

DATED SEPTEMBER 12, 2022

NEW ISSUE

Electronic Bidding via Parity®

Bank Interest Deduction Eligible

**BOOK-ENTRY-ONLY SYSTEM**

RATING

Moody's: " "

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sales of these Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the laws of any such jurisdiction.

In the opinion of Bond Counsel, under existing law (i) interest on the Bonds will be excludable from gross income of the holders thereof for purposes of federal taxation and (ii) interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations, interest on the Series 2022 Bonds is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. All subject to the qualifications described herein under the heading "Tax Exemption." The Bonds and interest thereon are exempt from income taxation and ad valorem taxation by the Commonwealth of Kentucky and political subdivisions thereof (see "Tax Exemption" herein).

**\$2,080,000\***

**HARRISON COUNTY SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REVENUE BONDS,  
SERIES OF 2022**

**Dated with Delivery: OCTOBER 11, 2022**

**Due: as shown below**

Interest on the Bonds is payable each April 1 and October 1, beginning April 1, 2023. The Bonds will mature as to principal on October 1, 2023, and thereafter as shown below. The Bonds are being issued in Book-Entry-Only Form and will be available for purchase in principal amounts of \$5,000 and integral multiples thereof.

Maturing		Interest	Reoffering	Maturing		Interest	Reoffering	
1-Oct	Amount*	Rate	Yield	CUSIP	1-Oct	Amount*	Yield	CUSIP
2023	\$10,000	%	%		2033	\$135,000	%	%
2024	\$10,000	%	%		2034	\$135,000	%	%
2025	\$10,000	%	%		2035	\$135,000	%	%
2026	\$10,000	%	%		2036	\$150,000	%	%
2027	\$10,000	%	%		2037	\$150,000	%	%
2028	\$10,000	%	%		2038	\$160,000	%	%
2029	\$10,000	%	%		2039	\$175,000	%	%
2030	\$10,000	%	%		2040	\$360,000	%	%
2031	\$10,000	%	%		2041	\$375,000	%	%
2032	\$10,000	%	%		2042	\$205,000	%	%

The Bonds are subject to redemption prior to their stated maturity.

Notwithstanding the foregoing, the Corporation reserves the right to call, upon thirty (30) days notice, the Bonds in whole or in part on any date for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any of the building(s) constituting the Project(s) and apply casualty insurance proceeds to such purpose.

The Bonds constitute a limited indebtedness of the Harrison County School District Finance Corporation and are payable from and secured by a pledge of the gross income and revenues derived by leasing the Project (as hereinafter defined) on an annual renewable basis to the Harrison County Board of Education.

The Harrison County (Kentucky) School District Finance Corporation will until September 20, 2022, at 11:00 A.M., E.D.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Rd, Carriage House, Frankfort, Kentucky 40601.

**\*As set forth in the "Official Terms and Conditions of Bond Sale," the principal amount of Bonds sold to the successful bidder is subject to a Permitted Adjustment by increasing or decreasing the amount not to exceed \$210,000.**

**PURCHASER'S OPTION:** The Purchaser of the Bonds, within 24 hours of the sale, may specify to the Municipal Advisor that any Bonds may be combined immediately succeeding sequential maturities into a Term Bond(s), bearing a single rate of interest, with the maturities set forth above (or as may be adjusted as provided herein) being subject to mandatory redemption in such maturities for such Term Bond(s).

The Bonds will be delivered utilizing the BOOK-ENTRY-ONLY-SYSTEM administered by The Depository Trust Company.

The Corporation deems this preliminary Official Statement to be final for purposes of the Securities and Exchange Commission Rule 15c2-12(b)(1), except for certain information on the cover page hereof which has been omitted in accordance with such Rule and which will be supplied with the final Official Statement.



