

HARDIN COUNTY SCHOOL DISTRICT

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

Year Ended June 30, 2021

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, 2021, 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 on 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, 2021, 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, 2021, the District adopted Governmental Accounting Standards Board Statement 84, *Fiduciary Activities*, Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, Statement 92, *Omnibus 2020* and Statement 93, *Replacement of Interbank Offered Rates*. 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 December 9, 2021, 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 black ink that reads "Heartland CPAs and Advisors, PLLC". The signature is written in a cursive, flowing style.

Heartland CPAs and Advisors, PLLC
Elizabethtown, Kentucky
December 9, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HARDIN COUNTY SCHOOL DISTRICT - ELIZABETHTOWN, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

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, 2021. 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 \$26.9 million. The ending fund balance was \$34.0 million.
- 2 The beginning Construction Fund fund balance was \$27.5 million. The ending fund balance was \$6.3 million. The major reason for the change in fund balance was due to spending funds on projects.
- 3 The District adopted GASB 84 and absorbed West Point Independent School District.

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 \$36.6 million as of June 30, 2021. 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, 2021 and 2020
(Table 1)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current and Other Assets	\$ 46,202,564	\$ 60,949,037	\$ 2,136,992	\$ 1,844,300	\$ 48,339,556	\$ 62,793,337
Capital Assets	<u>263,703,709</u>	<u>245,639,573</u>	<u>1,236,139</u>	<u>928,376</u>	<u>264,939,848</u>	<u>246,567,949</u>
Total Assets	<u>309,906,273</u>	<u>306,588,610</u>	<u>3,373,131</u>	<u>2,772,676</u>	<u>313,279,404</u>	<u>309,361,286</u>
Deferred Outflows	<u>25,380,612</u>	<u>22,576,278</u>	<u>4,037,001</u>	<u>2,772,676</u>	<u>29,417,613</u>	<u>25,348,954</u>
Long-term Debt	252,872,122	254,495,987	15,575,655	13,134,684	268,447,777	267,630,671
Other Liabilities	<u>14,026,224</u>	<u>15,568,338</u>	<u>26,380</u>	<u>26,914</u>	<u>14,052,604</u>	<u>15,595,252</u>
Total Liabilities	<u>266,898,346</u>	<u>270,064,325</u>	<u>15,602,035</u>	<u>13,161,598</u>	<u>282,500,381</u>	<u>283,225,923</u>
Deferred Inflows	<u>18,051,578</u>	<u>14,279,610</u>	<u>1,099,935</u>	<u>1,370,989</u>	<u>19,151,513</u>	<u>15,650,599</u>
Net Position						
Net investment in capital assets	102,048,653	77,296,847	1,236,139	928,376	103,284,792	78,225,223
Restricted	10,924,306	29,421,376			10,924,306	29,421,376
Unrestricted	<u>(60,735,998)</u>	<u>(61,897,270)</u>	<u>(10,527,977)</u>	<u>(9,133,960)</u>	<u>(71,263,975)</u>	<u>(71,031,230)</u>
Total Net Position	<u>\$ 52,236,961</u>	<u>\$ 44,820,953</u>	<u>\$ (9,291,838)</u>	<u>\$ (8,205,584)</u>	<u>\$ 42,945,123</u>	<u>\$ 36,615,369</u>

The following are significant current year transactions that have had an impact on the Statement of Net Position.

The District added \$27.3 million in capital assets. The District paid \$8.6 million in bond principal.

Comments on Budget Comparisons

- The District's total governmental revenues for the fiscal year ended June 30, 2021, were \$173.9 million.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$39.5 million more than budget. This is primarily due to not budgeting on-behalf payments of \$35 million and tax revenue being \$4.7 million more than budgeted.
- The total cost of all governmental programs and services was \$127.5 million.
- General fund budget expenditures to actual varied significantly in Other expenses. This resulted from not having to spend budgeted contingency funds.

The following Table 2 presents a summary of changes in net position for the fiscal years ended June 30, 2021 and 2020.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
REVENUES:						
Program revenues:						
Charges for services	\$ 1,409,902	\$ 163,931	\$ 898,644	\$ 1,999,283	\$ 2,308,546	\$ 2,163,214
Operating grants and contributions	25,451,816	15,399,293	8,473,560	9,745,616	33,925,376	25,144,909
Capital grants	6,147,969	6,147,969	-	-	6,147,969	6,147,969
General revenues:						
Property taxes	42,108,874	39,153,878	-	-	42,108,874	39,153,878
Motor vehicle taxes	4,341,967	3,674,070	-	-	4,341,967	3,674,070
Utility taxes	6,215,478	6,013,169	-	-	6,215,478	6,013,169
Other taxes	8,523	7,352	-	-	8,523	7,352
Investment earnings	802,127	1,265,892	8,723	9,972	810,850	1,275,864
State and formula grants	34,727,825	40,228,825	-	-	34,727,825	40,228,825
Miscellaneous	984,591	650,305	-	-	984,591	650,305
Total revenues	122,199,072	112,704,684	9,380,927	11,754,871	131,579,999	124,459,555
EXPENSES						
Program Activities						
Instruction	44,201,756	45,686,733	-	-	44,201,756	45,686,733
Student support	11,288,251	10,952,113	-	-	11,288,251	10,952,113
Instructional staff support	10,118,715	9,129,489	-	-	10,118,715	9,129,489
District administrative support	1,603,618	1,399,039	-	-	1,603,618	1,399,039
School administrative support	9,232,577	8,730,433	-	-	9,232,577	8,730,433
Business support	2,759,659	2,692,544	-	-	2,759,659	2,692,544
Plant operation and maintenance	14,628,019	13,781,522	-	-	14,628,019	13,781,522
Student transportation	13,095,170	14,550,423	-	-	13,095,170	14,550,423
Community service activities	1,716,857	1,361,571	-	-	1,716,857	1,361,571
Other	3,090,701	352,125	-	-	3,090,701	352,125
Interest costs	5,914,042	5,846,383	-	-	5,914,042	5,846,383
Business-type Activities:						
Food service	-	-	10,241,257	11,128,299	10,241,257	11,128,299
School Age Child Care	-	-	408,931	2,930,083	408,931	2,930,083
Early College and Career Center	-	-	11,358	18,830	11,358	18,830
Educational television	-	-	109,346	113,401	109,346	113,401
Total expenses	117,649,365	114,482,375	10,770,892	14,190,613	128,420,257	128,672,988
Change in net position before transfers	4,549,707	(1,777,691)	(1,389,965)	(2,435,742)	3,159,742	(4,213,433)
Transfers	(303,711)	(346,182)	303,711	346,182	-	-
Change in net position	\$ 4,245,996	\$ (2,123,873)	\$ (1,086,254)	\$ (2,089,560)	\$ 3,159,742	\$ (4,213,433)

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.

(Table 3)
Governmental Activities
Total Cost of Services **Net Cost of Services**

	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Instruction	\$ 44,201,756	\$ 45,686,733	\$ 28,456,509	\$ 34,296,995
Support Services	62,726,009	61,235,563	55,463,758	58,705,345
Community services	1,716,857	1,361,571	418,847	50,838
Facilities acquisition	-	-	(5,006,374)	(5,006,374)
Other	3,090,701	352,125	534,491	19,590
Interest costs	<u>5,914,042</u>	<u>5,846,383</u>	<u>4,772,447</u>	<u>4,704,788</u>
Total Expenses	\$ 117,649,365	\$ 114,482,375	\$ 84,639,678	\$ 92,771,182

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 \$9,380,927 and expenses of \$10,770,892 for fiscal year 2021. Of the revenues, \$898,644 was charges for services, \$8,473,560 was from State and Federal operating grants and \$8,723 was from investment earnings. The child care fund received \$342,339 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 \$193.0 million and expenditures and other financing uses of \$207.0 million. Net changes in fund balances for the year were most significant in the General Fund \$7.1 million and the Construction Fund (\$21.6) million.

The increase in the General Fund was due to more grant money due to Covid-19. The decrease in the Construction Fund was due to spending bond proceeds received during the prior fiscal years.

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 \$90.6 million with actual amounts of \$130.2 million. Budgeted expenditures of \$115.7 million compare with actual expenditures of \$127.5 million. The most significant fluctuation is for on-behalf payments of \$35.0 million.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2021 the School District had \$264.9 million invested in land, land improvements, buildings, vehicles, equipment, and construction in progress, and \$263.7 million in governmental activities. Table 4 shows fiscal year 2021 and 2020 balances, net of depreciation.

(Table 4)
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Land and land improvements	\$ 13,822,965	\$ 14,243,808	\$ 16,790	\$ 16,790	\$ 13,839,755	\$ 14,260,598
Construction in progress	64,484,603	42,907,066	-	-	64,484,603	42,907,066
Buildings and improvements	178,450,587	181,208,135	11,702	12,743	178,462,289	181,220,878
Technology	140,820	204,042	-	-	140,820	204,042
Vehicles	5,251,793	5,446,136	27,332	50,755	5,279,125	5,496,891
General equipment	1,552,941	1,630,386	1,180,315	848,088	2,733,256	2,478,474
Total	<u>\$ 263,703,709</u>	<u>\$ 245,639,573</u>	<u>\$ 1,236,139</u>	<u>\$ 928,376</u>	<u>\$ 264,939,848</u>	<u>\$ 246,567,949</u>

Table 5 shows the changes in capital assets for the fiscal years ended June 30, 2021 and 2020.

(Table 5)
Change in Capital Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Beginning balance	\$ 245,639,573	\$ 228,888,131	\$ 928,376	\$ 904,303	\$ 246,567,949	\$ 229,792,434
Additions	26,815,180	26,301,365	501,152	234,509	27,316,332	26,535,874
Retirements	(428,703)	(1,023,698)	-	(3,456)	(428,703)	(1,027,154)
Depreciation	<u>(8,322,341)</u>	<u>(8,526,225)</u>	<u>(193,389)</u>	<u>(206,980)</u>	<u>(8,515,730)</u>	<u>(8,733,205)</u>
Ending balance	<u>\$ 263,703,709</u>	<u>\$ 245,639,573</u>	<u>\$ 1,236,139</u>	<u>\$ 928,376</u>	<u>\$ 264,939,848</u>	<u>\$ 246,567,949</u>

Ongoing construction costs are in construction in progress at June 30, 2021.

Debt

At June 30, 2021, the School District had \$163.6 million in bonds outstanding, of this amount \$8.1 million is to be paid from KSFCC funding provided by the State of Kentucky. A total of \$8.8 million is due within one year.

District Challenges for the Future

The most important challenge is to increase the academic achievement of our students. The District is continuing programs such as Academic Edge, Lexia, Dave Ramsey, and Apex 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 handheld devices. The District is striving to be a one to one, bring your own device, this is so important during this time given the at-home instruction.

Lincoln Trail and East Hardin concluded new construction in 2021. Central Hardin High School has begun its renovation over the next couple of years.

The second District challenge is maintaining and improving average daily attendance. The District receives funding through the SEEK formula based on this count. Getting students back in the classroom during a pandemic is a challenge the district is facing.

As a result of continued growth in average daily attendance, the District was able to levy a BRAC nickel in FY11 and this nickel has since got equalized by the state. This has enabled the District to add additional classroom space and improve the 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 to the public are the main factors influencing this District challenge.

Due to Covid 19, the district has seen an influx of federal relief dollars. The key is to spend the money wisely on non-occurring costs to prevent shortages of money in the future. Hardin County Schools has set aside these funds for HVAC upgrades, summer programs, staff PD, mental health counselors, interventionists, new software programs, and preschool. A huge economic development is set to open in Glendale which could cause an increase in student enrollment and help increase tax revenue.

