	236,967,992
Total Liabilities	239,123,733	10,003,284	249,127,017
<u>Deferred Inflows of Resources</u>			
CERS Pension	3,644,597	696,196	4,340,793
CERS OPEB	696,070	132,964	829,034
TRS MIF OPEB	266,200		266,200
Total Deferred Inflows of Resources	4,606,867	829,160	5,436,027
<u>Net Position</u>			
Net investment in capital assets	92,812,955	1,014,575	93,827,530
Restricted	7,893,212		7,893,212
Unrestricted	(54,031,997)	(5,408,059)	(59,440,056)
Total Net Position	\$ 46,674,170	\$ (4,393,484)	\$ 42,280,686

The notes to the financial statements are an integral part of this statement.

HARDIN COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
Instruction	\$ 118,072,415	\$ 71,648	\$ 57,470,277	\$ -	\$ (60,530,490)	\$ -	\$ (60,530,490)
Support services:							
Student	10,053,726		2,197,695		(7,856,031)		(7,856,031)
Instruction staff	8,546,894		3,021,730		(5,525,164)		(5,525,164)
District administrative	1,268,680		74,688		(1,193,992)		(1,193,992)
School administrative	7,791,745		1,630,162		(6,161,583)		(6,161,583)
Business	2,418,848		366,506		(2,052,342)		(2,052,342)
Plant operation and maintenance	11,549,003		1,079,706		(10,469,297)		(10,469,297)
Student transportation	12,514,093	10,635	1,855,133		(10,648,325)		(10,648,325)
Community service activities	1,357,293	62,545	1,201,534		(93,214)		(93,214)
Facilities acquisition and construction				4,824,440	4,824,440		4,824,440
Other	227,509		62,862		(164,647)		(164,647)
Interest on long-term debt	4,969,683			953,985	(4,015,698)		(4,015,698)
Total Governmental Activities	178,769,889	144,828	68,960,293	5,778,425	(103,886,343)	-	(103,886,343)
Business-Type Activities:							
Food service	10,004,027	1,252,592	8,306,727			(444,708)	(444,708)
School Age Child Care	1,278,616	757,528	192,390			(328,698)	(328,698)
Early College and Career Center	28,140	31,146				3,006	3,006
Educational television	102,123	89,641	11,234			(1,248)	(1,248)
Total Business-Type Activities	11,412,906	2,130,907	8,510,351	-	-	(771,648)	(771,648)
Total Primary Government	\$ 190,182,795	\$ 2,275,735	\$ 77,470,644	\$ 5,778,425	(103,886,343)	(771,648)	(104,657,991)
General Revenues:							
Taxes:							
Property taxes					37,173,409		37,173,409
Motor vehicle taxes					3,600,607		3,600,607
Utility taxes					6,145,746		6,145,746
Other taxes					9,662		9,662
Investment earnings					357,031	9,480	366,511
Gain on disposal of capital assets					43,094		43,094
State and formula grants					55,307,224		55,307,224
Miscellaneous					515,143		515,143
Transfers					(75,000)	75,000	-
Transfers of capital assets					(173,042)	173,042	-
Total general revenues and transfers					102,903,874	257,522	103,161,396
Change in net position					(982,469)	(514,126)	(1,496,595)
Net position - beginning,					92,748,860	(1,985,818)	90,763,042
Restatement					(45,092,221)	(1,893,540)	(46,985,761)
Net position - beginning, as restated					47,656,639	(3,879,358)	43,777,281
Net position - ending					\$ 46,674,170	\$ (4,393,484)	\$ 42,280,686

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

HARDIN COUNTY SCHOOL DISTRICT**BALANCE SHEET****GOVERNMENTAL FUNDS**

June 30, 2018

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash, cash equivalents and investments	\$ 27,528,905	\$ 207,530	\$ 5,221,931	\$ 1,773,780	\$ 34,732,146
Receivables:					
Taxes - current	302,267				302,267
Taxes - delinquent	128,803				128,803
Other receivables	252,729				252,729
Intergovernmental - State		53,167			53,167
Intergovernmental - Indirect Federal	235,442	1,591,002			1,826,444
Intergovernmental - Direct Federal		10,969			10,969
Total Assets	\$ 28,448,146	\$ 1,862,668	\$ 5,221,931	\$ 1,773,780	\$ 37,306,525
Liabilities and Fund Balances:					
Liabilities					
Accounts payable	\$ 807,302	\$ 416,212	\$ 11,355	\$ 27,624	\$ 1,262,493
Unearned revenue		1,076,105			1,076,105
Total Liabilities	807,302	1,492,317	11,355	27,624	2,338,598
Fund Balances					
Restricted	566,129	370,351	5,210,576	1,746,156	7,893,212
Committed	4,451,446				4,451,446
Assigned	2,592,927				2,592,927
Unassigned	20,030,342				20,030,342
Total Fund Balances	27,640,844	370,351	5,210,576	1,746,156	34,967,927
Total Liabilities and Fund Balances	\$ 28,448,146	\$ 1,862,668	\$ 5,221,931	\$ 1,773,780	\$ 37,306,525

The notes to the financial statements are an integral part of this statement.

HARDIN COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2018

Total fund balance per fund financial statements	\$ 34,967,927
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	230,955,013
Governmental funds record debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are reported on the statement of net position as deferred outflows of resources.	3,918,988
Governmental funds do not record deferred outflows of resources for pensions and OPEB but those are reported on the statement of net position as deferred outflows of resources.	18,224,244
Governmental funds do not record deferred inflows of resources for pensions and OPEB but those are reported on the statement of net position as deferred inflows of resources.	(4,606,867)
Certain liabilities are not reported in this fund financial statement because because they are not due and payable, but they are presented in the statement of net position:	
Bonds payable (net of discounts and premiums)	(142,061,046)
Interest payable	(1,535,049)
Compensated absences	(3,508,048)
Net pension liability - CERS	(38,708,599)
Net OPEB liability - CERS	(13,294,625)
Net OPEB liability - TRS MIF	(37,677,768)
Net position for governmental activities	<u><u>\$ 46,674,170</u></u>

The notes to the financial statements are an integral part of this statement.

HARDIN COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2018

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes:					
Property	\$ 27,283,732	\$ -	\$ -	\$ 9,889,677	\$ 37,173,409
Motor vehicle	3,600,607				3,600,607
Utilities	6,145,746				6,145,746
Other taxes	9,662				9,662
Earnings on investments	292,318	2,328	59,864	2,521	357,031
Other local revenues	1,176,362	199,298	3,600	497,018	1,876,278
Intergovernmental - State	89,331,786	5,783,051		5,778,425	100,893,262
Intergovernmental - Indirect Federal	866,121	6,910,457			7,776,578
Intergovernmental - Direct Federal	42,375	196,098			238,473
Total Revenues	128,748,709	13,091,232	63,464	16,167,641	158,071,046
Expenditures:					
Instruction	79,765,160	9,713,476		174,829	89,653,465
Support services:					
Student	9,639,411	22,484			9,661,895
Instruction staff	6,127,571	1,909,918		92,445	8,129,934
District administrative	1,250,754				1,250,754
School administrative	7,465,715				7,465,715
Business	2,237,454	1,000			2,238,454
Plant operation and maintenance	11,299,411	43,235		98,130	11,440,776
Student transportation	9,639,941	423,288			10,063,229
Facilities acquisition and construction	24,402		9,859,924		9,884,326
Community service activities	120,796	1,201,534			1,322,330
Other	566	62,862		3,394	66,822
Bond issue costs				64,525	64,525
Debt service:					
Principal				7,665,000	7,665,000
Interest				4,747,163	4,747,163
Total Expenditures	127,571,181	13,377,797	9,859,924	12,845,486	163,654,388
Excess (Deficit) of Revenues over Expenditures	1,177,528	(286,565)	(9,796,460)	3,322,155	(5,583,342)
Other Financing Sources (Uses):					
Refunding bond proceeds				5,895,000	5,895,000
Bond premium				292,641	292,641
Payment to refunded bond escrow agent				(6,204,901)	(6,204,901)
Insurance proceeds	52,099				52,099
Proceeds from disposal of capital assets	135,982				135,982
Transfers in	1,100,000	276,202	1,493,852	11,255,900	14,125,954
Transfers out	(649,282)			(13,551,672)	(14,200,954)
Total Other Financing Sources (Uses)	638,799	276,202	1,493,852	(2,313,032)	95,821
Net Change in Fund Balances	1,816,327	(10,363)	(8,302,608)	1,009,123	(5,487,521)
Fund Balance, July 1, 2017	25,824,517	380,714	13,513,184	737,033	40,455,448
Fund Balance, June 30, 2018	\$ 27,640,844	\$ 370,351	\$ 5,210,576	\$ 1,746,156	\$ 34,967,927

The notes to the financial statements are an integral part of this statement.

HARDIN COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Net change in total fund balances per fund financial statements	\$ (5,487,521)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	2,513,849
The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position.	17,260
Bond payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	7,665,000
In the statement of activities, only the gain (loss) on sale of capital assets is reported, whereas in the governmental funds, the proceeds for the sale increased financial resources.	(92,888)
The difference between actuarial pension and OPEB contributions and actual contributions made are recorded as adjustments in the statement of activities.	(5,626,609)
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.	<u>28,440</u>
Change in net position of governmental activities	<u><u>\$ (982,469)</u></u>

The notes to the financial statements are an integral part of this statement.

HARDIN COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2018

	Food Service Fund	School Age Child Care	Other Enterprise Funds	Total Enterprise Funds
Assets				
<u>Current Assets</u>				
Cash, cash equivalents and investments	\$ 1,929,904	\$ 58,865	\$ 18,378	\$ 2,007,147
Accounts receivable			9,651	9,651
Inventory	191,812			191,812
Intergovernmental receivable - Indirect Federal	87,825			87,825
Total Current Assets	2,209,541	58,865	28,029	2,296,435
<u>Noncurrent Assets</u>				
Non-depreciable capital assets	16,790			16,790
Capital assets, net of accumulated depreciation	997,785			997,785
Total Noncurrent Assets	1,014,575	-	-	1,014,575
Total Assets	3,224,116	58,865	28,029	3,311,010
Deferred Outflows of Resources				
CERS Pension	1,956,927	449,650	18,867	2,425,444
CERS OPEB	566,804	130,237	5,465	702,506
Total Deferred Outflows of Resources	2,523,731	579,887	24,332	3,127,950
Liabilities				
<u>Current Liabilities</u>				
Accounts payable	45,228	22,016	2,329	69,573
Total Current Liabilities	45,228	22,016	2,329	69,573
<u>Noncurrent Liabilities</u>				
Net pension liability - CERS	5,965,846	1,370,795	57,517	7,394,158
Net OPEB liability - CERS	2,048,994	470,805	19,754	2,539,553
Total Noncurrent Liabilities	8,014,840	1,841,600	77,271	9,933,711
Total Liabilities	8,060,068	1,863,616	79,600	10,003,284
Deferred Inflows of Resources				
CERS Pension	561,713	129,067	5,416	696,196
CERS OPEB	107,280	24,650	1,034	132,964
Total Deferred Inflows of Resources	668,993	153,717	6,450	829,160
<u>Net Position</u>				
Net investment in capital assets	1,014,575			1,014,575
Unrestricted	(3,995,789)	(1,378,581)	(33,689)	(5,408,059)
Total Net Position	\$ (2,981,214)	\$ (1,378,581)	\$ (33,689)	\$ (4,393,484)

The notes to the financial statements are an integral part of this statement.

HARDIN COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended June 30, 2018

	Food Service Fund	School Age Child Care	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues				
Lunchroom sales	\$ 1,239,293	\$ -	\$ -	\$ 1,239,293
Other	13,299	757,528		770,827
Tuition and fees			120,787	120,787
Total Operating Revenues	1,252,592	757,528	120,787	2,130,907
Operating Expenses				
Salaries and wages	4,857,809	1,093,054	56,949	6,007,812
Materials and supplies	4,691,837	80,836	11,960	4,784,633
Depreciation	220,482			220,482
Other operating expenses	229,485	104,726	61,354	395,565
Total Operating Expenses	9,999,613	1,278,616	130,263	11,408,492
Operating (loss)	(8,747,021)	(521,088)	(9,476)	(9,277,585)
Non-Operating Revenues (Expenses)				
Federal grants	6,802,400			6,802,400
Donated commodities	570,639			570,639
State grants	79,017			79,017
State on-behalf payments	854,671	192,390	11,234	1,058,295
Loss on disposal of capital assets	(4,414)			(4,414)
Interest income	9,480			9,480
Total Non-Operating Revenues (Expenses)	8,311,793	192,390	11,234	8,515,417
Capital contributions	173,042			173,042
Transfers in		75,000		75,000
Changes in net position	(262,186)	(253,698)	1,758	(514,126)
Net Position, July 1, 2017, as previously reported	(1,188,849)	(777,038)	(19,931)	(1,985,818)
Restatement	(1,530,179)	(347,845)	(15,516)	(1,893,540)
Net Position, July 1, 2017, as restated	(2,719,028)	(1,124,883)	(35,447)	(3,879,358)
Net Position, June 30, 2018	<u>\$ (2,981,214)</u>	<u>\$ (1,378,581)</u>	<u>\$ (33,689)</u>	<u>\$ (4,393,484)</u>

The notes to the financial statements are an integral part of this statement.