**HARRISON COUNTY, KENTUCKY  
BOARD OF EDUCATION**

Kristy Carey, Chairperson  
Ed Taylor, Member  
Ruth Hatterick, Member  
Mary June Brunner, Member  
(Vacant), Member

Dr. Harry Burchett, Superintendent  
Dana Waits, Secretary

**HARRISON COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

Kristy Carey, President  
Ed Taylor, Member  
Ruth Hatterick, Member  
Mary June Brunner, Member  
(Vacant), Member

Dana Waits, Secretary  
Julie Asher, Treasurer

**BOND COUNSEL**

Steptoe & Johnson PLLC  
Louisville, Kentucky

**MUNICIPAL ADVISOR**

RSA Advisors, LLC  
Lexington, Kentucky

**PAYING AGENT AND REGISTRAR**

U. S. Bank Trust Company, National Association  
Louisville, Kentucky

**BOOK-ENTRY-ONLY-SYSTEM**

## **REGARDING USE OF THIS OFFICIAL STATEMENT**

This Official Statement does not constitute an offering of any security other than the original offering of the Harrison County School District Finance Corporation School Building Revenue Bonds, Series of 2022, identified on the cover page hereof. No person has been authorized by the Corporation or the Board to give any information or to make any representation other than that contained in the Official Statement, and if given or made such other information or representation must not be relied upon as having been given or authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the Board since the date hereof.

Neither the Securities and Exchange Commission nor any other federal, state, or other governmental entity or agency, except the Corporation will pass upon the accuracy or adequacy of this Official Statement or approve the Bonds for sale.

The Official Statement includes the front cover page immediately preceding this page and all Appendices hereto.

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**OFFICIAL STATEMENT  
Relating to the Issuance of**

**\$2,080,000\***

**HARRISON COUNTY SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REVENUE BONDS,  
SERIES OF 2022**

*\*Subject to Permitted Adjustment*

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to set forth certain information pertaining to the Harrison County School District Finance Corporation (the "Corporation") School Building Revenue Bonds, Series of 2022 (the "Bonds").

The Bonds are being issued to finance Phase I of the New High School (the "Project").

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds will be secured by a lien and a pledge of the rental income derived by the Corporation from leasing the Project (as hereinafter defined) to the Harrison County Board of Education (the "Board") on a year to year basis (see "Security" herein).

All financial and other information presented in this Official Statement has been provided by the Harrison County Board of Education from its records, except for information expressly attributed to other sources. The presentation of financial and other information is not intended, unless specifically stated, to indicate future or continuing trends in the financial position or other affairs of the Board. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

This Official Statement should be considered in its entirety, and no one subject discussed should be considered more or less important than any other by reason of its location in the text. Reference should be made to laws, reports or other documents referred to in this Official Statement for more complete information regarding their contents.

Copies of the Bond Resolution authorizing the issuance of the Bonds, and the Lease Agreement, dated October 11, 2022, may be obtained at the office of Steptoe & Johnson PLLC, Bond Counsel, 700 N. Hurstbourne Parkway, Suite 115, Louisville, Kentucky 40222.

**BOOK-ENTRY-ONLY-SYSTEM**

The Bonds shall utilize the Book-Entry-Only-System administered by The Depository Trust Company ("DTC").

The following information about the Book-Entry only system applicable to the Bonds has been supplied by DTC. Neither the Corporation nor the Paying Agent and Registrar makes any representations, warranties, or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Bonds. The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry

transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Paying Agent and Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC or its nominee, the Paying Agent and Registrar or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Paying Agent and Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice the Corporation or the Paying Agent and Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's Book-Entry system has been obtained from sources that the Corporation believes to be reliable but the Corporation takes no responsibility for the accuracy thereof.

### **THE CORPORATION**

The Corporation has been formed in accordance with the provisions of Sections 162.120 through 162.290 and Section 162.385 of the Kentucky Revised Statutes ("KRS"), and KRS Chapter 273 and KRS 58.180, as a non-profit, non-stock corporation for the purpose of financing necessary school building facilities for and on behalf of the Board. Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes and the legality of the financing plan to be implemented by the Board herein referred to has been upheld by the Kentucky Court of Appeals (Supreme Court) in the case of White v. City of Middlesboro, Ky. 414 S.W.2d 569.

Any bonds, notes or other indebtedness issued or contracted by the Corporation shall, prior to the issuance or incurrence thereon, be specifically approved by the Board. The members of the Board of Directors of the Corporation are the members of the Board. Their terms expire when they cease to hold the office and any successor members of the Board are automatically members of the Corporation upon assuming their public offices.