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 2021-2022 with an 11.2% contingency. Significant Board action that impacts the finances includes pay increases for all employees including TRS/CERS and issuing a COLA raises, additional resources for a home learning, 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, 2021

Assets	Governmental Activities	Business-Type Activities	Total
<u>Current Assets</u>			
Cash, cash equivalents and investments	\$ 40,790,001	\$ 892,992	\$ 41,682,993
Inventory		256,136	256,136
Receivables:			
Taxes-current	920,777		920,777
Taxes-delinquent	80,225		80,225
Other receivables	243,774	5,156	248,930
Intergovernmental-State	310,610		310,610
Intergovernmental-Indirect Federal	3,838,116	982,708	4,820,824
Intergovernmental-Direct Federal	19,061		19,061
Total Current Assets	46,202,564	2,136,992	48,339,556
<u>Noncurrent Assets</u>			
Non-depreciable capital assets	73,201,039	16,790	73,217,829
Depreciable capital assets, net of accumulated depreciation	190,502,670	1,219,349	191,722,019
Total Noncurrent Assets	263,703,709	1,236,139	264,939,848
Total Assets	309,906,273	3,373,131	313,279,404
<u>Deferred Outflows of Resources</u>			
Deferred amount on debt refundings	2,612,811		2,612,811
CERS Pension	9,579,935	2,423,221	12,003,156
CERS OPEB	7,590,866	1,613,780	9,204,646
TRS MIF OPEB	5,597,000		5,597,000
Total Deferred Outflows of Resources	25,380,612	4,037,001	29,417,613
Liabilities			
<u>Current Liabilities</u>			
Accounts payable	2,293,319	26,380	2,319,699
Unearned revenue	951,518		951,518
Bond obligations	8,775,000		8,775,000
Compensated absences	348,449		348,449
Interest payable	1,657,952		1,657,952
Total Current Liabilities	14,026,238	26,380	14,052,618
<u>Noncurrent Liabilities</u>			
Bond obligations	155,492,853		155,492,853
Net pension liability - CERS	51,030,802	12,009,168	63,039,970
Net OPEB liability - CERS	16,274,417	3,566,487	19,840,904
Net OPEB liability - TRS MIF	27,038,000		27,038,000
Compensated absences	3,136,036		3,136,036
Total Noncurrent Liabilities	252,972,108	15,575,655	268,547,763
Total Liabilities	266,998,346	15,602,035	282,600,381
<u>Deferred Inflows of Resources</u>			
CERS Pension	902,203	292,849	1,195,052
CERS OPEB	3,041,375	807,086	3,848,461
TRS MIF OPEB	12,108,000		12,108,000
Total Deferred Inflows of Resources	16,051,578	1,099,935	17,151,513
<u>Net Position</u>			
Net investment in capital assets	102,048,667	1,236,139	103,284,806
Restricted	10,924,306		10,924,306
Unrestricted	(60,736,012)	(10,527,977)	(71,263,989)
Total Net Position	\$ 52,236,961	\$ (9,291,838)	\$ 42,945,123

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

HARDIN COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

Year Ended June 30, 2021		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Instruction	\$ 44,201,756	\$ 1,408,006	\$ 14,337,241	\$ -	\$(28,456,509)	\$ -	\$(28,456,509)
Support services:							
Student	11,288,251		792,528		(10,495,723)		(10,495,723)
Instruction staff	10,118,715		3,094,993		(7,023,722)		(7,023,722)
District administrative	1,603,618		829,699		(773,919)		(773,919)
School administrative	9,232,577				(9,232,577)		(9,232,577)
Business	2,759,659		21,592		(2,738,067)		(2,738,067)
Plant operation and maintenance	14,628,019		1,052,601		(13,575,418)		(13,575,418)
Student transportation	13,095,170	1,896	1,468,942		(11,624,332)		(11,624,332)
Community service activities	1,716,857		1,298,010		(418,847)		(418,847)
Facilities acquisition and construction				5,006,374	5,006,374		5,006,374
Other	3,090,701		2,556,210		(534,491)		(534,491)
Interest on long-term debt	5,914,042			1,141,595	(4,772,447)		(4,772,447)
Total Governmental Activities	117,649,365	1,409,902	25,451,816	6,147,969	(84,639,678)	-	(84,639,678)
Business-Type Activities:							
Food service	10,241,257	91,440	8,341,963			(1,807,854)	(1,807,854)
School Age Child Care	408,931	717,596	114,205			422,870	422,870
Early College and Career Center	11,358	11,678				320	320
Educational television	109,346	77,930	17,392			(14,024)	(14,024)
Total Business-Type Activities	10,770,892	898,644	8,473,560	-	-	(1,398,688)	(1,398,688)
Total Primary Government	<u>\$ 128,420,257</u>	<u>\$ 2,308,546</u>	<u>\$ 33,925,376</u>	<u>\$ 6,147,969</u>	<u>(84,639,678)</u>	<u>(1,398,688)</u>	<u>(86,038,366)</u>
General Revenues:							
Taxes:							
Property taxes					42,108,874		42,108,874
Motor vehicle taxes					4,341,967		4,341,967
Utility taxes					6,215,478		6,215,478
Other taxes					8,523		8,523
Investment earnings					802,127	8,723	810,850
State and formula grants					34,727,825		34,727,825
Miscellaneous					984,591		984,591
Transfers					(303,711)	303,711	-
Total general revenues and transfers					88,885,674	312,434	89,198,108
Change in net position					4,245,996	(1,086,254)	3,159,742
Net position - beginning					44,820,953	(8,205,584)	36,615,369
Restatement					3,170,012		3,170,012
Net position - beginning, as restated					47,990,965	(8,205,584)	39,785,381
Net position - ending					\$ 52,236,961	\$ (9,291,838)	\$ 42,945,123

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, 2021

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash, cash equivalents and investments	\$31,132,960	\$ -	\$ 7,465,014	\$ 2,192,027	\$ 40,790,001
Due from other funds	2,251,455				2,251,455
Receivables:					
Taxes - current	920,777				920,777
Taxes - delinquent	80,225				80,225
Other receivables	237,470	6,304			243,774
Intergovernmental - State		310,610			310,610
Intergovernmental - Indirect Federal		3,838,116			3,838,116
Intergovernmental - Direct Federal		19,061			19,061
Total Assets	\$34,622,887	\$ 4,174,091	\$ 7,465,014	\$ 2,192,027	\$ 48,454,019
Liabilities and Fund Balances:					
Liabilities					
Accounts payable	\$ 589,466	\$ 495,810	\$ 1,181,639	\$ 26,404	\$ 2,293,319
Due to other funds		2,251,455			2,251,455
Unearned revenue		951,518			951,518
Total Liabilities	589,466	3,698,783	1,181,639	26,404	5,496,292
Fund Balances					
Restricted	2,000,000	475,308	6,283,375	2,165,623	10,924,306
Committed	2,652,545				2,652,545
Unassigned	29,380,876				29,380,876
Total Fund Balances	34,033,421	475,308	6,283,375	2,165,623	42,957,727
Total Liabilities and Fund Balances	\$34,622,887	\$ 4,174,091	\$ 7,465,014	\$ 2,192,027	\$ 48,454,019

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, 2021

Total fund balance per fund financial statements	\$ 42,957,727
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.	263,703,709
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.	2,612,811
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.	22,767,801
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.	(16,051,578)
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position:	
Bonds payable (net of discounts and premiums)	(164,267,853)
Interest payable	(1,657,952)
Compensated absences	(3,484,485)
Net pension liability - CERS	(51,030,802)
Net OPEB liability - CERS	(16,274,417)
Net OPEB liability - TRS MIF	(27,038,000)
Net position for governmental activities	<u><u>\$ 52,236,961</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, 2021

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes:					
Property	\$ 31,255,249	\$ -	\$ -	\$ 10,853,625	\$ 42,108,874
Motor vehicle	4,341,967				4,341,967
Utilities	6,215,478				6,215,478
Other taxes	8,523				8,523
Earnings on investments	502,126	5,512	291,109	3,380	802,127
Other local revenues	759,608	189,596		1,581,861	2,531,065
Intergovernmental - State	86,802,905	5,659,970		7,664,335	100,127,210
Intergovernmental - Indirect Federal	183,390	17,343,049			17,526,439
Intergovernmental - Direct Federal	84,037	240,205			324,242
Total Revenues	130,153,283	23,438,332	291,109	20,103,201	173,985,925
Expenditures:					
Instruction	76,713,151	12,088,456		1,212,119	90,013,726
Support services:					
Student	10,126,535	792,528		16,609	10,935,672
Instruction staff	6,475,705	3,094,993		21,500	9,592,198
District administrative	676,941	829,699			1,506,640
School administrative	8,830,837				8,830,837
Business	2,490,045	21,592			2,511,637
Plant operation and maintenance	12,192,799	1,052,601		21,117	13,266,517
Student transportation	9,733,790	1,468,942		3,664	11,206,396
Facilities acquisition and construction	26,215		21,953,735		21,979,950
Community service activities	87,031	1,298,010			1,385,041
Other	149,821	2,556,210		358,454	3,064,485
Debt service:					
Principal				8,585,000	8,585,000
Interest				5,607,267	5,607,267
Total Expenditures	127,502,870	23,203,031	21,953,735	15,825,730	188,485,366
Excess (Deficit) of Revenues over Expenditures	2,650,413	235,301	(21,662,626)	4,277,471	(14,499,441)
Other Financing Sources (Uses):					
Insurance proceeds	288,237				288,237
Proceeds from disposal of capital assets	7,000				7,000
Transfers in	4,870,402	279,338	401,764	13,139,758	18,691,262
Transfers out	(725,315)	(401,764)		(17,399,799)	(18,526,878)
Total Other Financing Sources (Uses)	4,440,324	(122,426)	401,764	(4,260,041)	459,621
Net Change in Fund Balances	7,090,737	112,875	(21,260,862)	17,430	(14,039,820)
Fund Balance, July 1, 2020	26,942,684	362,433	27,544,237	954,706	55,804,060
Restatement				1,193,487	1,193,487
Fund Balance, July 1, 2020, as restated	26,942,684	362,433	27,544,237	2,148,193	56,997,547
Fund Balance, June 30, 2021	\$ 34,033,421	\$ 475,308	\$ 6,283,375	\$ 2,165,623	\$ 42,957,727

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, 2021

Net change in total fund balances per fund financial statements	\$ (14,039,820)
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.	18,116,643
Acquisition of capital assets through the consolidation of West Point Schools is not reported in this fund financial statement but is presented as additions to net position in the statement of net position.	(3,576,525)
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.	8,585,000
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.	(52,507)
The difference between actuarial pension and OPEB amounts and actual amounts are recorded as adjustments in the statement of activities.	(4,444,335)
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>(342,460)</u>
Change in net position of governmental activities	<u><u>\$ 4,245,996</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, 2021

	Food Service Fund	School Age Child Care	Other Enterprise Funds	Total Enterprise Funds
Assets				
<u>Current Assets</u>				
Cash, cash equivalents and investments	\$ 439,346	\$ 441,641	\$ 12,005	\$ 892,992
Accounts receivable			5,156	5,156
Inventory	256,136			256,136
Intergovernmental receivable - Indirect Federal	982,708			982,708
Total Current Assets	1,678,190	441,641	17,161	2,136,992
<u>Noncurrent Assets</u>				
Non-depreciable capital assets	16,790			16,790
Capital assets, net of accumulated depreciation	1,219,349			1,219,349
Total Noncurrent Assets	1,236,139	-	-	1,236,139
Total Assets	2,914,329	441,641	17,161	3,373,131
Deferred Outflows of Resources				
CERS Pension	1,733,326	673,615	16,280	2,423,221
CERS OPEB	1,329,203	272,092	12,485	1,613,780
Total Deferred Outflows of Resources	3,062,529	945,707	28,765	4,037,001
Liabilities				
<u>Current Liabilities</u>				
Accounts payable	24,392	1,035	953	26,380
Total Current Liabilities	24,392	1,035	953	26,380
<u>Noncurrent Liabilities</u>				
Net pension liability - CERS	9,103,332	2,820,333	85,503	12,009,168
Net OPEB liability - CERS	2,865,139	674,437	26,911	3,566,487
Total Noncurrent Liabilities	11,968,471	3,494,770	112,414	15,575,655
Total Liabilities	11,992,863	3,495,805	113,367	15,602,035
Deferred Inflows of Resources				
CERS Pension	172,572	118,656	1,621	292,849
CERS OPEB	555,740	246,126	5,220	807,086
Total Deferred Inflows of Resources	728,312	364,782	6,841	1,099,935
<u>Net Position</u>				
Net investment in capital assets	1,236,139			1,236,139
Unrestricted	(7,980,456)	(2,473,239)	(74,282)	(10,527,977)
Total Net Position	\$ (6,744,317)	\$ (2,473,239)	\$ (74,282)	\$ (9,291,838)