HARDIN COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2018

	Food Service Fund	School Age Child Care	Other Enterprise Funds	Total Enterprise Funds
Cash Flows from Operating Activities				
Cash received from:				
Lunchroom sales	\$ 1,239,293	\$ -	\$ -	\$ 1,239,293
Other	13,299			13,299
Tuition and fees		757,528	118,278	875,806
Cash paid to/for:				
Employees	(3,404,421)	(749,465)	(42,719)	(4,196,605)
Supplies	(4,000,316)	(64,811)	(12,381)	(4,077,508)
Other activities	(229,485)	(104,726)	(61,354)	(395,565)
Net Cash Provided (Used) by Operating Activities	(6,381,630)	(161,474)	1,824	(6,541,280)
Cash flows from Non-Capital Financing Activities				
Federal grants	6,763,723			6,763,723
State grants	79,017			79,017
Transfers from other funds		75,000		75,000
Net Cash Provided by Non-Capital Financing Activities	6,842,740	75,000	-	6,917,740
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(25,993)	-	-	(25,993)
Cash Flows from Investing Activities				
Receipt of interest income	9,480			9,480
Net Cash Provided by Investing Activities	9,480	-	-	9,480
Net change in cash and cash equivalents	444,597	(86,474)	1,824	359,947
Balances, beginning of year	1,485,307	145,339	16,554	1,647,200
Balances, end of year	<u>\$ 1,929,904</u>	<u>\$ 58,865</u>	<u>\$ 18,378</u>	<u>\$ 2,007,147</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating loss	\$ (8,747,021)	\$ (521,088)	\$ (9,476)	\$ (9,277,585)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation	220,482			220,482
Donated commodities	570,639			570,639
State on-behalf payments	854,671	192,390	11,234	1,058,295
GASB 68 pension expense	539,426	133,826	3,189	676,441
GASB 75 OPEB expense	59,291	17,373	(193)	76,471
Change in assets and liabilities:				
Accounts receivable			(421)	(421)
Inventory	90,108			90,108
Accounts payable	30,774	16,025	(2,509)	44,290
Net Cash Provided (Used) by Operating Activities	<u>\$ (6,381,630)</u>	<u>\$ (161,474)</u>	<u>\$ 1,824</u>	<u>\$ (6,541,280)</u>
Schedule of Non-cash Transactions				
Donated commodities received from federal government	<u>\$ 570,639</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 570,639</u>
State on-behalf payments	<u>\$ 854,671</u>	<u>\$ 192,390</u>	<u>\$ 11,234</u>	<u>\$ 1,058,295</u>
CERS Pensions	<u>\$ 539,426</u>	<u>\$ 133,826</u>	<u>\$ 3,189</u>	<u>\$ 676,441</u>
CERS OPEB	<u>\$ 59,291</u>	<u>\$ 17,373</u>	<u>\$ (193)</u>	<u>\$ 76,471</u>

The notes to the financial statements are an integral part of this statement.

HARDIN COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2018

	Private Purpose Trust Funds	Agency Fund
Assets		
Cash, cash equivalents and investments	\$ 170,271	\$ 1,105,334
Receivables		24,370
Total Assets	<u>\$ 170,271</u>	<u>\$ 1,129,704</u>
Liabilities		
Accounts payable	\$ -	\$ 23,907
Due to student groups		1,105,797
Total Liabilities	<u>\$ -</u>	<u>\$ 1,129,704</u>
Net Position Held in Trust	<u>\$ 170,271</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

HARDIN COUNTY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

Year Ended June 30, 2018

	Private Purpose Trust Funds
Additions	
Net interest and investment gains	\$ 1,400
Other additions	1,580
Deductions	
Expenses paid	<u>(18,832)</u>
Change in net position	(15,852)
Net Position, beginning of year	<u>186,123</u>
Net Position, end of year	<u><u>\$ 170,271</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hardin County School District (the "District") have been prepared to conform with Accounting Principles Generally Accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

The Hardin 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 Hardin County School District. 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.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units", the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. Applying this definition, District management has determined that the component unit reportable within the accompanying financial statements is the Hardin County School District Finance Corporation, (the "Corporation"). 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 Boosters, Parent-Teacher Associations, etc.

Blended Component Unit – Hardin County School District Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Hardin 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 Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors. Therefore, the financial activities of the Corporation have been blended (reported as if it were part of the District) with those of the District. The Corporation does not publish individual component unit financial statements.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

Fund Financial Statements

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

The Governmental Funds are accounted for on the “flow of current financial resources” measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The Proprietary Funds are accounted for on an “economic resources” measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Funds reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

Governmental Funds

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Fund and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income. The following are the District's major Governmental Funds:

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- (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 the 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. This is a major fund of the District.
- (C) The District Activity Fund is a Special Revenue Fund type and is used to account for funds received at the school level.
- (D) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (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. This is a major fund of the District.
- (E) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs; and for the payment of interest on notes payable, as required by Kentucky Law.

Proprietary Funds

Proprietary Funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses include salaries, benefits, supplies and other items. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has four Proprietary Funds.

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch and Breakfast Programs, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. The Food Service Fund is a major fund of the District.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- (B) The School Age Child Care program is used to account for funds received from tuition fees charges for after school care of students. This is a major fund of the District.
- (C) The Early College and Career Center program is used to account for funds received from activities held at the Early College and Career Center.
- (D) The Educational Television program is used to account for funds received from production services and the sale of recorded media.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District.

- A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.
- B. The Private Purpose Trust Funds are 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.

BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty (60) days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Property tax revenue is recognized when taxes are received, except at year end when revenue is recognized for taxes received by the District within sixty (60) days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, claims and judgments and certain prepaids which are recognized when due/paid.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In all cases, monies received before the revenue recognition criteria have been met are reported as unearned revenue.

Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

Revenue Recognition

State Revenue Sources – Revenues from State sources for current operations are primarily from the Support Education Excellence in Kentucky (“SEEK”), administered by the Kentucky Department of Education (“KDE”). The District files reports on average daily attendance (“ADA”) student membership with the KDE. The KDE accumulates information from these reports and calculates the allocation of SEEK funds to the District. After review and verification of ADA reports and supporting documentation, the KDE may adjust subsequent fiscal period allocations of SEEK funding. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made, as amounts are not significant.

Property Taxes – On an accrual basis, property tax revenue anticipated to be collected is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received.

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

C. BUDGETARY POLICIES

Budgetary Process

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). 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).

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. All budget appropriations lapse at year-end.

D. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

E. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash equivalents are considered to be demand deposits, money market funds, and other investments with an original maturity of 90 days or less.

F. INVENTORIES

Inventories are valued at cost, which approximates market. The food service fund uses the specific identification method and the general fund uses the first-in, first-out method. The District's inventories include various items consisting of school supplies, paper, books, maintenance items, transportation items, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method.

G. PREPAID ITEMS

Payments made that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. 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 government-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 government-wide statement of net position and in the respective funds. All capital assets greater than \$5,000 are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets' life are not. All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	5-15 years
Food service equipment	5-12 years

I. LONG-TERM DEBT

In the fund-level financial statements, governmental funds report the face amount of debt issued, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums/discounts are amortized over the life of the bonds and shown as an offset of bonds payable while deferred amounts on advance refundings are amortized over the shorter of the remaining life of the refunded bonds or the life of the new bonds both in a systematic and rational method, which approximates the effective-interest method and shown as deferred outflows of resources.

J. COMPENSATED ABSENCES

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

K. ACCOUNTING ESTIMATES

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

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. PENSION AND OPEB PLANS

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

M. NET POSITION

Net Position – Net position is divided into three components:

1. Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
2. Restricted net position – consist of net position that is restricted by the District's creditors (for example, through debt covenants), by grantors (federal, state and local) and by other contributors.
3. Unrestricted – all other net position is reported in this category.

N. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

Recently Issued And Adopted Accounting Principles

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement is effective for periods beginning after June 15, 2017. The statement was adopted during the fiscal year and required a restatement of the District's financial statements.

In March 2017, the GASB issued Statement 85, *Omnibus 2017*. This statement is effective for periods beginning after June 15, 2017. The statement was adopted during the fiscal year and did not have an effect on the District's financial statements.

In May 2017, the GASB issued Statement 86, *Certain Debt Extinguishment Issues*. This statement is effective for periods beginning after June 15, 2017. The statement was adopted during the fiscal year and did not have an effect on the District's financial statements.

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued Statement 87, *Leases*. This statement is effective for periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In April 2018, the GASB issued Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement is effective for periods beginning after June 15, 2018. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2018, the GASB issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement is effective for periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. This statement is effective for periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

NOTE 2 – PROPERTY TAXES

Property Tax Revenues – Property taxes are normally 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. The usual collection date is the period from November 1 through December 31. Property tax bills paid prior to December 1 receive a two percent discount. Property taxes received after December 31, are considered to be delinquent and the County Attorney can file a lien against the property.

The property tax rates assessed for the year ended June 30, 2018, to finance operations were \$.623 per \$100 valuation for real property, \$.623 per \$100 valuation for business personal property and \$.540 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. At June 30, 2018, \$26,167,570 of the District's bank balance of \$30,737,835 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

Investments

As of June 30, 2018, the District had the following investments and maturities:

Description	Fair Value	Average Credit Quality/Ratings (1)	Maturity Less Than 1
United States Treasury Bill	\$ 19,934,696	AAA	\$ 19,934,696

(1) Ratings are provided where applicable to indicate associated *Credit Risk*. Ratings are from Moody's Investors Service.

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the District's investing activities are under the custody of the District Finance Director. Investing policies comply with State Statutes. Kentucky Revised Statute 66.480 defines the following items as permissible investments:

- Obligations of the United States and of its agencies and instrumentalities;
- Obligations of any corporation of the United States Government;
- Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency;
- Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;
- Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4);
- Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;
- Commercial paper rated in the highest category by a nationally recognized rating agency;
- Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency; and
- Shares of mutual funds, each of which shall have the following characteristics:
 1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 2. The management company of the investment company shall have been in operation for at least five (5) years; and
 3. All of the securities in the mutual fund shall be eligible investments pursuant to this section.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. **Custodial Credit Risk** is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's repurchase agreement is held by the counterparty in the District's name. No investments are reported at amortized cost. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment is a level 1 input.

HARDIN COUNTY SCHOOL DISTRICT**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

June 30, 2018

NOTE 4 – INTERFUND ACTIVITIES

The following transfers were made during the year:

Fund Financial Statements

From Fund	To Fund	Purpose	Amount
General	Special Revenue	Grants	\$ 276,202
General	Construction	Construction	120,742
General	Nonmajor Governmental	Debt Service	177,338
General	Nonmajor Governmental	Operations	75,000
Nonmajor Governmental	General	COFT	152,339
Nonmajor Governmental	Construction	Construction	1,373,110
Nonmajor Governmental	General	BFFT	947,661
Nonmajor Governmental	Nonmajor Governmental	Debt Service	11,078,562
			<u>\$14,200,954</u>

Government-Wide Financial Statements

From Fund	To Fund	Purpose	Amount
Construction	Food Service	Capital Assets	\$ 173,042
General	Nonmajor Governmental	Operations	75,000
			<u>\$ 248,042</u>

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

Governmental Activities	July 1, 2017	Additions	Deductions	June 30, 2018
Capital Assets Not Being Depreciated:				
Land	\$ 7,539,317	\$ -	\$ (48,400)	\$ 7,490,917
Construction in progress	31,755,439	9,788,167	(26,001,948)	15,541,658
Total Capital Assets Not Being Depreciated	39,294,756	9,788,167	(26,050,348)	23,032,575
Capital Assets Being Depreciated:				
Land improvements	6,954,247	3,176,524	(30,595)	10,100,176
Buildings and improvements	252,528,891	22,582,210	(194,793)	274,916,308
Technology equipment	10,388,018	85,214	(676,576)	9,796,656
Vehicles	16,888,869	946,963	(310,058)	17,525,774
General equipment	9,851,459	203,919	(684,135)	9,371,243
Total Capital Assets Being Depreciated at Historical Cost	296,611,484	26,994,830	(1,896,157)	321,710,157
Less Accumulated Depreciation For:				
Land improvements	4,325,277	252,709	(30,595)	4,547,391
Buildings and improvements	75,620,880	5,609,056	(189,876)	81,040,060
Technology equipment	8,233,106	1,001,074	(653,158)	8,581,022
Vehicles	11,236,370	1,055,852	(310,058)	11,982,164
General equipment	8,007,953	300,109	(670,980)	7,637,082
Total accumulated depreciation	107,423,586	8,218,800	(1,854,667)	113,787,719
Total Other Capital Assets, net	189,187,898	18,776,030	(41,490)	207,922,438
Governmental Activities				
Capital Assets - Net	\$ 228,482,654	\$ 28,564,197	\$ (26,091,838)	\$ 230,955,013

Depreciation was charged to governmental activities as follows:

Function	Amount
Instruction	\$ 6,902,116
Student support	733
Instructional staff	75
District administration	40,029
School administration	5,322
Business support	10,683
Plant	221,454
Transportation	1,038,388
	<u>\$ 8,218,800</u>

HARDIN COUNTY SCHOOL DISTRICT**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