### **KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION; NO PARTICIPATION IN THIS ISSUE**

The Kentucky School Facilities Construction Commission (the "Commission") is an independent corporate agency and instrumentality of the Commonwealth of Kentucky established pursuant to the provisions of KRS Sections 157.611 through 157.640, as amended, repealed and reenacted (the "Act") for the purpose of assisting local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet need.

The General Assembly of the Commonwealth adopted the State's Budget for the fiscal year ending June 30, 2024. Inter alia, the Budget provides \$125,216,700 in FY 2022-23 and \$126,719,600 in FY 2023-2024 to pay debt service on existing and future bond issues; \$58,000,000 of the Commission's previous Offers of Assistance made during the last biennium. It authorizes \$85,000,000 in additional Offers of Assistance for the current biennium to be funded in the Budget for the biennium ending June 30, 2026.

The 1986, 1988, 1990, 1992, 1994, 1996, 1998, 2000, 2003, 2005, 2006, 2008, 2010, 2012, 2014, 2016, 2018 and 2020 Regular Sessions of the Kentucky General Assembly appropriated funds to be used for debt service of participating school districts. The appropriations for each biennium are shown in the following table:

<u>Biennium</u>	<u>Appropriation</u>
1986-88	\$18,223,200
1988-90	14,050,700
1990-92	13,542,800
1992-94	3,075,300
1994-96	2,800,000
1996-98	4,996,000
1998-00	12,141,500
2000-02	8,100,000
2002-04	9,500,000
2004-06	14,000,000
2006-08	9,000,000
2008-10	10,968,000
2010-12	12,656,200
2012-14	8,469,200
2014-16	8,764,000
2016-18	23,019,400
2018-20	7,608,000
2020-22	2,946,900
<u>2022-24</u>	<u>5,305,300</u>
Total	\$189,166,500

In addition to the appropriations for new financings as shown, appropriations subsequent to that for 1986 included additional funds to continue to meet the annual debt requirements for all bond issues involving Commission participation issued in prior years.

### **BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2024**

The Kentucky General Assembly is required by the Kentucky Constitution to adopt measures providing for the state's revenues and appropriations for each fiscal year. The Governor is required by law to submit a biennial State Budget (the "State Budget") to the General Assembly during the legislative session held in each even numbered year. State Budgets have generally been adopted by the General Assembly during those legislative sessions, which end in mid-April, to be effective upon the Governor's signature for appropriations commencing for a two-year period beginning the following July 1.

In the absence of a legislatively enacted budget, the Supreme Court has ruled the Governor has no authority to spend money from the state treasury except where there is a statutory, constitutional or federal mandate and the Commonwealth may be prevented from expending funds for certain state governmental functions, including the ability to pay principal of, premium, if any, and interest, when due, on obligations that are subject to appropriation.

The General Assembly adopted a budget for the biennial period ending June 30, 2024 which was approved and signed by the Governor. Such budget became effective July 1, 2022.

The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and other Funds of the commonwealth. When published, the updates can be found at [www.osbd.ky.gov](http://www.osbd.ky.gov).

### **OUTSTANDING BONDS**

The following table shows the outstanding Bonds of the Board by the original principal amount of each issue, the current principal outstanding, the amount of the original principal scheduled to be paid with the corresponding interest thereon by the Board or the School Facilities Construction Commission, the approximate interest range; and, the final maturity date of the Bonds:

<b>Bond Series</b>	<b>Original Principal</b>	<b>Current Principal Outstanding</b>	<b>Principal Assigned to Board</b>	<b>Principal Assigned to Commission</b>	<b>Approximate Interest Rate Range</b>	<b>Final Maturity</b>
2012-REF	\$2,210,000	\$210,000	\$607,792	\$1,602,208	2.250%	2023
2012	\$995,000	\$570,000	\$0	\$995,000	2.750% - 3.200%	2032
2013	\$4,300,000	\$3,260,000	\$4,300,000	\$0	2.250% - 3.000%	2033
2016	\$590,000	\$445,000	\$0	\$590,000	2.950%	2036
2016-REF	\$4,245,000	\$2,570,000	\$0	\$4,245,000	2.000%	2028
2018	\$1,140,000	\$860,000	\$120,000	\$1,020,000	3.000% - 3.250%	2038
2020	\$3,445,000	\$3,210,000	\$702,938	\$2,742,062	2.000% - 2.500%	2040
2020B	\$1,265,000	\$1,240,000	\$0	\$1,265,000	2.000% - 2.375%	2040
<b>Totals:</b>	<b>\$18,190,000</b>	<b>\$12,365,000</b>	<b>\$5,730,730</b>	<b>\$12,459,270</b>		