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, 2021

	Food Service Fund	School Age Child Care	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues				
Lunchroom sales	\$ 89,243	\$ -	\$ -	\$ 89,243
Other	2,197			2,197
Tuition and fees		717,596	89,608	807,204
Total Operating Revenues	91,440	717,596	89,608	898,644
Operating Expenses				
Salaries and wages	7,189,162	384,290	57,914	7,631,366
Materials and supplies	2,675,843	13,815	22,023	2,711,681
Depreciation	193,389			193,389
Other operating expenses	182,863	10,826	40,767	234,456
Total Operating Expenses	10,241,257	408,931	120,704	10,770,892
Operating income (loss)	(10,149,817)	308,665	(31,096)	(9,872,248)
Non-Operating Revenues (Expenses)				
Federal grants	6,145,485			6,145,485
Donated commodities	479,908			479,908
State grants	76,495			76,495
State on-behalf payments	1,640,075	114,205	17,392	1,771,672
Interest income	8,723			8,723
Total Non-Operating Revenues (Expenses)	8,350,686	114,205	17,392	8,482,283
Capital contributions	468,095			468,095
Transfers out	(164,384)			(164,384)
Changes in net position	(1,495,420)	422,870	(13,704)	(1,086,254)
Net Position, July 1, 2020	(5,248,897)	(2,896,109)	(60,578)	(8,205,584)
Net Position, June 30, 2021	<u>\$ (6,744,317)</u>	<u>\$ (2,473,239)</u>	<u>\$ (74,282)</u>	<u>\$ (9,291,838)</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, 2021

	Food Service Fund	School Age Child Care	Other Enterprise Funds	Total Enterprise Funds
Cash Flows from Operating Activities				
Cash received from:				
Lunchroom sales	\$ 89,243	\$ -	\$ -	\$ 89,243
Other	2,197			2,197
Tuition and fees		717,596	88,488	806,084
Cash paid to/for:				
Employees	(3,878,628)	(270,085)	(23,738)	(4,172,451)
Supplies	(2,096,951)	(17,464)	(22,594)	(2,137,009)
Other activities	(182,863)	(10,826)	(40,767)	(234,456)
Net Cash Provided (Used) by Operating Activities	(6,067,002)	419,221	1,389	(5,646,392)
Cash flows from Non-Capital Financing Activities				
Federal grants	5,607,731			5,607,731
State grants	76,495			76,495
Transfers from other funds				-
Transfers to other funds	(164,384)			(164,384)
Net Cash Provided by Non-Capital Financing Activities	5,519,842	-	-	5,519,842
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(33,057)	-	-	(33,057)
Net Cash Used by Capital and Related Financing Activities	(33,057)	-	-	(33,057)
Cash Flows from Investing Activities				
Receipt of interest income	8,723			8,723
Net Cash Provided by Investing Activities	8,723	-	-	8,723
Net change in cash and cash equivalents	(571,494)	419,221	1,389	(150,884)
Balances, beginning of year	1,010,840	22,420	10,616	1,043,876
Balances, end of year	\$ 439,346	\$ 441,641	\$ 12,005	\$ 892,992
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (10,149,817)	\$ 308,665	\$ (31,096)	\$ (9,872,248)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	193,389			193,389
Donated commodities	479,908			479,908
State on-behalf payments	1,640,075	114,205	17,392	1,771,672
GASB 68 pension expense	1,351,112		13,541	1,364,653
GASB 75 OPEB expense	319,347		3,243	322,590
Change in assets and liabilities:				
Accounts receivable			(1,120)	(1,120)
Inventory	95,298			95,298
Accounts payable	3,686	(3,649)	(571)	(534)
Net Cash Provided (Used) by Operating Activities	\$ (6,067,002)	\$ 419,221	\$ 1,389	\$ (5,646,392)
Schedule of Non-cash Transactions				
Donated commodities received from federal government	\$ 479,908	\$ -	\$ -	\$ 479,908
State on-behalf payments	\$ 1,640,075	\$ 114,205	\$ 17,392	\$ 1,771,672
CERS Pensions	\$ 1,351,112	\$ -	\$ 13,541	\$ 1,364,653
CERS OPEB	\$ 319,347	\$ -	\$ 3,243	\$ 322,590

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, 2021

	<u>Custodial Fund - Scholarship</u>
Assets	
Cash, cash equivalents and investments	<u>\$ 157,264</u>
Total Assets	<u><u>\$ 157,264</u></u>
Net Position	<u><u>\$ 157,264</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, 2021

	<u>Custodial Fund - Scholarship</u>
Additions	
Net interest and investment gains	\$ 2,285
Other additions	2,293
Deductions	
Expenses paid	<u>(1,300)</u>
Change in net position	3,278
Net Position, beginning of year	<u>153,986</u>
Net Position, end of year	<u><u>\$ 157,264</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, 2021

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, 2021

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 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, 2021

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) The School Activity Fund is a Special Revenue Fund type and 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.
- (E) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (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.
- (F) 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.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- (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. This is a major fund of the District.
- (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.

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

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, 2021

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, 2021

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, 2021, 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, 2021

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, 2021

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 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 January 2017, the GASB issued Statement 84, *Fiduciary Activities*. This statement was effective for periods beginning after December 15, 2019, but was delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements. The district now reports school activity funds as a Special Revenue Fund.

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, but was delayed by one year with the issuance of GASB 95. There was no effect on the financial statements from adopting this standard.

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, 2019, but was delayed by one year with the issuance of GASB 95. There was no effect on the financial statements from adopting this standard.

In January 2020, the GASB Issued Statement 92, *Omnibus 2020*. This statement is effective for periods beginning after June 15, 2020, but was delayed by one year with the issuance of GASB 95 There was no effect on the financial statements from adopting this standard.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In March 2020, the GASB issued Statement 93, *Replacement of Interbank Offered Rates*. This statement is effective, except for paragraphs 11b, 13, and 14 for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021. These dates were delayed by one year with the issuance of GASB 95. There was no effect on the financial statements from adopting this standard.

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued Statement 87, *Leases*. This statement is effective for periods beginning after December 15, 2019, but was delayed by eighteen months with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In May 2019, the GASB issued Statement 91, *Conduit Debt Obligations*. This statement is effective for periods beginning after December 15, 2020, but was delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In March 2020, the GASB issued Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement is effective for periods beginning after June 15, 2022. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In May 2020, the GASB issued Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement was effective upon issuance. For the postponement dates, see individual standard descriptions.

In June 2020, the GASB issued Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The requirements in (1) paragraph 4 of the Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of the Statement are effective immediately. The requirements in paragraphs 6–9 of the Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of the Statement are effective for reporting periods beginning after June 15, 2021. 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, 2021

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, 2021, to finance operations were \$.652 per \$100 valuation for real property, \$.652 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, 2021, \$48,933,705 of the District's bank balance of \$55,522,016 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

Investments

As of June 30, 2021, the District had the following investments and maturities:

Description	Fair Value	Quality/Ratings (1)	Maturity Than 1
Municipal Bonds	2,173,875	AAA	2,173,875
Municipal Bonds	1,106,400	AA+	1,106,400
Municipal Bonds	7,498,913	AA	7,498,913
Municipal Bonds	1,304,243	AA2	1,304,243
Municipal Bonds	745,321	AA3	745,321
Municipal Bonds	102,032	AA-	102,032
Municipal Bonds	1,525,502	A+	1,525,502
Municipal Bonds	2,444,771	A	2,444,771
Municipal Bonds	13,996,256	A-1	13,996,256

(1) Ratings are provided where applicable to indicate associated *Credit Risk*. Ratings are from Standard & Poor's.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

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. **Concentration of Credit Risk.** The District had investments at June 30, 2021 with more than 5% of the total in municipal bonds. The investments represented 100% of total investments. **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 investments are 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 investments are a level 1 input.

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

June 30, 2021

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	\$ 279,338
General	Nonmajor Governmental	Debt Service	375,977
General	Nonmajor Governmental	Athletics	70,000
Special Revenue	Construction	Construction	401,764
Nonmajor Governmental	Nonmajor Governmental	Operations	39,938
Nonmajor Governmental	Nonmajor Governmental	Internal	2,691
Nonmajor Governmental	General	COFT	1,295,201
Nonmajor Governmental	General	BFFT	3,410,817
Nonmajor Governmental	Nonmajor Governmental	Debt Service	12,651,152
Food Service	General	Indirect Costs	164,384
Government-Wide Financial Statements			
From Fund	To Fund	Purpose	Amount
Food Service	General	Indirect Costs	\$ 164,384
Construction	Food Service	Capital Assets	468,095

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

June 30, 2021

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021 was as follows:

Governmental Activities	July 1, 2020	Additions	Deductions	June 30, 2021
Capital Assets Not Being Depreciated:				
Land	\$ 8,701,546	\$ 14,890	\$ -	\$ 8,716,436
Construction in progress	42,907,066	21,953,733	(376,196)	64,484,603
Total Capital Assets Not Being Depreciated	51,608,612	21,968,623	(376,196)	73,201,039
Capital Assets Being Depreciated:				
Land improvements	10,894,142			10,894,142
Buildings and improvements	274,520,468	3,576,990	(16,492)	278,080,966
Technology equipment	6,973,643	6,177	(240,166)	6,739,654
Vehicles	18,946,290	1,057,048	(1,057,802)	18,945,536
General equipment	8,171,980	206,342	(69,647)	8,308,675
Total Capital Assets Being Depreciated at Historical Cost	319,506,523	4,846,557	(1,384,107)	322,968,973
Less Accumulated Depreciation For:				
Land improvements	5,351,880	435,733		5,787,613
Buildings and improvements	93,312,333	6,334,538	(16,492)	99,630,379
Technology equipment	6,769,601	65,301	(236,068)	6,598,834
Vehicles	13,500,154	1,203,492	(1,009,903)	13,693,743
General equipment	6,541,594	283,277	(69,137)	6,755,734
Total accumulated depreciation	125,475,562	8,322,341	(1,331,600)	132,466,303
Total Other Capital Assets, net	194,030,961	(3,475,784)	(52,507)	190,502,670
Governmental Activities				
Capital Assets - Net	\$ 245,639,573	\$ 18,492,839	\$ (428,703)	\$ 263,703,709

Depreciation was charged to governmental functions as follows:

Function	Amount
Instruction	\$ 6,861,146
Student support	61
Instructional staff	75
District administration	38,731
School administration	3,408
Business support	14,373
Plant	261,988
Transportation	1,142,559
	<u>\$ 8,322,341</u>

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

June 30, 2021

NOTE 5 – CAPITAL ASSETS – CONTINUED

Business-Type Activities	July 1, 2020	Additions	Deductions	June 30, 2021
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	200,716			200,716
Technology equipment	1,779			1,779
Vehicles	226,537			226,537
General equipment	3,896,457	501,152	(24,870)	4,372,739
Totals at historical cost	4,339,896	501,152	(24,870)	4,816,178
Less Accumulated Depreciation For:				
Land improvements	14,407			14,407
Buildings and improvements	187,973	1,041		189,014
Technology equipment	1,779			1,779
Vehicles	175,782	23,423		199,205
General equipment	3,048,369	168,925	(24,870)	3,192,424
Total accumulated depreciation	3,428,310	193,389	(24,870)	3,596,829
Total Other Capital Assets, net	911,586	307,763	-	1,219,349
Business-Type Activities				
Capital Assets - Net	\$ 928,376	\$ 307,763	\$ -	\$ 1,236,139

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, 2021

NOTE 7 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2021, is as follows:

Description	July 1, 2020	Additions	Reductions	June 30, 2021	Due Within 1 Year
Governmental Activities:					
Bonds Payable:					
Revenue bonds	\$ 170,540,000	\$ 1,600,000	\$ (8,585,000)	\$ 163,555,000	\$ 8,775,000
Add: Premium	2,026,723		(230,447)	1,796,276	
Less: (Discount)	(1,208,818)		125,397	(1,083,421)	
Total Bonds Payable	171,357,905	1,600,000	(8,690,050)	164,267,855	8,775,000
Other Liabilities:					
Compensated absences	3,448,812	675,290	(639,617)	3,484,485	348,449
Total Other Liabilities	3,448,812	675,290	(639,617)	3,484,485	348,449
Total Governmental Activities Long-Term Liabilities	\$ 174,806,717	\$ 2,275,290	\$ (9,329,667)	\$ 167,752,340	\$ 9,123,449

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, 2021

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%
February 2011	3,750,000	1.00% - 4.85%
May 2011	6,725,000	2.00% - 5.00%
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 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%
West Point 2016	1,425,000	2.00%
December 2017	5,895,000	3.00% - 4.00%
West Point 2018	505,000	3.20%
May 2019	46,180,000	3.00% - 5.00%

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.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

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, 2021, for debt service (principal and interest) are as follows:

Year	Principal	Interest	Participation	Distict's Portion
2022	\$ 8,775,000	\$ 5,382,978	\$ 1,161,670	\$ 12,996,308
2023	9,055,000	5,136,250	1,161,027	13,030,223
2024	9,365,000	4,790,787	1,160,388	12,995,399
2025	9,455,000	4,441,376	904,708	12,991,668
2026	9,695,000	4,126,305	909,068	12,912,237
2027-2031	48,460,000	15,121,383	2,680,880	60,900,503
2032-2036	47,665,000	7,121,111	1,112,851	53,673,260
2037-2039	21,085,000	1,074,828	631,032	21,528,796
	<u>\$ 163,555,000</u>	<u>\$ 47,195,018</u>	<u>\$ 9,721,624</u>	<u>\$ 201,028,394</u>

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, 2021

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, 2021

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, 2021, 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, 2021. 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, 2021, 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 \$284,034,463.