June 30, 2018

NOTE 5 – CAPITAL ASSETS – CONTINUED

Business-Type Activities	July 1, 2017	Additions	Deductions	June 30, 2018
Capital Assets Not Being Depreciated:				
Land	\$ 16,790	\$ -	\$ -	\$ 16,790
Total Capital Assets Not Being Depreciated	16,790	-	-	16,790
Land improvements	14,407			14,407
Buildings and improvements	326,981			326,981
Technology equipment	1,779			1,779
Vehicles	163,801	25,994		189,795
General equipment	3,804,639	173,042	(101,489)	3,876,192
Totals at historical cost	4,311,607	199,036	(101,489)	4,409,154
Less Accumulated Depreciation For:				
Land improvements	14,407			14,407
Buildings and improvements	306,369	4,205		310,574
Technology equipment	1,721	58		1,779
Vehicles	103,940	29,283		133,223
General equipment	2,861,525	186,936	(97,075)	2,951,386
Total accumulated depreciation	3,287,962	220,482	(97,075)	3,411,369
Total Other Capital Assets, net	1,023,645	(21,446)	(4,414)	997,785
Business-Type Activities				
Capital Assets - Net	\$ 1,040,435	\$ (21,446)	\$ (4,414)	\$ 1,014,575

NOTE 6 – RISK MANAGEMENT

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

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

HARDIN COUNTY SCHOOL DISTRICT**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

June 30, 2018

NOTE 7 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2018, is as follows:

Description	July 1, 2017	Additions	Reductions	June 30, 2017	Due Within 1 Year
Governmental Activities:					
Bonds Payable:					
Revenue bonds	\$148,285,000	\$ 5,895,000	\$ (13,360,000)	\$ 140,820,000	\$ 7,865,000
Add: Premium	2,775,645	292,641	(352,350)	2,715,936	
Less: (Discount)	(1,610,757)		135,867	(1,474,890)	
Total Bonds Payable	149,449,888	6,187,641	(13,576,483)	142,061,046	7,865,000
Other Liabilities:					
Compensated absences	3,552,593	665,999	(710,544)	3,508,048	350,805
Total Other Liabilities	3,552,593	665,999	(710,544)	3,508,048	350,805
Total Governmental Activities Long-Term Liabilities	\$153,002,481	\$ 6,853,640	\$ (14,287,027)	\$ 145,569,094	\$ 8,215,805

The debt service fund is primarily responsible for paying the bond obligations through funding from the general, capital outlay and FSPK funds. The general fund is primarily responsible for paying compensated absences.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

Bond Liabilities

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

Issue Date	Original Proceeds	Rates
June 2009	1,960,000	2.00% - 4.00%
July 2010 Refunding	5,580,000	1.00% - 3.00%
July 2013 Refunding	14,585,000	2.00% - 2.75%
August 2013	16,610,000	0.50% - 4.25%
May 2014	21,230,000	2.00% - 3.50%
May 2014 Refunding	2,875,000	2.00% - 3.00%
November 2014 Refunding	7,300,000	2.00% - 3.00%
March 2015	14,510,000	2.00% - 3.25%
March 2015 Refunding A	9,705,000	3.00% - 4.00%
March 2015 Refunding B	10,000,000	2.00% - 3.00%
March 2016 Refunding	25,925,000	2.00% - 3.00%
July 2016	19,675,000	2.00% - 2.625%
December 2017	5,895,000	3.00% - 4.00%

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

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

On December 22, 2017, the District issued \$5,895,000 in Refunding Revenue Bonds with an average interest rate of 3.71 percent to advance refund \$2,030,000 of outstanding 2011 First Series Bonds and \$3,590,000 2011 Second Series Bonds. The refunding was a partial advance refunding. The net proceeds of \$6,122,655 (after \$64,525 in cost of issuance, \$292,641 in bond premium and \$461 in excess cash which was deposited in the bond payment fund) were used to purchase U.S. Government securities. These securities were deposited in an irrevocable trust to call the bonds.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$502,655. This difference, reported in the accompanying government-wide financial statements as a deduction from bonds payable, is being charged to operations through the year 2031 using the straight-line method.

The District completed the refunding to reduce its total debt service payments over the next 14 years by \$407,738 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$318,487. The 2011 First Series Bonds will be called February 1, 2023 and the 2011 Second Series Bonds will be called May 1, 2023 bonds will be called on August 1, 2018. Therefore they are considered defeased.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

The District also defeased \$75,000 of the 2014 Series Energy Bonds by depositing \$82,246 with an escrow agent.

The bonds 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, 2018, for debt service (principal and interest) are as follows:

Year	Principal	Interest	Participation	Distict's Portion
2019	\$ 7,865,000	\$ 4,555,421	\$ 953,985	\$ 11,466,436
2020	8,495,000	4,323,370	953,985	11,864,385
2021	7,995,000	4,090,236	799,863	11,285,373
2022	8,165,000	3,891,038	799,866	11,256,172
2023	8,415,000	3,670,400	799,863	11,285,537
2024-2028	44,555,000	13,554,054	3,073,180	55,035,874
2029-2033	39,095,000	5,890,486	307,989	44,677,497
2034-2037	16,235,000	723,388	-	16,958,388
	\$ 140,820,000	\$ 40,698,393	\$ 7,688,731	\$ 173,829,662

NOTE 8 – PENSION PLANS

Plan Descriptions

The Hardin County School District participates in the Teachers' Retirement System of the State of Kentucky (TRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. TRS, which qualifies as a special funding situation under GASB 68, and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. TRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The TRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. TRS' report may be obtained at www.trs.ky.gov. CERS' report may be obtained at www.kyret.ky.gov.

TRS

Benefits Provided

For Members Before July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

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

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2017

NOTE 8 – PENSION PLANS – CONTINUED

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members 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 members (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 members 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, members 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 members hired on or after that date.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service. The System also provides disability benefits for vested members at the rate of sixty percent (60%) of the final average salary. Cost of living increases are one and one-half percent (1.5%) annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

For Members On or After July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service, or
- 3.) Attain age fifty-five (55) and complete ten (10) years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (2.0%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) two and three tenths percent (2.3%) of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) two and one half percent (2.5%) of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) three percent (3.0%) of final average salary for years of credited service greater than 30 years.

The annual retirement allowance for university members is equal to: (a) one and one-half percent (1.5%) of final average salary for each year of credited service if their service is 10 years or less; (b) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) one and eighty five hundredths percent (1.85%) of final average salary for each year of credited service if their service is greater than 20 years but less than 27 years; (d) two percent (2.0%) of final average salary for each year of credited service if their service is greater than or equal to 27 years.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 8 – PENSION PLANS – CONTINUED

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

Contributions

Contribution rates are established by Kentucky Revised Statutes. The State contributes 100 percent of school districts' contractually required contributions, which are actuarially determined. Employees are required to contribute 12.855 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2018, was 13.105 percent of salaries for members in the plan before July 1, 2008 and 14.105 percent of salaries for members who started their account after June 30, 2008. The District made no contributions to the pension plan for the year ended June 30, 2018. 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.

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

At June 30, 2018, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. There was no amount recognized by the District as its proportionate share of the net pension liability. The related State share of the net pension liability was \$541,260,627.

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2017, the District's proportion was 0 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$38,529,457 and revenue of \$38,529,457 (\$19,230,665 in the governmental funds and an additional \$19,298,792 in government-wide activities) for support provided by the State. At June 30, 2018, the District reported no deferred outflows of resources and no deferred inflows of resources related to TRS.

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.50 – 7.30 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 8 – PENSION PLANS – CONTINUED

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward two years for males and one year for females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study prepared for the period July 1, 2010 – June 30, 2015, submitted to and adopted by the Board on September 19, 2016.

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	42%	4.4%
International Equity	20%	5.3%
Fixed Income	16%	1.5%
Other	9%	3.6%
Real Estate	5%	4.4%
Alternatives	6%	6.7%
Cash	2%	0.8%
	100%	

Discount Rate

Discount rate. The discount rate used to measure the total pension liability was 4.49 percent. 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 that Employer contributions will be made at statutorily required rates, and the additional amount appropriated for fiscal year 2018. 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 until the 2038 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2037 and a municipal bond index rate of 3.56 percent was applied to all periods of projected benefit payments after 2037. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Sensitivity Of The Net Pension Liability To Changes In The Discount Rate

The District has no proportional share of the net pension liability. The following presents the sensitivity of the System's net pension liability calculated using the discount rate of 4.49 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.49 percent) or 1-percentage-point higher (5.49 percent) than the current rate:

Description	1% Decrease (3.49%)	Current Discount Rate (4.49%)	1% Increase (5.49%)
System's net pension liability			
(in thousands)	\$ 35,029,551	\$ 28,259,123	\$ 22,702,413

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 8 – PENSION PLANS – CONTINUED

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued TRS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

CERS

Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2014, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

Contributions

For the fiscal year ended June 30, 2018, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2018, was 14.48 percent of annual creditable compensation. Contributions to the pension plan from the District were \$2,879,743.

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

At June 30, 2018, the District reported a liability of \$46,102,757 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.787636 percent, which was a decrease of .003971 percent from its proportion measured as of June 30, 2016.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 8 – PENSION PLANS – CONTINUED

For the year ended June 30, 2018, the District recognized pension expense of \$7,854,818. At June 30, 2018, the District reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Column1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 57,182	\$ 1,170,285
Changes in actuarial assumptions	8,507,208	
Difference between projected and actual investment earnings	3,651,283	3,081,045
Changes in proportion and differences between employer contributions and proportionate share of contributions	27,290	89,463
Contributions paid to CERS subsequent to the measurement date	2,879,743	-
	\$ 15,122,706	\$ 4,340,793

The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$2,879,743 will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Yeare Ending June 30	Pension Expense Amount
2018	\$ 3,513,729
2019	3,450,696
2020	1,529,728
2021	(591,983)
	\$ 7,902,170

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30 percent
Salary increases	3.05 percent, average, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation

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). 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 for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four 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.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 8 – PENSION PLANS – CONTINUED

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013 and adopted by the Board on December 4, 2014.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the Systems. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated December 3, 2015. Several factors are considered in evaluating the 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	17.5%	5.97%
International Equity	17.5%	7.85%
Global Bonds	4.0%	2.63%
Global Credit	2.0%	3.63%
High Yield	7.0%	5.75%
Emerging Market Debt	5.0%	5.50%
Private Credit	10.0%	8.75%
Real Estate	5.0%	7.63%
Absolute Return	10.0%	5.63%
Real Return	10.0%	6.13%
Private Equity	10.0%	8.25%
Cash	2.0%	1.88%
	100%	

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 year closed amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CERS Comprehensive Annual Financial Report.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 8 – PENSION PLANS – CONTINUED

Sensitivity Of The District's Proportionate Share Of The Net Pension Liability To Changes In The Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

Description	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	\$ 58,145,541	\$ 46,102,757	\$ 36,029,058

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued CERS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Descriptions

The Hardin County School District participates in the Teachers' Retirement System of the State of Kentucky (TRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. TRS, which qualifies as a special funding situation for the Life Insurance Fund under GASB 75, and CERS provide other post-employment benefits to plan members and beneficiaries. TRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The TRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. TRS' report may be obtained at www.trs.ky.gov. CERS' report may be obtained at www.kyret.ky.gov.

TRS

General Information about the OPEB Plan

Plan description – Teaching-certified employees of the Kentucky School District 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 (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 www.trs.ky.gov.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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:

Medical Insurance Fund

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.

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

At June 30, 2018, the District reported a liability of \$37,677,768 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, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was 1.056648 percent.

HARDIN COUNTY SCHOOL DISTRICT**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

June 30, 2018

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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:

Description	Amount
District's proportionate share of the net OPEB liability	\$ 37,677,768
State proportionate share of the net OPEB liability associated with the District	30,777,000
Total	\$ 68,454,768

For the year ended June 30, 2018, the District recognized OPEB expense of \$2,452,000 and revenue of \$2,003,000 (\$1,478,484 in the governmental funds and an additional \$524,516 in government-wide activities) for support provided by the Commonwealth. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual investment earnings	\$ -	\$ 266,200
Contributions paid to CERS subsequent to the measurement date	1,849,348	
	\$ 1,849,348	\$ 266,200

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,849,348 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, 2019. 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 Ending June 30	Pension Expense Amount
2019	\$ (66,550)
2020	(66,550)
2021	(66,550)
2022	(66,550)
	\$ (266,200)

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and Older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B Premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Municipal Bond Index Rate	3.56%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	60%	5.1%
Fixed Income	9%	1.2%
Real Estate	5%	4.0%
Private Equity	6%	6.6%
High Yield	10%	4.3%
Other	10%	3.3%
Cash	1%	0.5%
	100%	

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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

Sensitivity Of The District's Proportionate Share Of The Net OPEB Liability To Changes In The Discount Rate

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

Description	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net OPEB liability	\$ 43,875,913	\$ 37,677,768	\$ 32,518,237

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.

Description	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 31,554,119	\$ 37,677,768	\$ 45,238,186

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 Fund

Plan description – Life Insurance Fund – TRS administers the life insurance fund 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.

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 is payable upon the death of the member to the member's estate or to a party designated by the member.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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 Commonwealth.

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

At June 30, 2018, the 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 was \$0 and the Commonwealth's total portion of the net OPEB liability that was associated with the District was \$412,000.

For the year ended June 30, 2018, the District recognized OPEB expense of \$61,000 and revenue of \$61,000 (\$18,103 in the governmental funds and an additional \$42,897 in government-wide activities) for support provided by the Commonwealth. At June 30, 2018, the District reported no deferred outflows of resources and deferred inflows of resources related to the OPEB.