### **AUTHORITY**

The Board of Directors of the Corporation has adopted a Bond Resolution which authorized among other things:

- i) the issuance of approximately \$2,080,000 of Bonds subject to a permitted adjustment of \$210,000;
- ii) the advertisement for the public sale of the Bonds;
- iii) the Official Terms and Conditions for the sale of the Bonds to the successful bidder; and,
- iv) the President and Secretary of the Corporation to execute certain documents relative to the sale and delivery of the Bonds.



## THE BONDS

### General

The Bonds will be dated October 11, 2022, will bear interest from that date as described herein, payable semi-annually on April 1 and October 1 of each year, commencing April 1, 2023, and will mature as to principal on October 1, 2023 and thereafter in the years and in the principal amounts as set forth on the cover page of this Official Statement.

### Registration, Payment and Transfer

The Bonds are to be issued in fully registered form (both principal and interest). U.S. Bank Trust Company, National Association, Louisville, Kentucky, has been designated as the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co. Principal and interest will be payable through the Book-Entry-Only-System administered by The Depository Trust Company: Please see "BOOK-ENTRY-ONLY-SYSTEM" below. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on April 1 and October 1 of each year, beginning April 1, 2023 (Record Date is the 15th day of month preceding interest due date).

### Redemption

The Bonds maturing on or after October 1, 2031, are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after October 1, 2030, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

<b>Redemption Date</b>	<b>Redemption Price</b>
October 1, 2030 and thereafter	100%

Notwithstanding the foregoing, the Corporation reserves the right, upon thirty (30) days notice, to call the Bonds in whole or in part on any date at par for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any building constituting the Project and apply casualty insurance proceeds to such purpose.

## SECURITY

### General

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds are payable as to both principal and interest solely from the income and revenues derived from the leasing of the Project financed from the Bond proceeds from the Corporation to the Board. The Bonds are secured by a pledge of revenue on and from the Project.

### The Lease; Pledge of Rental Revenues

The Board has leased the school Project securing the Bonds for an initial period from October 11, 2022, through June 30, 2023 with the option in the Board to renew said Lease from year to year for one year at a time, at annual rentals, sufficient in each year to enable the Corporation to pay, solely from the rental due under the Lease, the principal and interest on all of the Bonds as same become due. The Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the Lease until October 1, 2042, the final maturity date of the Bonds. Under the lease, the Corporation has pledged the rental revenue to the payment of the Bonds.

## STATE INTERCEPT

Under the terms of the Lease and any renewal thereof, so long as the Bonds remain outstanding and in conformance with the intent and purpose of KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the Lease to the Corporation the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

## THE PROJECT

After payment of the Bond issuance costs, the Board plans to deposit the net Bond proceeds to finance Phase 1 of the New High School (the "Project").

The Board has reported construction bids have been let for the Project. The award of the construction contract is expected prior to the sale and delivery of the Bonds.

Contractors for the Project are required to furnish to the Board a one hundred percent completion bond to assure their performance of the construction contract.

## KENTUCKY DEPARTMENT OF EDUCATION SUPERVISION

Kentucky statutes, and the regulations of the Kentucky Department of Education ("KDE") issued thereunder, generally require that a local school district submit to KDE for its prior approval the district's plans for the funding, financing, design, construction, renovation, and modification of school facilities. House Bill 678 of the 2022 Regular Session of the Kentucky General Assembly (2022 Ky. Acts, Ch. 185, hereinafter referred to as "HB 678"), enacted and effective April 8, 2022, eliminates until June 30, 2024 this requirement of prior approval for local school districts which elect by resolution to proceed without such prior approval and which so notify the Department. The District has adopted such a resolution and has so notified KDE.