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020, the District's proportion was 2.0041 percent.

For the year ended June 30, 2021, the District recognized pension expense of negative \$31,516,085 and revenue of negative \$31,516,085 (\$20,558,995 in the governmental funds and negative \$52,075,080 in government-wide activities) for support provided by the State. At June 30, 2021, 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, 2020 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, 2021

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, 2019 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 November 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	40%	4.6%
International Equity	22%	5.6%
Fixed Income	15%	0.0%
Other	7%	2.5%
Real Estate	7%	4.3%
Private Equity	7%	7.7%
Cash	2%	-0.5%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at the Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 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:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
System's net pension liability (in thousands)	\$ 18,868,453	\$ 14,835,040	\$ 11,439,108

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

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.

The Board of Trustees adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension liability as of June 30, 2020, was determined using these updated assumptions.

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

Contributions

For the fiscal year ended June 30, 2021, 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, 2021, was 19.30 percent of annual creditable compensation. Contributions to the pension plan from the District were \$3,879,176.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

NOTE 8 – PENSION PLANS – CONTINUED

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

At June 30, 2021, the District reported a liability of \$63,039,970 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the District's proportion was .821912 percent, which was an increase of .014066 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$10,372,408. At June 30, 2021, 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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,572,017	\$ -
Changes in actuarial assumptions	2,461,604	
Difference between projected and actual investment earnings	2,732,571	1,155,075
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,357,788	39,977
Contributions paid to CERS subsequent to the measurement date	3,879,176	
	<u>\$ 12,003,156</u>	<u>\$ 1,195,052</u>

The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$3,879,176 will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. 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
2022	\$ 3,296,657
2023	2,189,159
2024	809,553
2025	633,559
	<u>\$ 6,928,928</u>

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

NOTE 8 – PENSION PLANS – CONTINUED

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30 percent
Salary increases	3.30 percent to 10.30%, varies by service, 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 a Pub-2010 General Mortality Table projected with the ultimate rates from, the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018 and adopted by the Board on April 18, 2019.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	18.75%	4.50%
Non-U.S. Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
	<u>100%</u>	

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous and CERS Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the Comprehensive Annual Financial Report (CAFR).

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

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	\$ 77,742,001	\$ 63,039,970	\$ 50,866,130

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, 2021

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 (3.00%) 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, 2021, the District reported a liability of \$27,038,000 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, 2020, 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, 2020, the District's proportion was 1.929558 percent, which was an increase of .0028796 percent from the liability as measured at June 30, 2019.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

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:

District's proportionate share of the net OPEB liability	\$ 27,038,000
State proportionate share of the net OPEB liability associated with the District	<u>21,659,000</u>
Total	<u>\$ 48,697,000</u>

For the year ended June 30, 2021, the District recognized OPEB expense of \$30,000 and revenue of \$1,515,639 for support provided by the Commonwealth. At June 30, 2021, 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
Differences between expected and actual economic experience	\$ -	\$ 11,527,000
Changes in actuarial assumptions	1,639,000	
Difference between projected and actual investment earnings	880,000	
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,174,000	581,000
Contributions paid to TRS subsequent to the measurement date	1,904,000	
	<u>\$ 5,597,000</u>	<u>\$ 12,108,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,904,000 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, 2022. 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
2022	\$ (1,734,000)
2023	(1,666,000)
2024	(1,679,000)
2025	(1,491,000)
2026	(1,314,000)
Thereafter	<u>(531,000)</u>
	<u>\$ (8,415,000)</u>

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

Actuarial assumptions – The total OPEB liability in the June 30, 2019 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	7.25% for FY 2020 decreasing to an ultimate rate of 5.00% by FY 2029
Ages 65 and Older	5.25% for FY 2020 decreasing to an ultimate rate of 5.00% by FY 2022
Medicare Part B Premiums	6.49% for FY 2020 with an ultimate rate of 5.00% by 2031
Municipal Bond Index Rate	3.50%
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) used in the June 30, 2019 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation. The health care cost trend assumption was updated for the June 30, 2019 valuation and was shown as an assumption change in the TOL roll forward, while the change in initial per capita claims costs were included with experience in the TOL roll forward.

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	58.0%	5.4%
Fixed Income	9.0%	0.0%
Real Estate	6.5%	4.3%
Private Equity	8.5%	7.7%
Other	17.0%	2.5%
Cash (LIBOR)	1.0%	-0.5%
	<u>100.0%</u>	

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

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	\$ 32,679,000	\$ 27,038,000	\$ 22,329,000

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	\$ 21,430,000	\$ 27,038,000	\$ 33,947,000

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 – 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, 2021

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, 2021, 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 \$655,000.

For the year ended June 30, 2021, the District recognized OPEB expense of \$31,709 and revenue of \$31,709 for support provided by the Commonwealth. At June 30, 2021, 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, 2019 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	2.19%
Discount Rate	7.50%
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, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

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

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

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. Equity	40.0%	4.6%
International Equity	23.0%	5.6%
Fixed Income	18.0%	0.0%
Real Estate	6.0%	4.3%
Private Equity	5.0%	7.7%
Other	6.0%	2.3%
Cash (LIBOR)	2.0%	-0.5%
	<u>100%</u>	

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 OPEB 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)	\$ 50,234	\$ 34,712	\$ 21,943

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, 2021

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

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, 2021, 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, 2021, was 4.76 percent of annual creditable compensation. Contributions to the pension plan from the District were \$947,308.

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

At June 30, 2021, the District reported a liability of \$19,840,904 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020, the District's proportion was .821673 percent, which was an increase of .013883 percent from its proportion measured as of June 30, 2019.

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

June 30, 2021

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

For the year ended June 30, 2021, the District recognized OPEB expense of \$2,756,147. At June 30, 2021, 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	\$ 3,314,999	\$ 3,317,587
Changes in actuarial assumptions	3,451,145	20,987
Difference between projected and actual investment earnings	1,064,319	404,854
Changes in proportion and differences between employer contributions and proportionate share of contributions	426,875	105,033
Contributions paid to CERS subsequent to the measurement date	947,308	
	<u>\$ 9,204,646</u>	<u>\$ 3,848,461</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$947,308 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, 2022. 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
2022	\$ 1,156,616
2023	1,351,779
2024	977,758
2025	953,024
2026	(30,300)
	<u>\$ 4,408,877</u>

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

Actuarial assumptions – The total OPEB liability in the June 30, 2020 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	3.30% to 10.30%, varies by service
Inflation rate	2.30%
Real Wage Growth	2.00%
Healthcare Trend Rate:	
Pre-65	Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post-65	Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Municipal Bond Index Rate	3.13%
Discount Rate	5.34%

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018 and adopted by the Board on April 18, 2019.

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

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 CERS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	18.75%	4.50%
Non-U.S. Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
	<u>100%</u>	

Discount Rate

The projection of cash flows used to determine the discount rate of 5.34% 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 2.45%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 30, 2020. 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 5.34%, 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 (4.34%) or 1-percentage-point higher (6.34%) than the current rate:

Description	1% Decrease (4.34%)	Current Discount Rate (5.34%)	1% Increase (6.34%)
District's proportionate share of the net OPEB liability	\$ 25,489,737	\$ 19,840,904	\$ 15,201,330

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

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.

Description	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$15,361,819	\$ 19,840,904	\$ 25,276,380

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, 2021

NOTE 10 – FUND BALANCES

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2021, 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, 2021, the District had \$2,000,000 restricted for sick leave in the General Fund, \$475,308 restricted for grants in the Special Revenue Fund, \$614,494 restricted for school activities in the District Activity Fund, \$1,185,322 restricted for school activities in the Student Activity Fund, \$78,309 restricted for capital projects in the FSPK Fund, \$6,283,375 restricted for capital projects in the Construction Fund and \$287,498 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, 2021: \$115,000 for Map Assessment, \$300,000 for technology, \$516,735 for construction, \$159,000 for textbooks, \$270,000 for nurses, \$885,320 for EC3 equipment and costs, and \$406,490 for student resources.

Assigned fund balances are those 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. There was no amount assigned related to encumbrances at June 30, 2021. 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. There were no other assignments.

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, 2021

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, 2021 in the amounts of \$6,744,317, \$2,473,239 and \$83,526. 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:

<u>Fund</u>	<u>Amount</u>
Construction Fund	\$ 21,260,862
Student Activity Fund	8,165
Debt Service Fund	968
Food Service Fund	1,495,420
Educational Television	14,024

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

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, 2021 were as follows:

Description	Amount
Health	\$ 14,026,111
Life	24,680
Admin	200,316
HRA	1,213,542
TRS Pension	20,558,995
TRS OPEB	1,547,174
Technology	214,387
Debt Service	1,162,308
Less: Federal Reimbursement	<u>(1,005,487)</u>
Total on-behalf	<u><u>\$ 37,942,026</u></u>

Recorded as follows:

General Fund	\$ 35,008,046
Food Service Fund	1,640,075
Daycare Fund	114,205
Educational Television Fund	17,392
Debt Service Fund	<u>1,162,308</u>
	<u><u>\$ 37,942,026</u></u>

NOTE 14 – GOVERNMENT COMBINATION

On July 1, 2020, the Board absorbed West Point Independent School District because the District could no longer operate financially. The District received \$3,576,525 in capital assets and assumed \$1,600,000 in bond debt. This was recorded as a restatement to beginning government-wide net position as a net increase of \$1,976,525.

NOTE 15 – RESTATEMENT

The District adopted GASB 84 during the fiscal year which resulted in the School Activity fiduciary fund being reclassified to a Special Revenue fund (School Activity Fund). The restatement increased fund balance by \$1,193,487.

NOTE 16 – SUBSEQUENT EVENTS

On August 18, 2021, the District issued \$14,620,000 in School Building Refunding Revenue Bonds to be used to refund the August 2013 bonds.

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, 2021

	Original	Final	Actual
Revenues			
From local sources:			
Taxes:			
Property	\$ 27,800,000	\$ 27,800,000	\$ 31,255,249
Motor vehicle	3,500,000	3,500,000	4,341,967
Utilities	5,800,000	5,800,000	6,215,478
Other	10,000	10,000	8,523
Earnings on investments	200,000	200,000	502,126
Other local revenues	316,964	1,351,458	759,608
Intergovernmental - State	55,050,103	51,777,843	86,802,905
Intergovernmental - Indirect Federal	130,000	130,000	183,390
Intergovernmental - Direct Federal	50,000	50,000	84,037
Total Revenues	92,857,067	90,619,301	130,153,283
Expenditures			
Instruction	56,981,898	62,647,187	76,713,151
Support services:			
Student	7,803,363	7,821,099	10,126,535
Instruction staff	5,149,106	5,219,983	6,475,705
District administrative	1,390,599	1,388,472	676,941
School administrative	6,002,082	6,109,552	8,830,837
Business	2,053,117	2,073,421	2,490,045
Plant operation and maintenance	10,706,463	11,702,073	12,192,799
Student transportation	10,241,940	12,074,999	9,733,790
Facilities acquisition and construction	10,000	12,853	26,215
Community service activities	102,519	167,881	87,031
Other	6,235,877	6,493,397	149,821
Total Expenditures	106,676,964	115,710,917	127,502,870
Excess (Deficit) of Revenues over Expenditures	(13,819,897)	(25,091,616)	2,650,413
Other Financing Sources (Uses)			
Insurance proceeds			288,237
Proceeds from disposal of capital assets	10,000	10,000	7,000
Transfers in		164,384	4,870,402
Transfers out	(491,913)	(725,633)	(725,315)
Total Other Financing Sources (Uses)	(481,913)	(551,249)	4,440,324
Net Change in Fund Balance	(14,301,810)	(25,642,865)	7,090,737
Fund Balance, July 1, 2020	14,301,810	25,642,865	26,942,684
Fund Balance, June 30, 2021	\$ -	\$ -	\$ 34,033,421

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 \$35,008,046.