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.56%
Discount Rate	7.75%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation

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

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 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.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT 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
U.S. Large Cap Equity	38.4%	4.3%
U.S. Small Cap Equity	2.6%	4.8%
Developed Int'l Equity	15.8%	5.2%
Emerging Markets Equity	4.2%	5.4%
Fixed Income - Inv Grade	16.0%	1.2%
Real Estate	6.0%	4.0%
Private Equity	7.0%	6.6%
High Yield	2.0%	4.3%
Other	7.0%	3.3%
Cash	1.0%	0.5%
	100%	

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

Sensitivity Of The Net OPEB Liability To Changes In The Discount Rate

The District has no proportional share of the net pension liability. The following presents the sensitivity of the System's net pension liability calculated using the discount rate of 7.50 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

Description	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
System's net OPEB liability (in thousands)	\$ 36,497	\$ 21,959	\$ 10,055

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

CERS

Plan description – The Kentucky Retirement Systems' Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

Benefits provided – For members participating prior to July 1, 2003, KRS pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003, and before September 1, 2008, are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008 are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be \$10 for each year of earned service increased by the CPI prior to July 1, 2009, and by 1.5% annually from July 1, 2009.

Contributions – For the fiscal year ended June 30, 2018, plan members who began participating prior to September 1, 2008, were required to contribute 0% of their annual creditable compensation. Those members who began participating on, or after, September 1, 2008 and before January 1, 2014 were required to contribute 1% of their annual creditable compensation. Those members who began participating on, or after, January 1, 2014 were required to contribute 1% of their annual creditable compensation but their contribution is not credited to their account and is not refundable. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2018, was 4.70 percent of annual creditable compensation. Contributions to the pension plan from the District were \$934,723.

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

At June 30, 2018, the District reported a liability of \$15,834,178 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the 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 school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.787636 percent, which was a decrease of .003971 percent from its proportion measured as of June 30, 2016.

HARDIN COUNTY SCHOOL DISTRICT**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

June 30, 2018

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,804,363. At June 30, 2018, the District reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 43,979
Changes in actuarial assumptions	3,445,417	
Difference between projected and actual investment earnings		748,315
Changes in proportion and differences between employer contributions and proportionate share of contributions		36,740
Contributions paid to CERS subsequent to the measurement date	934,723	
	\$ 4,380,140	\$ 829,034

Of the total amount reported as deferred outflows of resources related to OPEB, \$934,723 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, 2019. 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 Ending June 30	OPEB Expense Amount
2019	\$ 450,175
2020	450,175
2021	450,175
2022	450,175
2023	637,254
Thereafter	178,429
	\$ 2,616,383

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.05%, average
Inflation rate	2.30%
Real Wage Growth	2.00%
Healthcare Trend Rate:	
Pre-65	Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Municipal Bond Index Rate	3.56%
Discount Rate	5.83%

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). 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 for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 — June 30, 2013.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the Systems. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated December 3, 2015. Several factors are considered in evaluating the 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.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT 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	Long-Term Expected Real Rate of Return
U.S. Equity	17.5%	5.97%
International Equity	17.5%	7.85%
Global Bonds	4.0%	2.63%
Global Credit	2.0%	3.63%
High Yield	7.0%	5.75%
Emerging Market Debt	5.0%	5.50%
Private Credit	10.0%	8.75%
Real Estate	5.0%	7.63%
Absolute Return	10.0%	5.63%
Real Return	10.0%	6.13%
Private Equity	10.0%	8.25%
Cash	2.0%	1.88%
	100%	

The projection of cash flows used to determine the discount rate of 5.84% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

Sensitivity Of The District's Proportionate Share Of The Net OPEB Liability To Changes In The Discount Rate

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.83%, 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 (4.83%) or 1-percentage-point higher (6.83%) than the current rate:

Description	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 12,145,629	\$ 15,834,178	\$ 20,629,074

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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.

Column1	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 12,145,629	\$ 15,834,178	\$ 20,629,074

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

DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities on these financial statements

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 10 – FUND BALANCES

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2018, there were no nonspendable fund balances

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2018, the District had \$566,129 restricted for sick leave in the General Fund, \$370,351 restricted for grants in the Special Revenue Fund, \$457,227 restricted for school activities in the District Activity Fund, \$1,140,703 restricted for capital projects in the Capital Outlay Fund, \$100,622 restricted for capital projects in the FSPK Fund, \$5,210,576 restricted for capital projects in the Construction Fund and \$47,604 restricted for debt service in the Debt Service Fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following General Fund commitments at June 30, 2018: \$289,413 for roofing, \$716,069 for land, \$153,688 for Map Assessment, \$498,827 for technology, \$726,639 for construction, \$159,000 for textbooks, \$470,000 for nurses, \$21,000 for SACS fees, \$885,320 for EC3 equipment and costs, \$125,000 for band, and \$406,490 for student resources.

Amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2018 was \$2,592,927 in the General Fund Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 11 – COMMITMENTS AND CONTINGENCIES

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

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the basic financial statements as a result of the cases presently in progress.

The District has construction commitments for ongoing facilities projects.

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

NOTE 12 – DEFICIT FUND BALANCE/NET POSITION

The Food Service Fund, School Age Child Care Fund and the Education Television Fund had a deficit net position at June 30, 2018 in the amounts of \$2,981,214, \$1,124,883 and \$47,097. The deficit net position is a result of the recording of the net pension liability for CERS as part of GASB Statement 68 and the net OPEB liability for CERS as part of GASB Statement 75.

The following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance/net position:

Fund	Amount
Special Revenue Fund	\$ 10,363
Construction Fund	8,302,608
Debt Service Fund	285,543
Food Service Fund	262,186
School Age Child Care	253,698
Educational Television	1,248

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 13 – ON-BEHALF PAYMENTS

The District receives on-behalf payments from the Commonwealth of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amounts received and funds where these items were recorded for the fiscal year ended June 30, 2018 were as follows:

Description	Amount
Health	\$ 13,315,419
Life	24,220
Admin	200,124
HRA	1,195,152
TRS Pension	19,230,665
TRS OPEB	1,496,887
Technology	168,622
Debt Service	953,985
Less: Federal Reimbursement	(548,234)
Total on-behalf	\$ 36,036,840
Recorded as follows:	
General Fund	\$ 34,024,560
Food Service Fund	854,671
Daycare Fund	192,390
Educational Television Fund	11,234
Debt Service Fund	953,985
	\$ 36,036,840

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE 14 – PRIOR PERIOD ADJUSTMENT

During fiscal year 2018, the District adopted the provisions of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This required a restatement to beginning net position as follows:

Description	Amount
Governmental Activities	
Net Position, July 1, 2017	\$ 92,748,860
CERS OPEB	(9,620,462)
TRS MIF OPEB	(35,471,759)
Restated Net Position, July 1, 2017	<u>\$ 47,656,639</u>
Food Service Fund	
Net Position, July 1, 2017	\$ (1,188,849)
CERS OPEB	(1,530,179)
Restated Net Position, July 1, 2017	<u>\$ (2,719,028)</u>
Daycare Fund	
Net Position, July 1, 2017	\$ (777,038)
CERS OPEB	(347,845)
Restated Net Position, July 1, 2017	<u>\$ (1,124,883)</u>
Educational Television Fund	
Net Position, July 1, 2017	\$ (30,333)
CERS OPEB	(15,516)
Restated Net Position, July 1, 2017	<u>\$ (45,849)</u>

REQUIRED SUPPLEMENTARY INFORMATION

HARDIN COUNTY SCHOOL DISTRICT**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL****GENERAL FUND**

Year Ended June 30, 2018

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues			
From local sources:			
Taxes:			
Property	\$ 24,650,000	\$ 24,674,333	\$ 27,283,732
Motor vehicle	3,000,000	3,000,000	3,600,607
Utilities	5,400,000	5,400,000	6,145,746
Other	10,000	10,000	9,662
Earnings on investments	20,000	20,000	292,318
Other local revenues	149,321	326,167	1,176,362
Intergovernmental - State	53,799,316	55,192,412	89,331,786
Intergovernmental - Indirect Federal	601,646	601,646	866,121
Intergovernmental - Direct Federal	100,000	100,000	42,375
Total Revenues	87,730,283	89,324,558	128,748,709
Expenditures			
Instruction	56,612,281	62,432,766	79,765,160
Support services:			
Student	7,702,768	7,716,568	9,639,411
Instruction staff	5,176,206	5,110,700	6,127,571
District administrative	1,223,997	1,229,749	1,250,754
School administrative	5,811,912	5,820,638	7,465,715
Business	2,001,404	1,981,127	2,237,454
Plant operation and maintenance	11,287,264	12,021,070	11,299,411
Student transportation	8,172,782	10,186,717	9,639,941
Facilities acquisition and construction	525,000	525,000	24,402
Community service activities	155,364	180,887	120,796
Other	4,894,892	4,925,017	566
Total Expenditures	103,563,870	112,130,239	127,571,181
Excess (Deficit) of Revenues over Expenditures	(15,833,587)	(22,805,681)	1,177,528
Other Financing Sources (Uses)			
Insurance proceeds			52,099
Proceeds from disposal of capital assets	10,000	10,000	135,982
Transfers in		2,130,125	1,100,000
Transfers out	(369,938)	(561,445)	(649,282)
Total Other Financing Sources (Uses)	(359,938)	1,578,680	638,799
Net Change in Fund Balance	(16,193,525)	(21,227,001)	1,816,327
Fund Balance, July 1, 2017	16,193,525	21,227,001	25,824,517
Fund Balance, June 30, 2018	\$ -	\$ -	\$ 27,640,844

**EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND GAAP REVENUES
AND EXPENDITURES**

Both inflows and outflows are equally different in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds by the amount of on-behalf payments of \$34,024,562.

HARDIN COUNTY SCHOOL DISTRICT**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL****SPECIAL REVENUE FUND**

Year Ended June 30, 2018

	Original	Final	Actual
Revenues			
Earnings on investments	\$ 100	\$ 346	\$ 2,328
Other local revenues	98,000	163,813	199,298
Intergovernmental - State	5,624,239	5,965,123	5,783,051
Intergovernmental - Indirect Federal	7,345,945	7,818,927	6,910,457
Intergovernmental - Direct Federal	318,100	318,100	196,098
Total Revenues	13,386,384	14,266,309	13,091,232
Expenditures			
Instruction	9,887,968	10,722,028	9,713,476
Support services:			
Student	35,134	34,793	22,484
Instruction staff	2,106,812	1,994,621	1,909,918
Business		1,000	1,000
Plant operation and maintenance	20,537	20,166	43,235
Student transportation	411,112	468,522	423,288
Community service activities	1,138,443	1,211,939	1,201,534
Other	61,378	84,306	62,862
Total Expenditures	13,661,384	14,537,375	13,377,797
Excess (Deficit) of Revenues over Expenditures	(275,000)	(271,066)	(286,565)
Other Financing Sources (Uses)			
Transfers in	275,000	271,066	276,202
Total Other Financing Sources (Uses)	275,000	271,066	276,202
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	-	-	(10,363)
Fund Balance, July 1, 2017	-	-	380,714
Fund Balance, June 30, 2018	\$ -	\$ -	\$ 370,351

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET PENSION LIABILITY

June 30, 2018

Last 10 Years *

	2018	2017	2016	2015
Proportion of the net pension liability	0.787636%	0.791607%	0.791941%	0.786733%
Proportionate share of the net pension liability	\$ 46,102,757	\$ 38,975,709	\$ 34,049,704	\$ 25,525,000
Covered - employee payroll	\$ 19,151,273	\$ 19,069,830	\$ 18,544,808	\$ 19,295,082
Proportionate share of the net pension liability as percentage of covered payroll	240.7%	204.4%	183.6%	132.3%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	55.50%	59.97%	66.80%

* Fiscal year 2015 was the first year of implementation, therefore, only four years are shown.

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET OPEB LIABILITY

June 30, 2018

Last 10 Years *

	<u>2018</u>
Proportion of the net OPEB liability	0.787636%
Proportionate share of the net OPEB liability	\$ 15,834,178
Covered - employee payroll	\$ 19,151,273
Proportionate share of the net OPEB liability as percentage of covered payroll	82.68%
Plan fiduciary net position as a percentage of the total OPEB liability	59.00%

* Fiscal year 2018 was the first year of implementation, therefore, only one year is shown.

HARDIN COUNTY SCHOOL DISTRICT**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET PENSION LIABILITY**

June 30, 2018

Last 10 Years *

	2018	2017	2016	2015
Proportion of the net pension liability	2.060000%	2.002700%	1.996500%	1.9624%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State proportionate share of the net pension liability associated with the District	541,260,627	590,799,546	464,602,978	403,257,677
Total	<u>\$ 541,260,627</u>	<u>\$ 590,799,546</u>	<u>\$ 464,602,978</u>	<u>\$ 403,257,677</u>
Covered - employee payroll	\$ 61,270,021	\$ 60,328,710	\$ 59,612,198	\$ 59,187,538
District's proportionate share of the net pension liability as percentage of covered payroll	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	39.80%	35.22%	42.49%	45.59%

* Fiscal year 2015 was the first year of implementation, therefore, only four years are shown.

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET OPEB LIABILITY - MEDICAL INSURANCE FUND

June 30, 2018

Last 10 Years *

	<u>2018</u>
Proportion of the net OPEB liability	1.056648%
District's proportionate share of the net OPEB liability	\$ 37,677,768
State proportionate share of the net OPEB liability associated with the District	<u>30,777,000</u>
Total	<u><u>\$ 68,454,768</u></u>
Covered - employee payroll	\$ 59,138,750
District's proportionate share of the net OPEB liability as percentage of covered payroll	63.71%
Plan fiduciary net position as a percentage of the total OPEB liability	81.38%

* Fiscal year 2018 was the first year of implementation, therefore, only one year is shown.