Notwithstanding HB 679, KDE's supervision of local school districts continues to apply other areas of local school finance, including supervision of general operations such as the examination of business methods and accounts of a school district, requirements of prompt, detailed reports of receipts and expenditures and the annual approval of the district's operating budget. All local school boards which have entered into contracts for the issuance of bonds must maintain insurance protection in an amount equal to the full insurable value of the buildings financed by the bonds. This State Department of Education supervision and control is believed to be a major contribution toward the maintenance of Kentucky's perfect record of no defaults in payment of its revenue bonds for school purposes.

## ESTIMATED BOND DEBT SERVICE

The following table shows by fiscal year the current bond payments of the Board. The plan of financing provides for the Board to meet 100% of the debt service of the Bonds.

<b>Fiscal Year Ending June 30</b>	<b>Current Local Bond Payments</b>	<b>Series 2022 School Building Revenue Bonds ( 100% Local)</b>			<b>Total Restricted Fund Bond Payments</b>
		<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2023	\$842,876		\$41,879	\$41,879	\$884,755
2024	\$842,655	\$10,000	\$88,535	\$98,535	\$941,190
2025	\$792,171	\$10,000	\$88,235	\$98,235	\$890,406
2026	\$796,137	\$10,000	\$87,915	\$97,915	\$894,052
2027	\$795,303	\$10,000	\$87,570	\$97,570	\$892,873
2028	\$797,695	\$10,000	\$87,220	\$97,220	\$894,915
2029	\$520,081	\$10,000	\$86,870	\$96,870	\$616,951
2030	\$521,376	\$10,000	\$86,515	\$96,515	\$617,891
2031	\$517,221	\$10,000	\$86,148	\$96,148	\$613,369
2032	\$522,423	\$10,000	\$85,770	\$95,770	\$618,193
2033	\$519,304	\$10,000	\$85,380	\$95,380	\$614,684
2034	\$176,806	\$135,000	\$82,480	\$217,480	\$394,286
2035	\$181,943	\$135,000	\$77,080	\$212,080	\$394,023
2036	\$186,414	\$135,000	\$71,545	\$206,545	\$392,959
2037	\$177,334	\$150,000	\$65,560	\$215,560	\$392,894
2038	\$183,284	\$150,000	\$59,260	\$209,260	\$392,544
2039	\$182,719	\$160,000	\$52,710	\$212,710	\$395,429
2040	\$176,532	\$175,000	\$45,548	\$220,548	\$397,079
2041		\$360,000	\$34,045	\$394,045	\$394,045
2042		\$375,000	\$17,868	\$392,868	\$392,868
2043		\$205,000	\$4,715	\$209,715	\$209,715
<b>Totals:</b>	\$8,732,274	\$2,080,000	\$1,422,847	\$3,502,847	\$12,235,121

*Note: Numbers are rounded to the nearest \$1.00.*

## ESTIMATED USE OF BOND PROCEEDS

The table below shows the estimated sources of funds and uses of proceeds of the Bonds, other than any portions thereof representing accrued interest:

<b>Sources:</b>	
Par Amount of Bonds	<u>\$2,080,000.00</u>
Total Sources:	\$2,080,000.00
<b>Uses:</b>	
Deposit to Construction Fund	\$2,006,230.00
Underwriter's Discount (2%)	\$41,600.00
Cost of Issuance	<u>\$32,170.00</u>
Total Uses:	\$2,080,000.00

## DISTRICT STUDENT POPULATION

Selected school census and average daily attendance for the Harrison County School District is as follows:

Year	Average Daily Attendance	Year	Average Daily Attendance
2000-01	2,934.0	2011-12	2,778.0
2001-02	2,903.8	2012-13	2,761.0
2002-03	2,922.3	2013-14	2,733.7
2003-04	2,900.0	2014-15	2,729.9
2004-05	2,875.6	2015-16	2,675.2
2005-06	2,886.4	2016-17	2,647.1
2006-07	2,870.9	2017-18	2,639.9
2007-08	2,850.9	2018-19	2,570.8
2008-09	2,872.0	2019-20	2,555.8
2009-10	2,837.6	2020-21	2,555.8
2010-11	2,818.9	2021-22	2,664.3