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

Year Ended June 30, 2021

	Original	Final	Actual
Revenues			
Earnings on investments	\$ 337	\$ -	\$ 5,512
Other local revenues	150,725	131,113	189,596
Intergovernmental - State	5,261,112	5,763,426	5,659,970
Intergovernmental - Indirect Federal	7,771,143	24,083,830	17,343,049
Intergovernmental - Direct Federal	318,100	318,100	240,205
Total Revenues	13,501,417	30,296,469	23,438,332
Expenditures			
Instruction	10,033,092	13,613,457	12,088,456
Support services:			
Student	32,094	11,180,027	792,528
Instruction staff	1,475,599	2,272,972	3,094,993
District administrative			829,699
Business			21,592
Plant operation and maintenance	196,184	697,819	1,052,601
Student transportation	525,069	96,501	1,468,942
Community service activities	1,309,696	1,317,993	1,298,010
Other	45,308	1,398,835	2,556,210
Total Expenditures	13,617,042	30,577,604	23,203,031
Excess (Deficit) of Revenues over Expenditures	(115,625)	(281,135)	235,301
Other Financing Sources (Uses)			
Transfers in	115,625	278,992	279,338
Transfers out			(401,764)
Total Other Financing Sources (Uses)	115,625	278,992	(122,426)
Net Change in Fund Balance	-	(2,143)	112,875
Fund Balance, July 1, 2020	-	2,143	362,433
Fund Balance, June 30, 2021	\$ -	\$ -	\$ 475,308

HARDIN COUNTY SCHOOL DISTRICT

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

June 30, 2021

Last 10 Years *

	2021	2020	2019	
Proportion of the net pension liability	0.821912%	0.807846%	0.781286%	
Proportionate share of the net pension liability	\$ 63,039,970	\$ 56,816,171	\$ 47,582,701	
Covered payroll	\$ 21,582,870	\$ 20,193,581	\$ 19,887,726	
Proportionate share of the net pension liability as percentage of covered payroll	292.1%	281.4%	239.3%	
Plan fiduciary net position as a percentage of the total pension liability	47.81%	50.45%	53.54%	
	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 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 seven years are shown.

HARDIN COUNTY SCHOOL DISTRICT

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

June 30, 2021

Last 10 Years *

	2021	2020
Proportion of the net OPEB liability	0.821673%	0.807790%
Proportionate share of the net OPEB liability	\$ 19,840,904	\$ 13,586,664
Covered payroll	\$ 21,582,870	\$ 20,193,581
Proportionate share of the net OPEB liability as percentage of covered payroll	91.93%	67.28%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	60.44%
	2019	2018
Proportion of the net OPEB liability	0.781257%	0.787636%
Proportionate share of the net OPEB liability	\$ 13,871,063	\$ 15,834,178
Covered payroll	\$ 19,887,726	\$ 19,151,273
Proportionate share of the net OPEB liability as percentage of covered payroll	69.75%	82.68%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.39%

* Fiscal year 2018 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 PENSION LIABILITY

June 30, 2021

Last 10 Years *

	2021	2020	2019	
Proportion of the net pension liability	2.004100%	2.006300%	1.994800%	
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	
State proportionate share of the net pension liability associated with the District	284,034,463	273,745,933	261,206,778	
Total	<u>\$ 284,034,463</u>	<u>\$ 273,745,933</u>	<u>\$ 261,206,778</u>	
Covered payroll	\$ 62,699,512	\$ 62,271,800	\$ 61,650,117	
District's proportionate share of the net pension liability as percentage of covered payroll	0.0%	0.0%	0.0%	
Plan fiduciary net position as a percentage of the total pension liability	58.30%	58.80%	59.30%	
	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 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%	35.20%	42.50%	45.59%

* Fiscal year 2015 was the first year of implementation, therefore, only seven 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, 2021

Last 10 Years *

	2021	2020
Proportion of the net OPEB liability	1.929558%	1.926682%
District's proportionate share of the net OPEB liability	\$ 27,038,000	\$31,196,000
State proportionate share of the net OPEB liability associated with the District	21,659,000	25,193,000
Total	\$ 48,697,000	\$56,389,000
Covered payroll	\$ 62,699,512	\$62,271,800
District's proportionate share of the net OPEB liability as percentage of covered payroll	43.12%	50.10%
Plan fiduciary net position as a percentage of the total OPEB liability	39.10%	32.60%
	2019	2018
Proportion of the net OPEB liability	1.910720%	1.919778%
District's proportionate share of the net OPEB liability	\$ 35,609,000	\$37,677,768
State proportionate share of the net OPEB liability associated with the District	30,688,000	30,777,000
Total	\$ 66,297,000	\$68,454,768
Covered payroll	\$ 61,044,933	\$59,138,750
District's proportionate share of the net OPEB liability as percentage of covered payroll	58.33%	63.71%
Plan fiduciary net position as a percentage of the total OPEB liability	25.50%	21.20%

* Fiscal year 2018 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 - LIFE INSURANCE FUND

June 30, 2021

Last 10 Years *

	2021	2020
Proportion of the net OPEB liability	1.886812%	1.883613%
District's proportionate share of the net OPEB liability	\$ -	\$ -
State proportionate share of the net OPEB liability associated with the District	655,000	585,000
Total	\$ 655,000	\$ 585,000
Covered payroll	\$ 62,699,512	\$ 62,271,800
District's proportionate share of the net OPEB liability as percentage of covered payroll	0.0%	0.0%
Plan fiduciary net position as a percentage of the total OPEB liability	71.60%	73.40%
	2019	2018
Proportion of the net OPEB liability	1.867146%	1.876122%
District's proportionate share of the net OPEB liability	\$ -	\$ -
State proportionate share of the net OPEB liability associated with the District	526,000	412,000
Total	\$ 526,000	\$ 412,000
Covered payroll	\$ 61,644,933	\$ 59,138,750
District's proportionate share of the net OPEB liability as percentage of covered payroll	0.0%	0.0%
Plan fiduciary net position as a percentage of the total OPEB liability	75.00%	80.00%

* Fiscal year 2018 was the first year of implementation, therefore, only four years are shown.

HARDIN COUNTY SCHOOL DISTRICT**SCHEDULE OF CONTRIBUTIONS TO CERS PENSION**

June 30, 2021

Last 10 Years *

	2021	2020	2019	
Contractually required contribution (actuarially determined)	\$ 3,879,176	\$ 4,165,494	\$ 3,275,399	
Contribution in relation to the actuarially determined contributions	3,879,176	4,165,494	3,275,399	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	
Covered payroll	\$ 20,099,357	\$ 21,582,870	\$ 20,193,581	
Contributions as a percentage of covered payroll	19.30%	19.30%	16.22%	

	2018	2017	2016	2015
Contractually required 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 payroll	\$ 19,887,726	\$ 19,151,273	\$ 19,069,830	\$ 18,544,808
Contributions as a percentage of covered payroll	14.48%	13.95%	12.42%	12.75%

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

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO TRS PENSION

June 30, 2021

Last 10 Years *

	2021	2020	2019	
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -	
Contribution in relation to the actuarially determined contributions	-	-	-	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	
Covered payroll	\$ 63,455,261	\$ 62,699,512	\$ 62,271,800	
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	
	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 61,650,117	\$ 61,270,021	\$ 60,328,710	\$ 59,612,198
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

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

HARDIN COUNTY SCHOOL DISTRICT**SCHEDULE OF CONTRIBUTIONS TO CERS OPEB**

June 30, 2021

Last 10 Years *

	2021	2020
Contractually required contribution (actuarially determined)	\$ 947,308	\$ 1,027,345
Contribution in relation to the actuarially determined contributions	947,308	1,027,345
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 20,099,357	\$ 21,582,870
Contributions as a percentage of covered payroll	4.76%	4.76%
	2019	2018
Contractually required contribution (actuarially determined)	\$ 1,062,182	\$ 934,723
Contribution in relation to the actuarially determined contributions	1,062,182	934,723
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 20,193,581	\$ 19,887,726
Contributions as a percentage of covered payroll	5.26%	4.70%

* Fiscal year 2018 was the first year of implementation, therefore, only four years are shown.

HARDIN COUNTY SCHOOL DISTRICT**SCHEDULE OF CONTRIBUTIONS TO TRS MEDICAL INSURANCE FUND**

June 30, 2021

Last 10 Years *

	2021	2020
Contractually required contribution (actuarially determined)	\$ 1,904,000	\$ 1,880,985
Contribution in relation to the actuarially determined contributions	1,904,000	1,880,985
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 63,455,261	\$ 62,699,512
Contributions as a percentage of covered payroll	3.00%	3.00%

	2019	2018
Contractually required contribution (actuarially determined)	\$ 1,868,154	\$ 1,849,348
Contribution in relation to the actuarially determined contributions	1,868,154	1,849,348
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 62,271,800	\$ 61,644,933
Contributions as a percentage of covered payroll	3.00%	3.00%

* Fiscal year 2018 was the first year of implementation, therefore, only four years are shown.

HARDIN COUNTY SCHOOL DISTRICT**SCHEDULE OF CONTRIBUTIONS TO TRS - LIFE INSURANCE FUND**

June 30, 2021

Last 10 Years *

	2021	2020
Contractually required contribution (actuarially determined)	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 63,455,261	\$ 62,699,512
Contributions as a percentage of covered payroll	0.00%	0.00%
	2019	2018
Contractually required contribution (actuarially determined)	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 62,271,800	\$ 61,644,933
Contributions as a percentage of covered payroll	0.00%	0.00%

* Fiscal year 2018 was the first year of implementation, therefore, only four years are shown.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2021

CERS PENSION

Changes of benefit terms. There were no changes in benefit terms for 2015 through 2021.

Changes of assumptions (as of June 30 of the year measurement date):

2014 – 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.

2015 and 2016 – No changes.

2017 – 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%.

2018 – No changes.

2019 – Salary rates were increased from 3.05% average to 3.30 percent to 10.30%, varies by service. Annual rates of retirement, disability, withdrawal and mortality were updated based on the 2018 experience study and the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members.

2020 – No changes.

CERS OPEB

Changes of benefit terms. There were no changes in benefit terms for 2018 to 2020.

Changes of assumptions (as of June 30 of the year measurement date):

2017 – 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%.

2018 – No changes

2019 – The discount rate was changed from 5.85% to 5.68%. Annual salary increases and annual rates of retirement, disability, withdrawal and mortality were updated based on the 2018 experience study and the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members.

2020 – The discount rate was changed from 5.68 to 5.34%.

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2021

TRS PENSION

Changes of benefit terms. There were no changes in benefit terms for 2015 through 2021.

Changes of assumptions (as of June 30 of the year measurement date):

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

2015 – The calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%. In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.

2016 – The Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

2017 – The calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%.