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET OPEB LIABILITY - LIFE INSURANCE FUND

June 30, 2018

Last 10 Years *

	<u>2018</u>
Proportion of the net pension liability	0.000000%
District's proportionate share of the net pension liability	\$ -
State proportionate share of the net pension liability associated with the District	<u>412,000</u>
Total	<u><u>\$ 412,000</u></u>
Covered - employee payroll	\$ 59,138,750
District's proportionate share of the net pension liability as percentage of covered payroll	0.0%
Plan fiduciary net position as a percentage of the total pension liability	80.00%

* Fiscal year 2018 was the first year of implementation, therefore, only one year is shown.

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO CERS

June 30, 2018

Last 10 Years *

	2018	2017	2016	2015
Contractually require contribution (actuarially determined)	\$ 2,879,743	\$ 2,671,603	\$ 2,368,473	\$ 2,364,463
Contribution in relation to the actuarially determined contributions	2,879,743	2,671,603	2,368,473	2,364,463
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 19,887,726	\$ 19,151,273	\$ 19,069,830	\$ 18,544,808
Contributions as a percentage of covered employee payroll	14.48%	13.95%	12.42%	12.75%

* Fiscal year 2015 was the first year of implementation, therefore, only four years are shown.

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO TRS PENSION

June 30, 2018

Last 10 Years *

	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 61,650,117	\$ 61,270,021	\$ 60,328,710	\$ 59,612,198
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%

* Fiscal year 2015 was the first year of implementation, therefore, only four years are shown.

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO CERS OPEB

June 30, 2018

Last 10 Years *

	<u>2018</u>
Contractually required contribution (actuarially determined)	\$ 934,723
Contribution in relation to the actuarially determined contributions	<u>934,723</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
Covered employee payroll	\$ 19,887,726
Contributions as a percentage of covered employee payroll	4.70%

* Fiscal year 2018 was the first year of implementation, therefore, only one year is shown.

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO TRS MEDICAL INSURANCE FUND

June 30, 2018

Last 10 Years *

	<u>2018</u>
Contractually required contribution (actuarially determined)	\$ 1,849,348
Contribution in relation to the actuarially determined contributions	<u>1,849,348</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 61,644,933
Contributions as a percentage of covered employee payroll	3.00%

* Fiscal year 2018 was the first year of implementation, therefore, only one year is shown.

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO TRS - LIFE INSURANCE FUND

June 30, 2018

Last 10 Years *

	<u>2018</u>
Contractually required contribution (actuarially determined)	\$ -
Contribution in relation to the actuarially determined contributions	-
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 61,644,933
Contributions as a percentage of covered employee payroll	0.00%

* Fiscal year 2018 was the first year of implementation, therefore, only one year is shown.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2018

CERS PENSION

Changes of benefit terms. There were no changes in benefit terms for 2015 through 2018.

Changes of assumptions:

2015

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

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

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

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

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).

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.

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

2016 and 2017

No changes.

2018

The assumed investment return was changed from 7.50% to 6.25%. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service. The payroll growth assumption (applicable for the amortization unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.

TRS PENSION

Changes of benefit terms. There were no changes in benefit terms for 2015 through 2018.

Changes of assumptions. The following changes in assumptions were made:

Changes of assumptions. In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables 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. Beginning with the 2014 valuation, the interest smoothing methodology is no longer used. There were no changes for 2015 to 2018.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2018

CERS OPEB

Changes of benefit terms. There were no changes in benefit terms for 2018.

Changes of assumptions:

2018

The assumed investment return was changed from 7.50% to 6.25%. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service. The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%. For the Non-Hazardous Plan, the single discount rate changed from 6.89% to 5.84%. For the Hazardous Plan, the single discount rate changed from 7.37% to 5.96%.

TRS OPEB

Changes of benefit terms.

2018

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

LIF - None

Changes of assumptions. There were no changes in assumptions for 2018.

SUPPLEMENTARY INFORMATION

HARDIN COUNTY SCHOOL DISTRICT**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2018

	District Activity Fund	Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Assets:					
Cash, cash equivalents and investments	\$ 484,851	\$ 1,140,703	\$ 100,622	\$ 47,604	\$ 1,773,780
Total Assets	<u>\$ 484,851</u>	<u>\$ 1,140,703</u>	<u>\$ 100,622</u>	<u>\$ 47,604</u>	<u>\$ 1,773,780</u>
Liabilities and Fund Balances:					
Liabilities					
Accounts payable	\$ 27,624	\$ -	\$ -	\$ -	\$ 27,624
Total Liabilities	27,624	-	-	-	27,624
Fund Balances					
Restricted	457,227	1,140,703	100,622	47,604	1,746,156
Total Fund Balances	457,227	1,140,703	100,622	47,604	1,746,156
Total Liabilities and Fund Balances	<u>\$ 484,851</u>	<u>\$ 1,140,703</u>	<u>\$ 100,622</u>	<u>\$ 47,604</u>	<u>\$ 1,773,780</u>

HARDIN COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2018

	District Activity Fund	Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	\$ -	\$ -	\$ 9,889,677	\$ -	\$ 9,889,677
Earnings on investments			607	1,914	2,521
Other local revenue	497,018				497,018
Intergovernmental - State		1,293,042	3,531,398	953,985	5,778,425
Total Revenues	497,018	1,293,042	13,421,682	955,899	16,167,641
Expenditures					
Instruction	174,829				174,829
Support services:					
Instruction staff	92,445				92,445
Plant operation and maintenance	98,130				98,130
Other				3,394	3,394
Bond issue costs				64,525	64,525
Debt service:					
Principal				7,665,000	7,665,000
Interest				4,747,163	4,747,163
Total Expenditures	365,404	-	-	12,480,082	12,845,486
Excess (Deficit) of Revenues over Expenditures	131,614	1,293,042	13,421,682	(11,524,183)	3,322,155
Other Financing Sources (Uses)					
Refunding bond proceeds				5,895,000	5,895,000
Bond premium				292,641	292,641
Payment to refunded bond escrow agent				(6,204,901)	(6,204,901)
Transfers in				11,255,900	11,255,900
Transfers out		(152,339)	(13,399,333)		(13,551,672)
Total Other Financing Sources (Uses)	-	(152,339)	(13,399,333)	11,238,640	(2,313,032)
Net Change in Fund Balances	131,614	1,140,703	22,349	(285,543)	1,009,123
Fund balance, July 1, 2017	325,613	-	78,273	333,147	737,033
Fund balance, June 30, 2018	\$ 457,227	\$ 1,140,703	\$ 100,622	\$ 47,604	\$ 1,746,156

HARDIN COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF NET POSITION - NONMAJOR PROPRIETARY FUNDS - ENTERPRISE FUNDS

June 30, 2018

	Early College and Career Center	Educational Television	Total Nonmajor Enterprise Funds
Assets			
<u>Current Assets</u>			
Cash, cash equivalents and investments	\$ 10,369	\$ 8,009	\$ 18,378
Accounts receivable	3,088	6,563	9,651
Total Current Assets	13,457	14,572	28,029
Deferred Outflows of Resources			
CERS Pension		18,867	18,867
CERS OPEB		5,465	5,465
Total Deferred Outflows of Resources	-	24,332	24,332
Liabilities			
<u>Current Liabilities</u>			
Accounts payable	49	2,280	2,329
Total Current Liabilities	49	2,280	2,329
<u>Noncurrent Liabilities</u>			
Net pension liability - CERS		57,517	57,517
Net OPEB liability - CERS		19,754	19,754
Total Noncurrent Liabilities	-	77,271	77,271
Total Liabilities	49	79,551	79,600
Deferred Inflows of Resources			
CERS Pension		5,416	5,416
CERS OPEB		1,034	1,034
Total Deferred Inflows of Resources	-	6,450	6,450
<u>Net Position</u>			
Unrestricted	13,408	(47,097)	(33,689)
Total Net Position	\$ 13,408	\$ (47,097)	\$ (33,689)

HARDIN COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - NONMAJOR ENTERPRISE FUNDS - PROPRIETARY FUNDS

Year Ended June 30, 2018

	Early College and Career Center	Educational Television	Total Nonmajor Enterprise Funds
Operating Revenues			
Tuition and fees	\$ 31,146	\$ 89,641	\$ 120,787
Total Operating Revenues	31,146	89,641	120,787
Operating Expenses			
Salaries and wages	-	56,949	56,949
Materials and supplies	370	11,590	11,960
Other operating expenses	27,770	33,584	61,354
Total Operating Expenses	28,140	102,123	130,263
Operating income (loss)	3,006	(12,482)	(9,476)
Non-Operating Revenues (Expenses)			
State on-behalf payments		11,234	11,234
Total Non-Operating Revenues (Expenses)	-	11,234	11,234
Change in net position	3,006	(1,248)	1,758
Net Position, July 1, 2017, as previously reported	10,402	(30,333)	(19,931)
Restatement		(15,516)	(15,516)
Net Position, July 1, 2017, as restated	10,402	(45,849)	(35,447)
Net Position, June 30, 2018	\$ 13,408	\$ (47,097)	\$ (33,689)

HARDIN COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS - NONMAJOR ENTERPRISE FUNDS - PROPRIETARY FUNDS

Year Ended June 30, 2018

	Early College and Career Center	Educational Television	Total Other Enterprise Funds
Cash Flows from Operating Activities			
Cash received from:			
Tuition and fees	\$ 28,638	\$ 89,640	\$ 118,278
Cash paid to/for:			
Employees	-	(42,719)	(42,719)
Supplies	(732)	(11,649)	(12,381)
Other activities	(27,770)	(33,584)	(61,354)
Net Cash Provided by Operating Activities	<u>136</u>	<u>1,688</u>	<u>1,824</u>
Net change in cash and cash equivalents	136	1,688	1,824
Balances, beginning of year	<u>10,233</u>	<u>6,321</u>	<u>16,554</u>
Balances, end of year	<u>\$ 10,369</u>	<u>\$ 8,009</u>	<u>\$ 18,378</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 3,006	\$ (12,482)	\$ (9,476)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
State on-behalf payments		11,234	11,234
GASB 68 pension expense		3,189	3,189
GASB 75 OPEB expense		(193)	(193)
Change in assets and liabilities:			
Accounts receivable	(2,508)	(1)	(2,509)
Accounts payable	(362)	(59)	(421)
Net cash provided by operating activities	<u>\$ 136</u>	<u>\$ 1,688</u>	<u>\$ 1,824</u>
Schedule of non-cash transactions:			
State on-behalf payments	<u>\$ -</u>	<u>\$ 11,234</u>	<u>\$ 11,234</u>
CERS Pensions	<u>\$ -</u>	<u>\$ 3,189</u>	<u>\$ 3,189</u>
CERS OPEB	<u>\$ -</u>	<u>\$ (193)</u>	<u>\$ (193)</u>

HARDIN COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUNDS

June 30, 2018

	Bluegrass Middle School	Brown Street Education Center	Central Hardin High School	Creekside Elementary	Early College & Career Center	East Hardin Middle School
Assets						
Cash and cash equivalents	\$ 21,367	\$ 3,875	\$ 189,368	\$ 14,304	\$ 6,624	\$ 96,830
Receivables		1	3,522			
Total Assets	<u>\$ 21,367</u>	<u>\$ 3,876</u>	<u>\$ 192,890</u>	<u>\$ 14,304</u>	<u>\$ 6,624</u>	<u>\$ 96,830</u>
Liabilities						
Accounts payable	\$ -	\$ 50	\$ 7,592	\$ -	\$ -	\$ 483
Due to student groups	21,367	3,826	185,298	14,304	6,624	96,347
Total Liabilities	<u>\$ 21,367</u>	<u>\$ 3,876</u>	<u>\$ 192,890</u>	<u>\$ 14,304</u>	<u>\$ 6,624</u>	<u>\$ 96,830</u>
	G.C. Burkhead Elementary	Heartland Elementary	Cecilia Valley Elementary	J.T. Alton Middle School	John Hardin High School	Lakewood Elementary
Assets						
Cash and cash equivalents	\$ 41,148	\$ 21,812	\$ 27,655	\$ 70,914	\$ 125,077	\$ 11,178
Receivables					2,491	431
Total Assets	<u>\$ 41,148</u>	<u>\$ 21,812</u>	<u>\$ 27,655</u>	<u>\$ 70,914</u>	<u>\$ 127,568</u>	<u>\$ 11,609</u>
Liabilities						
Accounts payable	\$ 979	\$ -	\$ 281		\$ 8,275	\$ -
Due to student groups	40,169	21,812	27,374	70,914	119,293	11,609
Total Liabilities	<u>\$ 41,148</u>	<u>\$ 21,812</u>	<u>\$ 27,655</u>	<u>\$ 70,914</u>	<u>\$ 127,568</u>	<u>\$ 11,609</u>
	Lincoln Trail Elementary	Meadowview Elementary	New Highland Elementary	North Hardin High School	North Middle School	North Park Elementary
Assets						
Cash and cash equivalents	\$ 35,302	\$ 9,624	\$ 15,295	\$ 257,569	\$ 21,065	\$ 2,457
Receivables				17,651		274
Total Assets	<u>\$ 35,302</u>	<u>\$ 9,624</u>	<u>\$ 15,295</u>	<u>\$ 275,220</u>	<u>\$ 21,065</u>	<u>\$ 2,731</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 678	\$ -	\$ 587
Due to student groups	35,302	9,624	15,295	274,542	21,065	2,144
Total Liabilities	<u>\$ 35,302</u>	<u>\$ 9,624</u>	<u>\$ 15,295</u>	<u>\$ 275,220</u>	<u>\$ 21,065</u>	<u>\$ 2,731</u>
	Radcliff Elementary	Rineyville Elementary	Vine Grove Elementary	West Hardin Middle School	Woodland Elementary	Agency Fund
Assets						
Cash and cash equivalents	\$ 21,515	\$ 35,394	\$ 29,283	\$ 36,607	\$ 11,071	\$ 1,105,334
Receivables						24,370
Total Assets	<u>\$ 21,515</u>	<u>\$ 35,394</u>	<u>\$ 29,283</u>	<u>\$ 36,607</u>	<u>\$ 11,071</u>	<u>\$ 1,129,704</u>
Liabilities						
Accounts payable	\$ -	\$ 4,045	\$ -	\$ 104	\$ 833	\$ 23,907
Due to student groups	21,515	31,349	29,283	36,503	10,238	1,105,797
Total Liabilities	<u>\$ 21,515</u>	<u>\$ 35,394</u>	<u>\$ 29,283</u>	<u>\$ 36,607</u>	<u>\$ 11,071</u>	<u>\$ 1,129,704</u>