2018 – The calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

2019 and 2020 – No changes

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 – No changes

2019, 2020 and 2021 – No changes for MIF or LIF

Changes of assumptions (as of June 30 of the year measurement date):

2017 – No changes for MIF or LIF

2018 – MIF updated the health care trend rates. No changes for the LIF

2019 – No changes for MIF or LIF

2020 – MIF updated the health care trend rates. No changes for the LIF

SUPPLEMENTARY INFORMATION

HARDIN COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2021

	District Activity Fund	Student Activity Fund	Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Assets:						
Cash, cash equivalents and investments	\$ 640,898	\$ 1,185,322	\$ -	\$ 78,309	\$ 287,498	\$ 2,192,027
Total Assets	<u>\$ 640,898</u>	<u>\$ 1,185,322</u>	<u>\$ -</u>	<u>\$ 78,309</u>	<u>\$ 287,498</u>	<u>\$ 2,192,027</u>
Liabilities and Fund Balances:						
Liabilities						
Accounts payable	\$ 26,404	\$ -	\$ -	\$ -	\$ -	\$ 26,404
Total Liabilities	26,404	-	-	-	-	26,404
Fund Balances						
Restricted	614,494	1,185,322		78,309	287,498	2,165,623
Total Fund Balances	614,494	1,185,322	-	78,309	287,498	2,165,623
Total Liabilities and Fund Balances	<u>\$ 640,898</u>	<u>\$ 1,185,322</u>	<u>\$ -</u>	<u>\$ 78,309</u>	<u>\$ 287,498</u>	<u>\$ 2,192,027</u>

HARDIN COUNTY SCHOOL DISTRICT

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

Year Ended June 30, 2021

	District Activity Fund	Student Activity Fund	Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues						
From local sources:						
Taxes:						
Property	\$ -	\$ -	\$ -	\$ 10,853,625	\$ -	\$ 10,853,625
Earnings on investments				1,518	1,862	3,380
Other local revenue	310,310	1,271,551				1,581,861
Intergovernmental - State			1,295,201	5,206,826	1,162,308	7,664,335
Total Revenues	310,310	1,271,551	1,295,201	16,061,969	1,164,170	20,103,201
Expenditures						
Instruction	352,555	859,564				1,212,119
Support services:						
Student	63	16,546				16,609
Instruction staff	17,381	4,119				21,500
Plant operation and maintenance	21,117					21,117
Student transportation	2,569	1,095				3,664
Other		358,454				358,454
Debt service:						
Principal					8,585,000	8,585,000
Interest					5,607,267	5,607,267
Total Expenditures	393,685	1,239,778	-	-	14,192,267	15,825,730
Excess (Deficit) of Revenues over Expenditures	(83,375)	31,773	1,295,201	16,061,969	(13,028,097)	4,277,471
Other Financing Sources (Uses)						
Transfers in	109,938	2,691			13,027,129	13,139,758
Transfers out		(42,629)	(1,295,201)	(16,061,969)		(17,399,799)
Total Other Financing Sources (Uses)	109,938	(39,938)	(1,295,201)	(16,061,969)	13,027,129	(4,260,041)
Net Change in Fund Balances	26,563	(8,165)	-	-	(968)	17,430
Fund balance, July 1, 2020	587,931		-	78,309	288,466	954,706
Restatement		1,193,487				1,193,487
Fund Balance, July 1, 2020, as restated	587,931	1,193,487	-	78,309	288,466	2,148,193
Fund balance, June 30, 2021	\$ 614,494	\$ 1,185,322	\$ -	\$ 78,309	\$ 287,498	\$ 2,165,623

HARDIN COUNTY SCHOOL DISTRICT

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

June 30, 2021

	Early College and Career Center	Educational Television	Total Nonmajor Enterprise Funds
Assets			
<u>Current Assets</u>			
Cash, cash equivalents and investments	\$ 8,620	\$ 3,385	\$ 12,005
Accounts receivable	864	4,292	5,156
Total Current Assets	9,484	7,677	17,161
Deferred Outflows of Resources			
CERS Pension		16,280	16,280
CERS OPEB		12,485	12,485
Total Deferred Outflows of Resources	-	28,765	28,765
Liabilities			
<u>Current Liabilities</u>			
Accounts payable	240	713	953
Total Current Liabilities	240	713	953
<u>Noncurrent Liabilities</u>			
Net pension liability - CERS		85,503	85,503
Net OPEB liability - CERS		26,911	26,911
Total Noncurrent Liabilities	-	112,414	112,414
Total Liabilities	240	113,127	113,367
Deferred Inflows of Resources			
CERS Pension		1,621	1,621
CERS OPEB		5,220	5,220
Total Deferred Inflows of Resources	-	6,841	6,841
<u>Net Position</u>			
Unrestricted	9,244	(83,526)	(74,282)
Total Net Position	\$ 9,244	\$ (83,526)	\$ (74,282)

HARDIN COUNTY SCHOOL DISTRICT**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
NONMAJOR ENTERPRISE FUNDS - PROPRIETARY FUNDS**

Year Ended June 30, 2021

	Early College and Career Center	Educational Television	Total Nonmajor Enterprise Funds
Operating Revenues			
Tuition and fees	\$ 11,678	\$ 77,930	\$ 89,608
Total Operating Revenues	11,678	77,930	89,608
Operating Expenses			
Salaries and wages		57,914	57,914
Materials and supplies	10,903	11,120	22,023
Other operating expenses	455	40,312	40,767
Total Operating Expenses	11,358	109,346	120,704
Operating income (loss)	320	(31,416)	(31,096)
Non-Operating Revenues (Expenses)			
State on-behalf payments		17,392	17,392
Total Non-Operating Revenues (Expenses)	-	17,392	17,392
Change in net position	320	(14,024)	(13,704)
Net Position, July 1, 2020	8,924	(69,502)	(60,578)
Net Position, June 30, 2021	\$ 9,244	\$ (83,526)	\$ (74,282)

HARDIN COUNTY SCHOOL DISTRICT

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

Year Ended June 30, 2021

	Early College and Career Center	Educational Television	Total Other Enterprise Funds
Cash Flows from Operating Activities			
Cash received from:			
Tuition and fees	\$ 11,394	\$ 77,094	\$ 88,488
Cash paid to/for:			
Employees	-	(23,738)	(23,738)
Supplies	(10,963)	(11,631)	(22,594)
Other activities	(455)	(40,312)	(40,767)
Net Cash Provided (Used) by Operating Activities	<u>(24)</u>	<u>1,413</u>	<u>1,389</u>
Net change in cash and cash equivalents	(24)	1,413	1,389
Balances, beginning of year	<u>8,644</u>	<u>1,972</u>	<u>10,616</u>
Balances, end of year	<u><u>\$ 8,620</u></u>	<u><u>\$ 3,385</u></u>	<u><u>\$ 12,005</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 320	\$ (31,416)	\$ (31,096)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
State on-behalf payments		17,392	17,392
GASB 68 pension expense		13,541	13,541
GASB 75 OPEB expense		3,243	3,243
Change in assets and liabilities:			
Accounts receivable	(284)	(836)	(1,120)
Accounts payable	(60)	(511)	(571)
Net cash provided (used) by operating activities	<u><u>\$ (24)</u></u>	<u><u>\$ 1,413</u></u>	<u><u>\$ 1,389</u></u>
Schedule of non-cash transactions:			
State on-behalf payments	<u>\$ -</u>	<u>\$ 17,392</u>	<u>\$ 17,392</u>
CERS Pensions	<u>\$ -</u>	<u>\$ 13,541</u>	<u>\$ 13,541</u>
CERS OPEB	<u><u>\$ -</u></u>	<u><u>\$ 3,243</u></u>	<u><u>\$ 3,243</u></u>

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

AGENCY FUNDS

June 30, 2021

SCHOOL	CASH BALANCES July 1, 2020	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2021	RECEIVABLES June 30, 2021	ACCOUNTS PAYABLE June 30, 2021	DUE TO STUDENT GROUPS June 30, 2021
Bluegrass Middle School	\$ 18,888	\$ 49,320	\$ 49,095	\$ 19,113	\$ -	\$ -	\$ 19,113
Cecilia Valley Elementary	26,339	1,928	3,230	25,037	-	-	25,037
Central Hardin High	216,007	268,936	279,648	205,295	-	-	205,295
College View	2,291	1	662	1,630	-	-	1,630
Creeside Elementary	19,592	9,841	16,279	13,154	-	-	13,154
Early College and Career Center	5,411	201	365	5,247	-	-	5,247
East Hardin Middle	111,608	63,951	81,698	93,861	-	-	93,861
G.C. Burkhead Elementary	32,859	7,064	8,532	31,391	-	-	31,391
Heartland Elementary	23,087	3,711	4,363	22,435	-	-	22,435
J.T. Alton Middle	83,430	64,641	77,786	70,285	-	-	70,285
John Hardin High	164,810	137,456	139,546	162,720	-	-	162,720
Lakewood Elementary	5,733	14	150	5,597	-	-	5,597
Lincoln Trail Elementary	31,563	4,033	6,626	28,970	-	-	28,970
Meadowview Elementary	11,545	4,652	6,371	9,826	-	-	9,826
New Highland Elementary	17,005	1,172	5,252	12,925	-	-	12,925
North Hardin High	282,747	652,490	590,856	344,381	-	-	344,381
North Middle	26,100	15,831	22,657	19,274	-	-	19,274
North Park Elementary	9,189	144	1,010	8,323	-	-	8,323
Radcliff Elementary	24,359	1,353	1,644	24,068	-	-	24,068
Rineyville Elementary	10,161	9,291	12,976	6,476	-	-	6,476
Vine Grove Elementary	25,470	5,223	4,168	26,525	-	-	26,525
West Hardin Middle	36,292	17,543	14,054	39,781	-	-	39,781
Woodland Elementary	9,001	274	268	9,007	-	-	9,007
Sub Total	\$ 1,193,487	\$ 1,319,070	\$ 1,327,236	\$ 1,185,321	\$ -	\$ -	\$ 1,185,321
Transfers to other funds	-	(47,519)	(47,519)	-	-	-	-
Interfund Transfers	-	-	-	-	-	-	-
	<u>\$ 1,193,487</u>	<u>\$ 1,271,551</u>	<u>\$ 1,279,717</u>	<u>\$ 1,185,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,185,321</u>

HARDIN COUNTY SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
CENTRAL HARDIN HIGH SCHOOL
YEAR ENDED JUNE 30, 2021

NAME OF ACTIVITY	CASH BALANCES July 1, 2020	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2021	RECEIVABLES AND DUE FROM OTHER FUNDS June 30, 2021	ACCOUNTS PAYABLE AND DUE TO OTHER FUNDS June 30, 2021	DUE TO STUDENT GROUPS June 30, 2021
Academic Team	\$ 1,441	\$ 518	\$ 1,959	\$ -	\$ -	\$ -	\$ -
Agriculture Department	40	1,167	1,167	40	-	-	40
Archery	5,294	-	2,586	2,708	-	-	2,708
Art Club	7	-	-	7	-	-	7
Art Department	52	-	-	52	-	-	52
Arts & Humanities	273	-	-	273	-	-	273
Athletic Concession	-	9,112	9,102	10	-	-	10
Athletics	28,967	13,524	23,456	19,035	-	-	19,035
Band	-	900	675	225	-	-	225
Baseball	2,374	4,551	4,316	2,609	-	-	2,609
Basketball-Boys	2,968	38,450	38,079	3,339	-	-	3,339
Basketball-Girls	-	12,970	12,858	112	-	-	112
Bass Fishing	353	-	-	353	-	-	353
BETA Club	3,035	9,993	10,804	2,224	-	-	2,224
Bowling	-	2,268	2,268	-	-	-	-
Business Department	4,362	-	-	4,362	-	-	4,362
Charitable Causes	-	-	-	-	-	-	-
Cheerleading	2,444	14,677	11,707	5,414	-	-	5,414
Choir	822	500	125	1,197	-	-	1,197
Cross Country	9,032	13,309	13,558	8,783	-	-	8,783
Dance Club	275	1,325	-	1,600	-	-	1,600
Drama Club	2,767	683	1,488	1,962	-	-	1,962
Earth Club	285	2	-	287	-	-	287
Educators Rising	19	-	-	19	-	-	19
English Department	1,181	5	-	1,186	-	-	1,186
Faculty Flower Fund	56	318	294	80	-	-	80
Faculty Fund	2,191	1,660	1,100	2,751	-	-	2,751
FBLA	176	20	-	196	-	-	196
FCA	233	-	-	233	-	-	233
FCCLA	300	560	196	664	-	-	664
FCS	148	-	-	148	-	-	148
FFA	4,480	9,683	13,351	812	-	-	812
FMD	194	-	-	194	-	-	194
Football	11,481	16,752	23,546	4,687	-	-	4,687
Foreign Language Dept.	432	-	432	-	-	-	-
French Club	188	-	-	188	-	-	188
Friends of Rachel	2,604	-	-	2,604	-	-	2,604
Fund 22 Sweep	-	12,296	12,296	-	-	-	-
Game Club	151	-	-	151	-	-	151
General Student Fund	83,932	14,141	-	98,073	-	-	98,073
German Club	471	-	133	338	-	-	338
German Honor Society	-	-	-	-	-	-	-
Golf	1,154	1,919	1,329	1,744	-	-	1,744
Grade 10	-	-	-	-	-	-	-
Grade 11	-	-	-	-	-	-	-
Grade 12	-	10,918	10,918	-	-	-	-
Grade 9	-	-	-	-	-	-	-
Guidance	-	15,551	15,551	-	-	-	-
H O S A	10	-	-	10	-	-	10
International Club	110	-	110	-	-	-	-
Journalism	404	2,956	1,335	2,025	-	-	2,025
JROTC	6,650	7,237	3,697	10,190	-	-	10,190
Library/Media Center	-	390	390	-	-	-	-
Math Department	6	-	6	-	-	-	-
Photography Club	5	-	5	-	-	-	-
Project Graduation	-	6,239	5,769	470	-	-	470
Scholarship Fund	7	2,896	2,900	3	-	-	3
Science Department	983	-	12	971	-	-	971
Science Honor Society	379	-	-	379	-	-	379

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

CENTRAL HARDIN HIGH SCHOOL-CONCLUDED

YEAR ENDED JUNE 30, 2021

NAME OF ACTIVITY	CASH BALANCES July 1, 2020	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2021	ACCOUNTS RECEIVABLE AND DUE FROM OTHER FUNDS June 30, 2021	ACCOUNTS PAYABLE AND DUE TO OTHER FUNDS June 30, 2021	DUE TO STUDENT GROUPS June 30, 2021
Soccer-Boys	-	5,437	5,437	-	-	-	-
Soccer-Girls	4,181	3,057	7,238	-	-	-	-
Social Studies Dept.	1,472	-	-	1,472	-	-	1,472
Softball	432	6,574	4,564	2,442	-	-	2,442
Spanish Honor Society	-	-	-	-	-	-	-
Spanish Club	385	-	-	385	-	-	385
Speech	151	-	150	1	-	-	1
Startup	-	2,000	2,000	-	-	-	-
Student Council	2,342	3,077	1,622	3,797	-	-	3,797
Swim Team	1,651	422	341	1,732	-	-	1,732
Teenage Republicans	26	1	-	27	-	-	27
Tennis	3,508	2,987	3,647	2,848	-	-	2,848
Track	3,868	5,541	8,234	1,175	-	-	1,175
Tri-M Music Honor Society	10	-	-	10	-	-	10
TSA Club	1,555	429	-	1,984	-	-	1,984
Varsity Club	905	1	-	906	-	-	906
Volleyball	245	9,013	8,982	276	-	-	276
Wrestling	879	4,514	2,920	2,473	-	-	2,473
Y Club	761	-	1	760	-	-	760
Yearbooks	10,000	10,625	19,286	1,339	-	-	1,339
Yoga Club	317	-	-	317	-	-	317
Young Democrats	61	210	173	98	-	-	98
Charitable Gaming	522	12,640	12,617	545	-	-	545
Sub Total	216,007	294,018	304,730	205,295	-	-	205,295
Interfund Transfers	-	(25,082)	(25,082)	-	-	-	-
TOTAL	\$ 216,007	\$ 268,936	\$ 279,648	\$ 205,295	\$ -	\$ -	\$ 205,295

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

JOHN HARDIN HIGH SCHOOL

YEAR ENDED JUNE 30, 2021

NAME OF ACTIVITY	CASH BALANCES July 1, 2020	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2021	RECEIVABLES AND DUE FROM OTHER FUNDS June 30, 2021	ACCOUNTS PAYABLE AND DUE TO OTHER FUNDS June 30, 2021	DUE TO STUDENT GROUPS June 30, 2021
Academic Team	\$ 472	\$ -	\$ -	\$ 472	\$ -	\$ -	\$ 472
Agriculture Department	393	-	-	393	-	-	393
Archery	35,196	1,725	5,217	31,704	-	-	31,704
Art Department	535	-	-	535	-	-	535
Athletic Concession	-	4,480	2,162	2,318	-	-	2,318
Athletics	2,620	2,172	1,091	3,701	-	-	3,701
AP Exams	-	4,057	4,057	-	-	-	-
Band	-	828	588	240	-	-	240
Baseball	1,422	3,283	2,416	2,289	-	-	2,289
Basketball - Boys	9,955	17,359	15,236	12,078	-	-	12,078
Basketball - Girls	594	8,871	6,895	2,570	-	-	2,570
Beta	1,958	5,375	5,030	2,303	-	-	2,303
Bowling	3,051	118	1,295	1,874	-	-	1,874
Charitable Causes	1,150	-	1,150	-	-	-	-
Cheerleading	-	1,727	1,185	542	-	-	542
Choral	489	-	-	489	-	-	489
Cross Country	10,189	-	4,659	5,530	-	-	5,530
Deca	323	55	376	2	-	-	2
Drama Club	21	-	-	21	-	-	21
English Department	286	-	-	286	-	-	286
Euro Trip	157	-	-	157	-	-	157
School Building Rental	1,339	-	1,339	-	-	-	-
Faculty Flower Fund	268	100	75	293	-	-	293
Faculty Fund	161	750	216	695	-	-	695
FCA	123	-	123	-	-	-	-
FCCLA	789	1,840	330	2,299	-	-	2,299
FCS	1,048	-	-	1,048	-	-	1,048
FFA	8,138	3,835	4,334	7,639	-	-	7,639
Football	6,415	10,877	17,046	246	-	-	246
Foreign Language Dept.	108	-	-	108	-	-	108
Fund 22 Sweep	-	765	765	-	-	-	-
General Student Fund	2,553	3,738	589	5,702	-	-	5,702
Golf	2,368	-	-	2,368	-	-	2,368
Grade 9	89	1,150	942	297	-	-	297
Grade 10	158	260	307	111	-	-	111
Grade 11	5,239	6,121	8,476	2,884	-	-	2,884
Grade 12	510	9,110	8,583	1,037	-	-	1,037
Guidance	-	2,235	2,235	-	-	-	-
Journalism	135	-	-	135	-	-	135
JROTC	16,143	-	2,115	14,028	-	-	14,028
Kat & Jacob Scholarship	426	-	-	426	-	-	426
Library/Media Center	3,760	-	55	3,705	-	-	3,705
McCurry Classic	8,712	410	350	8,772	-	-	8,772
Musicals	2,659	255	-	2,914	-	-	2,914
Pep Club	365	-	-	365	-	-	365
Project Graduation	31	7,050	6,794	287	-	-	287
SADD Club	505	500	-	1,005	-	-	1,005
Science Department	3,112	-	-	3,112	-	-	3,112
Soccer - Boys	865	1,223	2,014	74	-	-	74
Soccer - Girls	189	5,276	5,215	250	-	-	250
Social Studies Dept.	-	-	-	-	-	-	-
Softball	984	21,566	17,413	5,137	-	-	5,137
Special Education Dept.	1,804	285	-	2,089	-	-	2,089
Student Council	396	-	136	260	-	-	260
Swimming - CHHS	90	670	644	116	-	-	116
Swimming - JHHS	1,903	60	73	1,890	-	-	1,890
Swimming - NHHS	1,289	137	168	1,258	-	-	1,258
Tennis	715	205	694	226	-	-	226
Track	8,463	3,200	2,530	9,133	-	-	9,133

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

JOHN HARDIN HIGH SCHOOL-CONCLUDED

YEAR ENDED JUNE 30, 2021

NAME OF ACTIVITY	CASH BALANCES July 1, 2020	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2021	RECEIVABLES AND DUE FROM OTHER FUNDS June 30, 2021	ACCOUNTS PAYABLE AND DUE TO OTHER FUNDS June 30, 2021	DUE TO STUDENT GROUPS June 30, 2021
TSA Club	485	-	-	485	-	-	485
Volleyball	4,468	12,896	13,089	4,275	-	-	4,275
Winter Guard	-	-	-	-	-	-	-
Wrestling	-	2,867	2,835	32	-	-	32
Y Club	377	-	-	377	-	-	377
Yearbooks	8,817	1,321	-	10,138	-	-	10,138
Sub Total	164,810	148,752	150,842	162,720	-	-	162,720
Interfund Transfers	-	(11,296)	(11,296)	-	-	-	-
TOTAL	<u>\$ 164,810</u>	<u>\$ 137,456</u>	<u>\$ 139,546</u>	<u>\$ 162,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,720</u>

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

YEAR ENDED JUNE 30, 2021

NAME OF ACTIVITY	CASH	RECEIPTS	DISBURSE- MENTS	CASH	RECEIVABLES AND DUE FROM OTHER FUNDS	ACCOUNTS	DUE TO STUDENT GROUPS
	BALANCES July 1, 2020			BALANCES June 30, 2021		PAYABLE AND DUE TO OTHER FUNDS	
	July 1, 2020			June 30, 2021	June 30, 2021	June 30, 2021	June 30, 2021
General Student Fund	\$ 6,247	\$ 5,375	\$ 9,289	\$ 2,333	\$ -	\$ -	\$ 2,333
Athletic Contingency	599	22,366	22,366	599	-	-	599
Athletic Uniforms	22,798	27,601	23,638	26,761	-	-	26,761
Athletics	12,053	10,257	7,765	14,545	-	-	14,545
Archery	921	1,600	70	2,451	-	-	2,451
Bowling	344	1,669	181	1,832	-	-	1,832
Baseball	1,255	15,114	11,009	5,360	-	-	5,360
Boys Basketball	11,837	19,531	21,769	9,599	-	-	9,599
Girls Basketball	3,755	11,278	6,369	8,664	-	-	8,664
Cheerleading	27	14,490	8,319	6,198	-	-	6,198
Cross Country/Boys	13,573	2,200	3,675	12,098	-	-	12,098
Cross Country/Girls	5,201	1,600	1,179	5,622	-	-	5,622
Dance Team	2,044	6,133	626	7,551	-	-	7,551
Football	17,239	25,681	37,152	5,768	-	-	5,768
Golf-Boys	293	1,450	1,070	673	-	-	673
Golf-Girls	558	2,397	2,955	-	-	-	-
Soccer/Boys	10,419	14,965	12,571	12,813	-	-	12,813
Soccer/Girls	2,258	14,497	10,319	6,436	-	-	6,436
Softball	-	12,781	5,494	7,287	-	-	7,287
Swimming	2,251	1,600	204	3,647	-	-	3,647
Tennis	2,364	3,595	2,182	3,777	-	-	3,777
Track/Boys	5,219	3,722	2,662	6,279	-	-	6,279
Track/Girls	3,869	4,747	6,355	2,261	-	-	2,261
Volleyball	4,905	6,204	3,647	7,462	-	-	7,462
Wrestling	1,412	5,401	4,453	2,360	-	-	2,360
Academic Team	2,343	800	90	3,053	-	-	3,053
Band	4,034	16,000	10,288	9,746	-	-	9,746
Agriculture Department	4,620	4,456	1,832	7,244	-	-	7,244
Art Department	32	-	-	32	-	-	32
Business Education Dept.	189	-	-	189	-	-	189
Choral	2,515	9,740	1,736	10,519	-	-	10,519
Guidance	3,364	828	620	3,572	-	-	3,572
English Department	720	-	-	720	-	-	720
FCS	284	65	-	349	-	-	349
Foreign Language Department	33	-	8	25	-	-	25
Special Education Dept.	524	30	73	481	-	-	481
Grade 9	1,365	800	190	1,975	-	-	1,975
Grade 10	1,723	800	190	2,333	-	-	2,333
Grade 11	2,934	800	412	3,322	-	-	3,322
Grade 12	4,397	3,926	6,535	1,788	-	-	1,788
Journalism	35	-	-	35	-	-	35
JROTC	7,249	6,507	857	12,899	-	-	12,899
Library/Media Center	414	4	-	418	-	-	418
Math Department	4,377	75	75	4,377	-	-	4,377
P E Dept	1	-	-	1	-	-	1
Science Department	837	-	1	836	-	-	836
Social Studies Dept.	-	-	-	-	-	-	-
Speech/Debate	150	-	-	150	-	-	150
Yearbook	10,596	2,472	1,682	11,386	-	-	11,386
Student Support Services	3,387	1,600	35	4,952	-	-	4,952
Art Club	674	400	-	1,074	-	-	1,074
Beta Club	2,324	11,166	11,611	1,879	-	-	1,879
DECA	2,133	2,262	2,004	2,391	-	-	2,391
Drama Club	1,763	509	260	2,012	-	-	2,012
FBLA	2,177	801	-	2,978	-	-	2,978
FCA	336	-	-	336	-	-	336
FCCLA	3,884	3,000	1,939	4,945	-	-	4,945
FFA	6,957	2,835	582	9,210	-	-	9,210
Gaming Club	474	-	-	474	-	-	474