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

AGENCY FUNDS

June 30, 2018

SCHOOL	CASH BALANCES July 1, 2017	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2018	RECEIVABLES June 30, 2018	ACCOUNTS PAYABLE June 30, 2018	DUE TO STUDENT GROUPS June 30, 2018
Bluegrass Middle School	\$ 14,979	\$ 117,561	\$ 111,173	\$ 21,367	\$ -	\$ -	\$ 21,367
Brown Street Educ. Center	5,964	8,738	10,827	3,875	1	50	3,826
Central Hardin High	188,868	703,795	703,295	189,368	3,522	7,592	185,298
Creskside Elementary	17,119	30,395	33,210	14,304	-	-	14,304
Early College and Career Center	8,477	6,486	8,339	6,624	-	-	6,624
East Hardin Middle	85,627	303,311	292,108	96,830	-	483	96,347
G.C. Burkhead Elementary	40,907	61,346	61,105	41,148	-	979	40,169
Heartland Elementary	25,919	48,159	52,266	21,812	-	-	21,812
Cecilia Valley Elementary	25,665	29,215	27,225	27,655	-	281	27,374
J.T. Alton Middle	59,929	123,919	112,934	70,914	-	-	70,914
John Hardin High	111,719	410,455	397,097	125,077	2,491	8,275	119,293
Lakewood Elementary	14,478	31,071	34,371	11,178	431	-	11,609
Lincoln Trail Elementary	163,548	36,038	164,284	35,302	-	-	35,302
Meadowview Elementary	7,740	22,775	20,891	9,624	-	-	9,624
New Highland Elementary	15,726	29,572	30,003	15,295	-	-	15,295
North Hardin High	271,720	714,079	728,230	257,569	17,651	678	274,542
North Middle	26,992	90,766	96,693	21,065	-	-	21,065
North Park Elementary	3,390	7,232	8,165	2,457	274	587	2,144
Radcliff Elementary	24,017	18,874	21,376	21,515	-	-	21,515
Rineyville Elementary	40,588	12,129	17,323	35,394	-	4,045	31,349
Vine Grove Elementary	29,659	30,394	30,770	29,283	-	-	29,283
West Hardin Middle	52,032	72,853	88,278	36,607	-	104	36,503
Woodland Elementary	15,955	13,316	18,200	11,071	-	833	10,238
	<u>\$ 1,251,018</u>	<u>\$ 2,922,479</u>	<u>\$ 3,068,163</u>	<u>\$ 1,105,334</u>	<u>\$ 24,370</u>	<u>\$ 23,907</u>	<u>\$ 1,105,797</u>

HARDIN COUNTY SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
CENTRAL HARDIN HIGH SCHOOL
YEAR ENDED JUNE 30, 2018

NAME OF ACTIVITY	CASH BALANCES July 1, 2017	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2018	RECEIVABLES AND DUE FROM OTHER FUNDS June 30, 2018	ACCOUNTS PAYABLE AND DUE TO OTHER FUNDS June 30, 2018	DUE TO STUDENT GROUPS June 30, 2018
Academic Team	\$ -	\$ 578	\$ 578	\$ -	\$ -	\$ -	\$ -
Agriculture Department	40	-	-	40	-	-	40
Archery	577	10,666	11,243	-	-	-	-
Arts & Humanities	-	2,405	2,246	159	-	-	159
Art Club	-	520	506	14	-	-	14
Art Department	60	-	-	60	-	-	60
Athletic Concession	1	25,945	25,946	-	-	-	-
Athletic Equipment	-	-	-	-	-	-	-
Athletics	32,221	26,662	27,944	30,939	-	779	30,160
B A D Club	-	-	-	-	-	-	-
Band	20	4,223	4,243	-	-	-	-
Baseball	4,795	6,826	7,686	3,935	-	-	3,935
Basketball-Boys	809	21,214	21,336	687	-	-	687
Basketball-Girls	200	31,144	30,172	1,172	-	-	1,172
BETA Club	781	13,753	14,534	-	-	-	-
Bowling	508	4,202	3,741	969	-	-	-
Bruin Book Club	-	-	-	-	-	-	-
Bruins for Christ	-	-	-	-	-	-	-
Business Department	12,833	53,997	66,750	80	-	-	80
Charitable Causes	-	10,299	10,299	-	-	-	-
Cheerleading	802	29,100	27,696	2,206	-	-	2,206
Choir	-	18,000	15,857	2,143	-	-	2,143
Creative Arts Club	282	-	-	282	-	-	282
Cross Country	7,348	15,793	14,863	8,278	-	-	8,278
Drama Club	1,830	5,199	3,622	3,407	-	-	3,407
Earth Club	447	219	395	271	-	-	271
Educators Rising	19	282	282	19	-	-	19
English Department	-	2,355	1,469	886	-	-	886
Faculty Fund	498	3,637	2,326	1,809	-	-	1,809
Faculty Flower Fund	422	-	357	65	-	-	65
FBLA	8	1,039	1,044	3	-	-	3
FCA	411	20	223	208	-	-	208
FCCLA	205	2,342	2,110	437	300	-	737.00
FCS	318	-	4	314	-	-	314
FFA	1,913	59,199	58,773	2,339	1,401	1,381	2,359
FMD	1,059	395	878	576	74	-	650
Football	1,402	42,317	37,482	6,237	-	1,604	4,633
Foreign Language Dept.	483	-	-	483	-	-	483
French Club	122	349	423	48	-	-	48
Friends of Rachel	1,716	1,050	1,105	1,661	-	-	1,661
Fund 22 Sweep	-	39,808	39,808	-	-	-	-
Game Club	28	-	-	28	-	-	28
General Student Fund	54,448	80,920	71,338	64,030	-	-	64,030
German Club	158	465	515	108	-	-	108
Golf	240	8,672	5,068	3,844	-	1,582	2,262
Golf Ball Drop	-	-	-	-	-	-	-
Grade 10	-	-	-	-	-	-	-
Grade 11	1,248	-	1,248	-	-	-	-
Grade 12	262	15,567	14,581	1,248	-	-	1,248
Grade 9	-	3,029	3,029	-	-	-	-
Guidance	1,866	12,598	11,850	2,614	-	-	2,614
H O S A	1,524	3,071	4,595	-	-	-	-
International Club	110	-	-	110	-	-	110
Journalism	809	3,617	3,855	571	-	-	571
JROTC	11,855	17,152	19,793	9,214	-	-	9,214
Library/Media Center	671	60	118	613	-	-	613
Math Department	132	-	126	6	-	-	6
Photography Club	5	-	-	5	-	-	5
Project Graduation	118	9,254	7,693	1,679	-	1,469	210
Scholarship Fund	338	2,674	1,500	1,512	-	750	762
Science Department	1,144	-	56	1,088	-	-	1,088
Science Honor Society	582	1,009	1,176	415	-	-	415

HARDIN COUNTY SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
CENTRAL HARDIN HIGH SCHOOL-CONCLUDED
YEAR ENDED JUNE 30, 2018

NAME OF ACTIVITY	CASH BALANCES July 1, 2017	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2018	ACCOUNTS RECEIVABLE AND DUE FROM OTHER FUNDS June 30, 2018	ACCOUNTS PAYABLE AND DUE TO OTHER FUNDS June 30, 2018	DUE TO STUDENT GROUPS June 30, 2018
Soccer-Boys	3,186	6,928	9,375	739	157	-	896
Soccer-Girls	617	5,449	4,456	1,610	176	-	1,786
Social Studies Dept.	2,116	-	5	2,111	-	-	2,111
Softball	1,026	8,471	9,497	-	1,414	-	1,414
Spanish Club	34	160	68	126	-	-	126
Speech	225	7,076	7,301	-	-	-	-
Student Concessions	-	-	-	-	-	-	-
Student Council	2,947	3,099	2,898	3,148	-	-	3,148
Swim Team	898	511	-	1,409	-	-	1,409
Teenage Republicans	301	75	222	154	-	-	154
Tennis	-	2,258	2,015	286	-	27	259
Textbooks	-	-	-	-	-	-	-
The Spectrum	-	167	167	-	-	-	-
Track	5,612	6,302	8,979	2,935	-	-	2,935
TSA Club	1,771	3,282	3,501	1,552	-	-	1,552
Varsity Club	248	2,940	2,055	1,133	-	-	1,133
Volleyball	5,161	9,731	12,420	2,472	-	-	2,472
Wrestling	3,128	10,057	10,941	2,244	-	-	2,244
Y Club	1,287	33,136	32,586	1,837	-	-	1,837
Yearbooks	12,000	24,283	26,283	10,000	-	-	10,000
Yoga Club	107	445	247	305	-	-	305
Young Democrats	170	-	-	170	-	-	170
Charitable Gaming	367	14,095	14,137	325	-	-	325
Sub Total	188,869	730,091	729,635	189,368	3,522	7,592	184,329
Interfund Transfers	-	25,251	25,251	-	-	-	-
TOTAL	\$ 188,869	\$ 704,840	\$ 704,384	\$ 189,368	\$ 3,522	\$ 7,592	\$ 185,298

HARDIN COUNTY SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

JOHN HARDIN HIGH SCHOOL

YEAR ENDED JUNE 30, 2018

NAME OF ACTIVITY	CASH BALANCES July 1, 2017	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2018	RECEIVABLES AND DUE FROM OTHER FUNDS June 30, 2018	ACCOUNTS PAYABLE AND DUE TO OTHER FUNDS June 30, 2018	DUE TO STUDENT GROUPS June 30, 2018
Academic Team	\$ 7	\$ 1,970	\$ 1,928	\$ 49	\$ -	\$ -	\$ 49
Agriculture Department	627	265	-	892	-	-	892
Archery	6,915	31,177	28,768	9,324	-	175	9,149
Art Department	98	-	63	35	-	-	35
Athletic Concession	-	19,186	19,186	-	-	-	-
Athletics	4,198	5,234	8,652	780	-	-	780
AVID	-	-	-	-	-	-	-
Band	1	7,859	7,860	-	-	-	-
Baseball	1,587	14,114	8,748	6,953	-	5,254	1,699
Basketball - Boys	964	36,053	33,009	4,008	-	150	3,858
Basketball - Girls	1,064	8,500	7,782	1,782	-	-	1,782
Beta	1,331	11,233	11,929	635	-	67	568
Bowling	3,410	2,033	2,400	3,043	-	-	3,043
Business Education Dept.	-	-	-	-	-	-	-
Charitable Causes	356	382	-	738	-	-	738
Cheerleading	1,716	12,403	12,223	1,896	-	449	1,447
Chemistry Club	-	-	-	-	-	-	-
Choral	986	3,038	3,692	332	-	-	332
Cross Country	4,673	5,562	6,206	4,029	-	-	4,029
Dance Team	-	-	-	-	-	-	-
Deca	2,217	23,079	23,432	1,864	-	434	1,430
Drama Club	126	-	105	21	-	-	21
Dual Credit Courses	2,586	-	30	2,556	-	-	2,556
English Department	710	781	853	638	-	-	638
Euro Trip	17	140	-	157	-	-	157
Excel Program	71	25	35	61	-	-	61
School Building Rental	1,258	20	-	1,278	-	-	1,278
Faculty Awards	-	-	-	-	-	-	-
Faculty Flower Fund	47	99	50	96	-	-	96
Faculty Fund	731	2,088	2,029	790	425	-	1,215
Faculty Steward Fund	-	-	-	-	-	-	-
FCA	123	-	-	123	-	-	123
FCCLA	2,426	44,368	45,023	1,771	1,496	415	2,852
FCS	25	126	-	151	-	-	151
FFA	5,516	2,062	1,268	6,310	-	-	6,310
Football	634	14,845	14,387	1,092	-	-	1,092
Football Fundraiser	-	-	-	-	-	-	-
Foreign Language Dept.	160	178	230	108	-	-	108
Fund 22 Sweep	-	14,507	14,507	-	-	-	-
General Student Fund	4,982	4,424	6,730	2,676	270	-	2,946
Golf	2,478	845	740	2,583	-	-	2,583
Grade 9	58	3,917	2,259	1,716	-	-	1,716
Grade 10	442	-	384	58	-	-	58
Grade 11	2,910	6,802	5,778	3,934	-	-	3,934
Grade 12	2,358	34,122	34,687	1,793	-	-	1,793
Guidance	1,456	11,416	11,832	1,040	-	-	1,040
HOSA	4	1,155	947	212	-	-	212
International Club	-	-	-	-	-	-	-
Journalism	192	-	-	192	-	57	135
JROTC	13,700	26,767	23,591	16,876	-	-	16,876
Lady Dawg Club	-	-	-	-	-	-	-
Library/Media Center	4,909	654	747	4,816	-	-	4,816
Math Department	290	-	-	290	-	-	290
McCurry Classic	2,819	2,332	1,130	4,021	-	-	4,021
Musicals	2,136	1,710	1,795	2,051	-	-	2,051
National Honor Society	-	-	-	-	-	-	-
Pep Club	438	6,415	6,212	641	-	-	641
Project Graduation	-	9,187	9,088	99	300	-	399
SADD Club	577	374	723	228	-	39	189
Scholarship	-	-	-	-	-	-	-
School Concessions	-	-	-	-	-	-	-
Science Department	3,052	-	-	3,052	-	-	3,052
Soccer - Boys	960	6,044	6,955	49	-	-	49