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

NORTH HARDIN HIGH SCHOOL-CONCLUDED

YEAR ENDED JUNE 30, 2021

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, 2020			June 30, 2021	June 30, 2021	June 30, 2021	June 30, 2021
German Club	1,017	400	225	1,192	-	-	1,192
Rachel's Challenge	1,021	900	8	1,913	-	-	1,913
Japanese Club	-	325	-	325	-	-	325
Pep Club	3,017	1,610	945	3,682	-	-	3,682
Spanish Club	725	400	225	900	-	-	900
Photography Club	1,904	400	-	2,304	-	-	2,304
Student Council	1,535	1,600	431	2,704	-	-	2,704
PBIS Club	3,334	1,274	1,908	2,700	-	-	2,700
Science Club	1,374	400	-	1,774	-	-	1,774
TSA Club	46	-	-	46	-	-	46
STLP	2,163	1,600	-	3,763	-	-	3,763
Represent Us	60	-	-	60	-	-	60
Y Club	1,524	3,033	1,342	3,215	-	-	3,215
Charitable Causes	-	-	-	-	-	-	-
JROTC Can Food Drive	2,874	25	1,651	1,248	-	-	1,248
Postage	2,288	-	-	2,288	-	-	2,288
Project Graduation	2,470	3,650	2,214	3,906	-	-	3,906
Cameron Irwin Scholars	1,122	-	-	1,122	-	-	1,122
Will Yates Scholarship	-	1,000	1,000	-	-	-	-
National Guards	693	-	-	693	-	-	693
Textbooks	2,206	-	-	2,206	-	-	2,206
Faculty Fund	1,517	3,650	3,976	1,191	-	-	1,191
Faculty Flower Fund	589	440	590	439	-	-	439
Climate Committee	5,006	-	3,359	1,647	-	-	1,647
Trojan Stitchary	925	235	37	1,123	-	-	1,123
Poster Maker	-	20	-	20	-	-	20
Startup	-	1,000	1,000	-	-	-	-
Fund 22	-	10,735	10,735	-	-	-	-
NHHS Bingo	37,051	313,663	314,871	35,843	-	-	35,843
Sub Total	282,747	652,490	590,856	344,381	-	-	344,381
Interfund Transfers	-	-	-	-	-	-	-
TOTAL	\$ 282,747	\$ 652,490	\$ 590,856	\$ 344,381	\$ -	\$ -	\$ 344,381

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>PROVIDED TO SUBRECIPIENTS</u>	<u>TOTAL 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	7750002-20		\$ 174,219
		7750002-21		23,466
School Breakfast Program	10.553	7760005-20		91,858
Summer Food Service Program for Children	10.559	7690024-20		109,450
		7690024-21		382,067
		7740023-20		615,915
		7740023-21		4,698,981
Non-Cash Assistance (Commodities)				
National School Lunch Program	10.555	057502-02		479,908
TOTAL CHILD NUTRITION CLUSTER				6,575,864
Passed Through State Department of Education				
Fresh Fruits and Vgtables Program	10.582	7720012-21		47,309
Child and Adult Care Food Program	10.558	7790021-20		1,987
		7790021-21		21,421
		7800016-20		139
		7800016-21		1,105
				24,652
State Administrative Expenses for Child Nutrition	10.560	7700001-20		13,503
TOTAL U.S. DEPT. OF AGRICULTURE				6,661,328
<u>U.S. DEPARTMENT OF DEFENSE</u>				
U. S. Army JROTC	12.000	Direct		240,205
				240,205
TOTAL U.S. DEPARTMENT OF DEFENSE				240,205
<u>U.S. DEPARTMENT OF TREASURY</u>				
Passed Through State Department of Education:				
COVID-19 - Coronavirus Relief Fund	21.019	CARES		3,194,765
TOTAL U.S. DEPT. OF TREASURY				3,194,765
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed Through State Department of Education				
Special Education Cluster (IDEA) -				
Special Education - Grants to States	84.027	3810002-19		352,957
		3810002-20		2,732,941
				3,085,898
Special Education - Preschool Grants	84.173	3800002-18		57,033
		3800002-19		87,273
				144,306
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				3,230,204

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>PROVIDED TO SUBRECIPIENTS</u>	<u>TOTAL FEDERAL EXPENDITURES</u>
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>				
Impact Aid	84.041	Direct		<u>84,037</u>
Passed Through Kentucky Council on Postsecondary Education Adult Education - State Grant Program	84.002	KCPSE-20 KCPSE-21		<u>129</u> <u>235,803</u> <u>235,932</u>
Passed Through State Department of Education Title I Grants to Local Educational Agencies	84.010	3100002-18 3100002-19 3100002-20 3100102-19 3100102-20 3100202-17 3100202-20		<u>49,619</u> <u>471,003</u> <u>3,313,234</u> <u>2,611</u> <u>21,483</u> <u>50,102</u> <u>97,144</u> <u>4,005,196</u>
Migrant Education - State Grant Program	84.011	3100002-19 3100002-20		<u>10,467</u> <u>26,346</u> <u>36,813</u>
Career and Technical Education - Basic Grants to States	84.048	3710002-18 3710002-19 3710002-20		<u>5,138</u> <u>4,779</u> <u>148,354</u> <u>158,271</u>
Twenty-First Century Community Learning Centers	84.287	3400002-18 3400002-19		<u>47,716</u> <u>148,650</u> <u>196,366</u>
English Language Acquisition Grants	84.365	3300002-19 3300002-20		<u>14,628</u> <u>15,745</u> <u>30,373</u>
Supporting Effective Instrution - State Grants	84.367	3230002-18 3230002-19 3230002-20		<u>32,425</u> <u>211,387</u> <u>21,689</u> <u>265,501</u>
Student Support and Academic Enrichment Program	84.424	3420002-18 3420002-19 3420002-20		<u>52,782</u> <u>126,004</u> <u>138,568</u> <u>317,354</u>
Covid-19 Elementary and Secondary School Emergency Relief Fun	84.425D	4000002-20 4000003-20 GEER		<u>3,951,740</u> <u>17,615</u> <u>430,589</u> <u>4,399,944</u>

HARDIN COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>PROVIDED TO SUBRECIPIENTS</u>	<u>TOTAL FEDERAL EXPENDITURES</u>
Passed Through Kentucky Department of Juvenile Justice Title I State Agency Program for Neglected and Delinquent Childrer	84.013	DJJ-19 DJJ-20		1,050 24,529 <u>25,579</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>12,985,570</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Passed Through State Department of Education Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	2100001-19		<u>101</u>
Passed Through Kentucky Cabinet for Health and Family Services Every Student Succeeds Act/Preschool Development Grants	93.434	KCHFSPS-20		<u>1,584</u>
Covid-19 Child Care Development Block Grant	93.575	KCHFSCC-20 KCHFSCC-21		577,265 657,085 <u>1,234,350</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>1,236,035</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 24,317,903</u>

HARDIN COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2021

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Hardin County School District under programs of the federal government for the year ended June 30, 2021. 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. Pass-through entity identifying numbers are presented where available.

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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor’s Results - Continued

Identification of major programs:

CFDA Number	Federal Program or Cluster
DEPARTMENT OF TREASURY	
21.019	COVID-19 - Coronavirus Relief Fund
DEPARTMENT OF EDUCATION	
84.027/84.173	Special Education Cluster
84.425	COVID-19 Elementary and Secondary School Emergency Relief Fund
DEPARTMENT OF AGRICULTURE	
93.575	Covid-19 Child Care Development Block Grant

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, 2021

There were no prior year findings.

**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***



HCA

Heartland CPAs and Advisors PLLC

**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, 2021, 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 December 9, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. 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 December 9, 2021.

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.



Heartland CPAs and Advisors, PLLC
Elizabethtown, Kentucky
December 9, 2021

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



HCA

Heartland CPAs and Advisors PLLC

**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, 2021. 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, 2021.

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.



Heartland CPAs and Advisors, PLLC
Elizabethtown, Kentucky
December 9, 2021

MANAGEMENT LETTER AND COMMENTS



HCA

Heartland CPAs and Advisors PLLC

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, 2021, 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 December 9, 2021, contains our report on the District's internal control. This letter does not affect our report dated December 9, 2021, 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.

Heartland CPAs and Advisors, PLLC

Heartland CPAs and Advisors, PLLC
Elizabethtown, Kentucky
December 9, 2021

HARDIN COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2021

UNCORRECTED PRIOR YEAR COMMENTS – NONE

CURRENT YEAR COMMENTS

CECILIA VALLEY ELEMENTARY SCHOOL

FUNDRAISERS

We noted that Fundraiser Approval Form (F-SA-2A) that was on file for the Spiritwear Fundraiser stated that the activity account that was holding the fundraiser was the General Fund. However, per review the deposit documentation for the 11/12/2020 deposit, we noted that \$524.81 in proceeds received from the fundraiser was deposited into the Volleyball Fund.

MANAGEMENT RESPONSE

The District holds Redbook training annually. This will be discussed at the training and also with the school.

HEARTLAND ELEMENTARY SCHOOL

EXTERNAL SUPPORT/BOOSTER CLUBS

We noted that the PTO did not have an annual External Support/Booster Organization Budget Worksheet (F-SA-4B) on file for the 2020-2021 fiscal year. Redbook requires that all booster clubs submit an annual External Support/Booster Organization Budget Worksheet to the principal within the first thirty days of the school year or within thirty days of the first transaction of the group.

MANAGEMENT RESPONSE

The District holds Redbook training annually. This will be discussed at the training and also with the school.

SEGREGATION OF DUTIES

We noted during the review of the Internal Control Questionnaire, completed by the school's bookkeeper, that the bookkeeper is performing the following duties: enters invoices into the accounting system, prints checks, matches invoices to checks, and mails the checks. Redbook requires the person that enters invoices and prints checks to be different from the person that matches and mails the checks.

MANAGEMENT RESPONSE

The District holds Redbook training annually. This will be discussed at the training and also with the school.

RINEYVILLE ELEMENTARY SCHOOL

FUNDRAISER APPROVAL FORMS

Upon reviewing the fundraisers, we noted that none of the Fundraiser Approval Forms (F-SA-6) had an approval date to correspond with the signature. Because of this, we are unable to determine if the fundraiser was approved before the fundraiser actually took place.

MANAGEMENT RESPONSE

The District holds Redbook training annually. This will be discussed at the training and also with the school.

BLUEGRASS MIDDLE SCHOOL

INVENTORY

We noted that the concessions inventory counts at the end of September 2020 did not equal the beginning balance on October 2020. We also noted that the ending balance of October 2020 did not equal the beginning balance for November 2020. Redbook requires that the beginning balance of inventory each month be equal to the ending balance of inventory on the previous month as reflected on form F-SA-5.

MANAGEMENT RESPONSE

The District holds Redbook training annually. This will be discussed at the training and also with the school.

CENTRAL HARDIN HIGH SCHOOL

EXTERNAL SUPPORT/BOOSTERS

We noted that the girls' basketball booster club was missing the proof of liability insurance. Redbook requires each external support/booster club provide proof of liability insurance for the fiscal year just completed.

MANAGEMENT RESPONSE

The District holds Redbook training annually. This will be discussed at the training and also with the school.

NORTH HARDIN HIGH SCHOOL

INVENTORY CONTROL WORKSHEETS

We noted that the Inventory Control Worksheets (F-SA-5) that were on file for the greenhouse sales were completed for the following months: April and May 2021. The inventory control worksheet for April had a beginning balance and the worksheet for May had an ending inventory balance. An inventory control worksheet was not completed for July 2020 – March 2021 or June 2021. Redbook requires inventory control worksheets to be completed on a monthly basis for every month there is inventory.

We noted that the Inventory Control Worksheets (F-SA-5) that were on file for the athletic concessions were completed for the following months: January 2021 – March 2021. The inventory control worksheet for January had a beginning balance and the worksheet for March had an ending inventory balance. An inventory control worksheet was not completed for July 2020 – December 2020 or April 2021 – June 2021. Redbook requires inventory control worksheets to be completed on a monthly basis for every month there is inventory.

MANAGEMENT RESPONSE

The District holds Redbook training annually. This will be discussed at the training and also with the school.

COLLEGE VIEW/HARDIN COUNTY HIGH SCHOOL

MISSING DOCUMENTATION

We noted that check #2978, dated 05/05/2021 did not have a Purchase Order Form (F-SA-7) or a Vendor/Standard Invoice (Form F-SA-8) on file. Redbook states that before being purchases are processed, each disbursement shall be documented by a completed purchase order and an original vendor invoice. If a vendor invoice is not available, the disbursement shall be supported by a Standard Invoice (Form F-SA-8), which must be signed by the payee.

We noted that check #2979, dated 05/21/2021, did not have a receipt or Standard Invoice on file to support the purchase. Redbook states that before being purchases are processed, each disbursement shall be documented by a completed purchase order and an original vendor invoice. If a vendor invoice is not available, the disbursement shall be supported by a Standard Invoice (Form F-SA-8), which must be signed by the payee.

MANAGEMENT RESPONSE

The District holds Redbook training annually. This will be discussed at the training and also with the school.