HARDIN COUNTY SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

JOHN HARDIN HIGH SCHOOL-CONCLUDED

YEAR ENDED JUNE 30, 2018

NAME OF ACTIVITY	CASH BALANCES July 1, 2017	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2018	RECEIVABLES AND DUE FROM OTHER FUNDS June 30, 2018	ACCOUNTS PAYABLE AND DUE TO OTHER FUNDS June 30, 2018	DUE TO STUDENT GROUPS June 30, 2018
Soccer - Girls	5,160	2,736	7,299	597	-	500	97
Social Studies Dept.	-	-	-	-	-	-	-
Softball	-	6,242	5,625	617	-	250	367
Special Education Dept.	355	3,457	3,246	566	-	-	566
Speech	-	-	-	-	-	-	-
Student Council	856	-	152	704	-	-	704
Swimming - CHHS	280	2,778	2,467	591	-	-	591
Swimming - JHHS	1,234	2,169	1,448	1,955	-	-	1,955
Swimming - NHHS	601	2,908	3,313	196	-	-	196
Tennis	660	2,505	3,165	-	-	-	-
Textbooks	-	-	-	-	-	-	-
Three-Point Club	-	-	-	-	-	-	-
Track	7,733	4,299	3,291	8,741	-	470	8,271
TSA Club	-	150	150	-	-	-	-
Volleyball	-	5,649	5,649	-	-	-	-
Winter Guard	-	-	-	-	-	-	-
Wrestling	-	4,749	4,749	-	-	-	-
Y Club	150	4,031	3,894	287	-	-	287
Yearbooks	6,348	8,804	2,168	12,984	-	15	12,969
Sub Total	111,718	427,968	414,609	125,077	2,491	8,275	119,293
Interfund Transfers	-	17,514	17,512	-	-	-	-
TOTAL	<u>\$ 111,718</u>	<u>\$ 410,454</u>	<u>\$ 397,097</u>	<u>\$ 125,077</u>	<u>\$ 2,491</u>	<u>\$ 8,275</u>	<u>\$ 119,293</u>

HARDIN COUNTY SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
NORTH HARDIN HIGH SCHOOL
YEAR ENDED JUNE 30, 2018

NAME OF ACTIVITY	CASH BALANCES	RECEIPTS	DISBURSE- MENTS	CASH BALANCES	RECEIVABLES AND DUE FROM OTHER FUNDS	ACCOUNTS PAYABLE AND DUE TO OTHER FUNDS	DUE TO STUDENT GROUPS
	July 1, 2017			June 30, 2018	June 30, 2018	June 30, 2018	June 30, 2018
Academic Team	\$ 1,612	\$ 440.00	\$ 175.00	\$ 1,877	\$ -	\$ -	\$ 1,877
Agriculture Department	2,306	4,163	2,702	3,767	-	-	3,767
Archery	907	2,030	2,654	283	-	-	283
Art Club	368	700	654	414	-	-	414
Art Department	32	-	-	32	-	-	32
Athletic Concessions	-	-	-	-	-	-	-
Athletic Contingency	1,592	7,359	7,582	1,369	-	-	1,369
Athletics	9,249	20,245	23,289	6,205	111	-	6,316
Athletic Uniforms	39,706	15,760	37,378	18,088	-	-	18,088
Band	6,419	29,389	29,996	5,812	-	678	5,134
Baseball	-	7,483	5,972	1,511	-	-	1,511
Beta Club	5,042	15,099	16,843	3,298	-	-	3,298
Bingo Fund	-	89,000	89,000	-	-	-	-
Bowling	983	1,159	1,313	829	240	-	1,069
Boys Basketball	10,628	16,257	19,018	7,867	-	-	7,867
Business Education Dept.	169	-	-	169	-	-	169
Cameron Irwin Scholars	1,122	-	-	1,122	-	-	1,122
CATS Incentives	-	-	-	-	-	-	-
Cheerleading	5,407	6,642	9,693	2,356	-	-	2,356
Chorus	5,891	29,350	34,622	619	6,830	-	7,449
Class of Yesteryear	-	-	-	-	-	-	-
Climate Committee	1,309	3,186	2,418	2,077	-	-	2,077
Commitment Committee	-	-	-	-	-	-	-
Cross Country/Boys	10,404	8,683	7,513	11,574	-	-	11,574
Cross Country/Girls	3,877	7,008	6,098	4,787	-	-	4,787
Dance Team	-	2,953	2,531	422	-	-	422
DECA	-	-	-	-	-	-	-
Drama Club	1,783	2,183	1,966	2,000	-	-	2,000
Dual Credit Books	-	-	-	-	-	-	-
English Department	775	-	-	775	-	-	775
FAC Contingency	-	-	-	-	-	-	-
Faculty Flower Fund	137	824	163	798	-	-	798
Faculty Fund	2,241	5,000	5,114	2,127	-	-	2,127
FBLA	896	2,735	2,381	1,250	-	-	1,250
FCA	327	190	181	336	-	-	336
FCCLA	789	16,668	14,626	2,831	-	-	2,831
FCS	271	498	485	284	-	-	284
FFA	-	15,539	12,986	2,553	-	-	2,553
Football	7,349	30,996	37,780	565	3,650	-	4,215
Foreign Language Department	33	-	-	33	-	-	33
Fund 22	-	3,944	3,944	-	-	-	-
Gaming Club	370	75	61	384	-	-	384
General Student Fund	7,596	6,644	7,461	6,779	383	-	7,162
German Club	1,779	220	362	1,637	-	-	1,637
Girls Basketball	1,010	14,779	12,992	2,797	250	-	3,047
Golf-Boys	1,744	2,448	2,971	1,221	-	-	1,221
Golf-Girls	1,784	2,585	2,811	1,558	-	-	1,558
Grade 10	2,961	970	448	3,483	-	-	3,483
Grade 11	2,375	440	612	2,203	-	-	2,203
Grade 12	3,963	29,206	31,074	2,095	-	-	2,095
Grade 9	731	2,385	1,706	1,410	-	-	1,410
Guidance	3,147	3,958	3,849	3,256	-	-	3,256
Health Science Department	101	292	379	14	-	-	14
HOSA	800	220	-	1,020	-	-	1,020
Journalism	35	-	-	35	-	-	35
JROTC	5,358	30,375	21,449	14,284	-	-	14,284
JROTC Can Food Drive	818	1,750	687	1,881	-	-	1,881
Library/Media Center	1,930	612	2,256	286	-	-	286

HARDIN COUNTY SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
NORTH HARDIN HIGH SCHOOL-CONCLUDED
YEAR ENDED JUNE 30, 2018

NAME OF ACTIVITY	CASH BALANCES July 1, 2017	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2018	RECEIVABLES AND DUE FROM OTHER FUNDS June 30, 2018	ACCOUNTS PAYABLE AND DUE TO OTHER FUNDS June 30, 2018	DUE TO STUDENT GROUPS June 30, 2018
Math Department	977	1,600	110	2,467	-	-	2,467
National Guards	500	193	-	693	-	-	693
National Honor Society	1,682	-	1,682	-	-	-	-
NHHS Bingo	34,658	249,403	248,398	35,663	-	-	35,663
P E Dept	51	-	50	1	-	-	1
PBIS Club	893	3,042	2,059	1,876	-	-	1,876
Pep Club	1,714	3,225	1,103	3,836	-	-	3,836
Photography Club	1,790	220	140	1,870	-	-	1,870
Postage	2,298	71	18	2,351	-	-	2,351
Poster Maker	-	-	-	-	-	-	-
Project Graduation	4,550	6,991	6,194	5,347	-	-	5,347
Rachel's Challenge	1,259	220	926	553	-	-	553
School Concessions	-	-	-	-	-	-	-
Science Club	1,135	220	-	1,355	-	-	1,355
Science Department	1,845	3,000	3,497	1,348	-	-	1,348
Soccer/Boys	4,511	13,452	10,153	7,810	-	-	7,810
Soccer/Girls	833	8,129	5,539	3,423	-	-	3,423
Social Studies Dept.	-	-	-	-	-	-	-
Softball	3,417	12,339	15,756	-	-	-	-
Spanish Club	821	350	353	818	-	-	818
Spec Ed (Radford)	-	-	-	-	-	-	-
Special Education Dept.	236	330	13	553	-	-	553
Speech/Debate	150	-	-	150	-	-	150
STLP	431	922	554	799	-	-	799
Student Council	739	979	606	1,112	-	-	1,112
Student Support Services	2,461	585	455	2,591	-	-	2,591
Swimming	3,763	880	-	4,643	-	-	4,643
Tennis	734	12,462	11,001	2,195	-	-	2,195
Textbooks	2,095	48	-	2,143	-	-	2,143
Track/Boys	9,991	5,506	6,808	8,689	2,000	-	10,689
Track/Girls	4,694	5,804	5,608	4,890	4,187	-	9,077
Travel	-	-	-	-	-	-	-
Trojan Stichary	163	249	186	226	-	-	226
TSA Club	76	40	-	116	-	-	116
Volleyball	6,058	15,446	16,621	4,883	-	-	4,883
Will Yates Scholarship	1,000	1,000	1,000	1,000	-	-	1,000
Wrestling	-	6,193	6,193	-	-	-	-
Y Club	2,754	4,882	5,779	1,857	-	-	1,857
Yearbook	15,310	7,705	3,077	19,938	-	-	19,938
Sub Total	271,715	807,928	822,074	257,569	17,651	678	274,542
Interfund Transfers	-	93,849	93,843	-	-	-	-
TOTAL	\$ 271,715	\$ 714,079	\$ 728,231	\$ 257,569	\$ 17,651	\$ 678	\$ 274,542

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster - Cash Assistance Passed Through State Department of Education			
National School Lunch Program	10.555	7750002-17 7750002-18	\$ 945,576 3,598,265
School Breakfast Program	10.553	7760005-17 7760005-18	450,540 1,693,847
Summer Food Service Program for Children	10.559	7690024-17 7690023-17 7740023-18	2,492 23,856 87,825
Non-Cash Assistance (Commodities) National School Lunch Program	10.555	057502-02	570,639
TOTAL CHILD NUTRITION CLUSTER			7,373,040
TOTAL U.S. DEPT. OF AGRICULTURE			7,373,040
<u>U.S. DEPARTMENT OF DEFENSE</u>			
U. S. Army JROTC	12.000	504D	196,098
			196,098
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	3423	7,742
TOTAL U.S. DEPARTMENT OF DEFENSE			203,840
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education Special Education Cluster (IDEA) -			
Special Education - Grants to States	84.027	337B 337C 337CP 337D 337DC	11,404 43,836 26,397 2,522,990 12,578
			2,617,205
Special Education - Preschool Grants	84.173	343B 343BP 343C 343D	54,230 1,839 53,955 7,156
			117,180
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)			2,734,385

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>			
Impact Aid	84.041	Direct	42,375
Passed Through Kentucky Council on Postsecondary Education Adult Education - State Grant Program	84.002	365D 370D 373D 464D	36,260 10,500 64,293 74,598
			<u>185,651</u>
Passed Through State Department of Education Title I Grants to Local Educational Agencies	84.010	310B 310BM 310C 310CD 310CE 310CI 310CL 310CM 310CP 310CR 310D 310DD 310DE 310DL 310DM 310DN 310DP 310DR 314B 314C 314D	102,588 553 305,536 43,715 152,780 1,492 71,395 6,248 (200) 47,046 2,083,243 16,466 61,402 25,271 15,683 9,598 127 194,123 14,724 140,378 1,059
			<u>3,293,227</u>
Migrant Education - State Grant Program	84.011	311C 311D	38,292 28,804
			<u>67,096</u>
Title I State Agency Program for Neglected and Delinquent Children	84.013	313D	22,980
			<u>22,980</u>
Vocational Education - Basic Grants to States	84.048	348C 348CA 348D	11,238 2,133 126,654
			<u>140,025</u>
English Language Acquisition Grants	84.365	345B 345C 345D	31 23,639 24,516
			<u>48,186</u>

HARDIN COUNTY SCHOOL DISTRICT**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED JUNE 30, 2018

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
Improving Teacher Quality - State Grants	84.367	401B	207,733
		401BM	1,707
		401C	91,410
		401CM	120,728
		401CP	3,326
		401DP	736
			<u>425,640</u>
Student Support and Academic Enrichment Program	84.424	552D	690
		552DP	1,103
			<u>1,793</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>6,961,358</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 14,538,238</u></u>

The accompanying notes are an integral part of this schedule.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Hardin County School District under programs of the federal government for the year ended June 30, 2018. 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 Hardin County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Hardin County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received.

NOTE D – INDIRECT COST RATE

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

NOTE E – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

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 reported

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 weakness(es)? _____yes _____X__none reported

Type of auditor's report issued on compliance for major programs (unmodified):

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____yes ___X___no

Section I – Summary of Auditor’s Results - Continued

Identification of major programs:

CFDA Number	Federal Program or Cluster
	DEPARTMENT OF AGRICULTURE
10.553/10.555/10.559	Child Nutrition Cluster
	DEPARTMENT OF EDUCATION
84.027/84.173	Special Education Cluster

Dollar threshold used to distinguish
Between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes X no

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

HARDIN COUNTY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2018

FINDING 2017-001 – MATERIAL WEAKNESS – ADJUSTMENTS

Condition This finding was a material weakness stating that material adjustments were required to the financial statements.

Recommendation: The auditor recommended that the District review its procedures to ensure all adjustments are made to the financial statements.

Current Status: The District implemented revised procurement procedures effective July 1, 2017. No similar findings were noted in the June 30, 2018 audit.

**INDEPENDENT AUDITOR'S
REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***



CHRIS R. CARTER, CPA
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for School District Audits
Members of the Board of Education
Hardin County School District
Elizabethtown, Kentucky

We have audited, in accordance with the 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 requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Hardin County School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Hardin County School District's basic financial statements, and have issued our report thereon dated October 5, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hardin County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Hardin County School District in a separate letter dated October 5, 2018.

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 District'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.

A handwritten signature in dark ink that reads "Stiles, Carter & Associates, CPAs, PSC". The signature is written in a cursive, flowing style.

Stiles, Carter & Associates, CPAs, PSC
Elizabethtown, Kentucky
October 5, 2018

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



CHRIS R. CARTER, CPA
ANN M. FISHER, CPA
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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Kentucky State Committee for School District Audits
Members of the Board of Education
Hardin County School District
Elizabethtown, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Hardin 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 Hardin County School District's major federal programs for the year ended June 30, 2018. Hardin County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hardin County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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) and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the Independent Auditor's Contract. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hardin County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Hardin County School District complied, in all material respects, with the 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, 2018.

Report on Internal Control Over Compliance

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

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

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

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



Stiles, Carter & Associates, CPAs, PSC
Elizabethtown, Kentucky
October 5, 2018

MANAGEMENT LETTER AND COMMENTS



CHRIS R. CARTER, CPA
ANN M. FISHER, CPA
SCOTT KISSELBAUGH, CPA
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Kentucky State Committee for School District Audits
Members of the Board of Education of
Hardin County School District
Elizabethtown, Kentucky

In planning and performing our audit of the basic financial statements of Hardin County School District for the year ended June 30, 2018, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated October 5, 2018, contains our report on the District's internal control. This letter does not affect our report dated October 5, 2018, on the financial statements of the Hardin County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and their implementation is currently being reviewed. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of management, the members of the Hardin County Board of Education, others within the District, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Stiles, Carter & Associates, CPAs, PSC".

Stiles, Carter & Associates, CPAs, PSC
Elizabethtown, Kentucky
October 5, 2018

HARDIN COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2018

UNCORRECTED PRIOR YEAR COMMENTS

BLUEGRASS MIDDLE SCHOOL

INVENTORY CONTROL WORKSHEET

Upon review of the dance concessions fundraiser held by the Academic Team, we noted that there was not an Inventory Control Worksheet (F-SA-5) on file for the concession sales deposited on 09/25/2017. Redbook requires that concession sale fundraisers have an Inventory Control Worksheet on file.

MANAGEMENT RESPONSE

The Inventory Control Worksheet has been communicated to all staff and especially those who have inventory items. The dance coming up this week has plans for a worksheet to be completed. Any club having inventory will complete the said worksheet.

NORTH HARDIN HIGH SCHOOL

INVENTORY CONTROL WORKSHEET

Inventory control worksheets were completed for December – March. The inventory control worksheet for March had ending inventory recorded. An inventory control worksheet was not completed for April (or the rest of the fiscal year). Redbook requires inventory control worksheets to be completed for every month until the end of the fiscal year, or until there is zero ending inventory.

MANAGEMENT RESPONSE

We met with all parties and set a plan in place to finish out the year with inventory sheets. The club noted on the sheet they were carrying forward inventory and thought that would be in compliance.

COLLEGE VIEW

RECEIPTS

We noted that there was no documentation provided for receipt #1021, dated 07/06/2017 in the amount of \$2,500.00 for a donation received from Wal-Mart. Redbook requires Multiple Receipt Forms to be issued for each receipt and for deposit slips to include receipt numbers. Redbook also requires donations received to be documented by a Donation Acceptance Form.

MANAGEMENT RESPONSE

After discussing this matter with the school now understands the error and have no comment to the contrary.

CURRENT YEAR COMMENTS

CECILIA VALLEY ELEMENTARY SCHOOL

FUNDRAISER F-SA FORMS

Upon review of fundraisers, SCA noted that collections for the February 26th Bookfair were incorrectly recorded on Multiple Receipt Forms (F-SA-6). Redbook requires that Bookfair collections be recorded on the Sales Collection Form (F-SA-17).

MANAGEMENT RESPONSE

We have discussed the audit comment with all staff involved. We understand the mistakes and will work together to ensure that these mistakes do not happen in the future.

STANDARD INVOICE

During testing of disbursements, SCA noted that check number #2299 to Duke's School Specialty in amount of \$104.25 exceeded the amount on the attached purchase order. Redbook requires that the amount listed on the purchase order be in less than or equal to the check and invoice amounts.

MANAGEMENT RESPONSE

We have discussed the audit comment with all staff involved. We understand the mistakes and will work together to ensure that these mistakes do not happen in the future.

CREEKSIDE ELEMENTARY SCHOOL

FUNDRAISER APPROVAL FORM

Upon review of receipts we noted that the deposit made on 09/18/2017, in the amount of \$1,166.42, was for the receipt of Bookfair proceeds. However, there was not a Fundraiser Approval Form (F-SA-2A) on file for a Bookfair fundraiser. Therefore we were unable to determine if the funds were deposited into the appropriate fund.

MANAGEMENT RESPONSE

We have discussed the audit comment with all staff involved. We understand the mistakes and will work together to ensure that these mistakes do not happen in the future.

GC BURKHEAD ELEMENTARY SCHOOL

MISSING INVOICE

SCA noted no invoice could be located for Check #2254, payable to Juanito's Street Tacos & More, in the amount of \$450. The Redbook requires invoices to be kept on file for items that were purchased.

MANAGEMENT RESPONSE

This was an error made by the principal. An invoice will be obtained in the future.

PURCHASE ORDER

SCA noted the invoice for the purchase of additional yearbooks from Herff Jones for \$383.27 (Check #2286) was dated 5/30/2018. The purchase order was dated 6/4/2018. Redbook requires an approved purchase order be completed before goods/services are purchased.

MANAGEMENT RESPONSE

We have discussed the audit comment with all staff involved. We understand the mistakes and will work together to ensure that these mistakes do not happen in the future.

LINCOLN TRAIL ELEMENTARY SCHOOL

FUNDRAISERS – IMPROPER RECEIPT FORM

SCA noted that receipt #2993, dated 9/13/2017 in the amount of \$656.37, contained funds received from the Fall Book Fair. The funds were incorrectly documented on a Multiple Receipt Form (F-SA-7). Redbook requires funds received from a Book Fair fundraiser to be documented on a Sales Collection Form (F-SA-17).

MANAGEMENT RESPONSE

The principal has reviewed and has a new form in place for the book fair.

DISBURSEMENTS – INCORRECT FUND

SCA noted that check #3090, dated 9/1/2017 in the amount of \$350.00, was for a vex robotics membership, but was paid from the General Student Fund. Lincoln Trail Elementary has a Vex Fund in which the purchase should have been made from. Redbook states that purchases out of the General Fund should benefit the student population as a whole.

MANAGEMENT RESPONSE

A meeting was held between the principal and bookkeeper to review the procedures.

MEADOWVIEW ELEMENTARY SCHOOL

FUNDRAISER APPROVAL FORM

Upon review of receipts we noted that the deposit made on 05/02/18, in the amount of \$644.80, was for the receipt of Box Tops for Education fundraiser proceeds. However, there was not a Fundraiser Approval Form (F-SA-2A) on file for a Box Tops fundraiser. Therefore we were unable to determine if the funds were deposited into the appropriate fund.

MANAGEMENT RESPONSE

We have discussed the audit comment with all staff involved. We understand the mistakes and will work together to ensure that these mistakes do not happen in the future.

IMPROPER FORM

We noted that the deposit made on 11/14/2017, in the amount of \$865.06, contained five Multiple Receipt Forms (F-SA-6) for Bookfair receipts totaling \$865.06. Redbook requires that Bookfair receipts be reported on Sales Collections Form (F-SA-17).

MANAGEMENT RESPONSE

We have discussed the audit comment with all staff involved. We understand the mistakes and will work together to ensure that these mistakes do not happen in the future.

RADCLIFF ELEMENTARY SCHOOL

DATE OF PURCHASE ORDER

We noted that during review of disbursements, check #1302 in the amount of \$2,371.28 to H & W Sports Shop included a purchase order dated 5/29/2018. This check and purchase order corresponded to an invoice dated 5/23/2018. The Redbook indicates that all purchase orders must be dated on or before the date of the vendor's invoice.

MANAGEMENT RESPONSE

We have discussed the audit comment with all staff involved. We understand the mistakes and will work together to ensure that these mistakes do not happen in the future.

RADCLIFF ELEMENTARY SCHOOL – CONTINUED

CANCELLATION OF INVOICE

We noted that check numbers #1291, #1295, #1302, and #1304 all had an attached invoice that was not cancelled. Redbook requires that invoices be canceled to ensure they are not paid twice.

MANAGEMENT RESPONSE

We have discussed the audit comment with all staff involved. We understand the mistakes and will work together to ensure that these mistakes do not happen in the future.

FUNDRAISERS

We noted that the fall Bookfair, held by Monique Berthold and approved on 6/20/2017, was lacking the applicable Sales Collection Form (form F-SA-17) and had an unsigned Fundraiser Worksheet (F-SA-2B). For Bookfair sales, Redbook requires both Sales Collection Form (form F-SA-17) and Fundraiser Worksheet (F-SA-2B) to be present and complete.

Additionally, we noted that the Paragon Promotions fundraiser, held by Chris Corder and approved on 6/20/2017, included an unsigned Fundraiser Worksheet (form F-SA-2B). Redbook requires the Fundraiser Worksheet (F-SA-2B) to be signed and completed.

MANAGEMENT RESPONSE

We have discussed the audit comment with all staff involved. We understand the mistakes and will work together to ensure that these mistakes do not happen in the future.

RINEYVILLE ELEMENTARY SCHOOL

ACCOUNTS PAYABLE

We noted that check #3114, dated 7/19/2018, written to Tri-C Publications in the amount of \$3,800.00 for supplemental materials had an attached invoice that was dated 5/25/2018. However, this check was not included in the Accounts Payable portion of the Accounts Receivable and Accounts Payable Form (F-SA-15B) that was on file for the month of June 2018.

MANAGEMENT RESPONSE

The bookkeeper has reviewed the comment and instituted a more comprehensive review process.

PURCHASE ORDER FORM

We noted that check #3087, dated 12/08/2017, in the amount of \$200.00, written to Kimberly Jones for student t-shirts from the Vex Robotics Fund had an attached invoice dated 12/05/2017 and a Purchase Order Form (F-SA-7) dated 12/08/2017. Redbook requires that Purchase Order Forms be completed and approved before the purchase is made.

MANAGEMENT RESPONSE

The bookkeeper has reviewed the comment and instituted a more comprehensive review process.

IMPROPER FUND

We noted that check #3106, dated 04/30/2018, in the amount of \$595.00, written to Bernheim Forest for field trip fees was written from the General Fund. However, there was zero receipts into the General Fund for this field trip. The receipts that were collected for this field trip appear to have been deposited into the Field Trip Fund and therefore the funds should have been withdrawn from the Field Trip Fund.

MANAGEMENT RESPONSE

The bookkeeper has reviewed the comment and instituted a more comprehensive review process.

VINE GROVE ELEMENTARY SCHOOL

IMPROPER FUND

SCA noted Check #1950, payable to Bluegrass Inks for \$630.00, was disbursed out of the General Student Fund. The purchase was for boys' basketball uniforms. The Basketball Fund should have been used, rather than the General Fund. The Redbook requires purchases out of the General Student Fund to benefit the general student population.

SCA noted Check #1947, payable to North Hardin High School Basketball Boosters for \$500.00, was disbursed out of the General Student Fund. The purchase was for registration for the boys' basketball team. The Basketball Fund should have been used, rather than the General Fund. The Redbook requires purchases out of the General Student Fund to benefit the general student population.

MANAGEMENT RESPONSE

We have discussed the audit comment with all staff involved. We understand the mistakes and will work together to ensure that these mistakes do not happen in the future.

BLUEGRASS MIDDLE SCHOOL

TICKET SALES

We noted during review of ticket sales that the Requisition and Report of Ticket Sales Form (F-SA-1) that was submitted for the football game held on 09/19/2017 had the same individual that initialed in column C as being the ticket seller also signed off as being the ticket taker for the event. Redbook requires that these duties be segregated.

MANAGEMENT RESPONSE

Ticket Sales Requisition Report had the seller and the ticket taker as the same person. Even though there was two people selling tickets, one person signed both areas. Future ticket sales will have two people selling, sign the documents appropriately, and will be checked.

JAMES T. ALTON MIDDLE SCHOOL

STANDARD INVOICE

During testing of disbursements, SCA noted that check number #7673 to Duke's Sporting Goods in amount of \$2,909.00 exceeded the amount on the attached purchase order. Redbook requires that the amount listed on the purchase order be in less than or equal to the check and invoice amounts.

MANAGEMENT RESPONSE

We have discussed the audit comment with all staff involved. We understand the mistakes and will work together to ensure that these mistakes do not happen in the future.