*Source: Kentucky State Department of Education.*

## STATE SUPPORT

**Support Education Excellence in Kentucky (SEEK).** In determining the cost of the program to Support Education Excellence in Kentucky (SEEK), the statewide guaranteed base funding level is computed by dividing the amount appropriated by the prior year's statewide average daily attendance. The SEEK fund is a guaranteed amount of money per pupil in each school district of Kentucky. The current SEEK allotment is \$3,866 per pupil. The \$100 capital outlay allotment per each average daily attendance is included within the guaranteed amounts. Each district's base funding from the SEEK program is adjusted for the number of at-risk students, the number and types of exceptional children in the district, and cost of transporting students from and to school in the district.

**Capital Outlay Allotment.** The per pupil capital outlay allotment for each district from the public school fund and from local sources shall be kept in a separate account and may be used by the district only for capital outlay projects approved by the State Department of Education. These funds shall be used for the following capital outlay purposes:

- a. For direct payment of construction costs.
- b. For debt service on voted and funding bonds.
- c. For payment or lease-rental agreements under which the board will eventually acquire ownership of the school plant.
- d. For retirement of any deficit resulting from over-expenditure for capital construction, if such deficit resulted from certain declared emergencies.
- e. As a reserve fund for the above named purposes, to be carried forward in ensuing budgets.

The allotment for each school board of education in the Commonwealth for fiscal year 1978-79 was \$1,800 per classroom unit. The 1979 Session of the Kentucky General Assembly approved increases in this allotment in 1979-80 to \$1,900 per classroom unit. This rate remained unchanged in 1980-81. The 1981 Session of the Kentucky General Assembly decreased the allotment per classroom to \$1,800 and this allotment rate did not change from the 1981-82 rate, until the 1990-91 school year. Beginning with 1990-91, the Capital Outlay allotment for each district is based on \$100 per average daily attendance.

The following table shows the computation of the capital outlay allotment for the Harrison County School District for certain preceding school years. Beginning 1990-91, the allotment is based on average daily attendance as required by law.

Year	Capital Outlay Allotment	Year	Capital Outlay Allotment
2000-01	293,400.0	2011-12	277,800.0
2001-02	290,380.0	2012-13	276,096.0
2002-03	292,230.0	2013-14	273,371.0
2003-04	290,000.0	2014-15	272,993.0
2004-05	287,560.0	2015-16	267,520.0
2005-06	288,640.0	2016-17	264,710.0
2006-07	287,090.0	2017-18	263,990.0
2007-08	285,090.0	2018-19	257,081.6
2008-09	287,199.0	2019-20	2,555,580.0
2009-10	283,758.0	2020-21	255,583.5
2010-11	281,891.0	2021-22	266,425.6

If the school district has no capital outlay needs, upon approval from the State, the funds can be used for school plant maintenance, repair, insurance on buildings, replacement of equipment, purchase of school buses and purchase of modern technological equipment for educational purposes. If any district has a special levy for capital outlay or debt service that is equal to the capital outlay allotment or a proportionate fraction thereof, and spends the proceeds of the levy for eligible purposes, the State may authorize the district to use all or a proportionate fraction of its capital outlay allotment for current expenses (school districts which use capital outlay allotments to meet current expenses are not eligible to participate in the School Facilities Construction Commission funds).

**Facilities Support Program of Kentucky.** School districts may be eligible to participate in the Facilities Support Program of Kentucky (FSPK), subject to the following requirements:

- 1) The district must have unmet needs as set forth and approved by the State Department of Education in a School Facilities Plan;
- 2) The district must commit to establish an equivalent tax rate of at least 5 cents, in addition to the 30 cents minimum current equivalent tax rate; and,
- 3) The new revenues generated by the 5 cent addition, must be placed in a restricted account for school building construction bonding.

## LOCAL SUPPORT

**Homestead Exemption.** Section 170 of the Kentucky Constitution was amended at the General Election held November 2, 1971, to exempt from property taxes \$6,500 of value of single unit residential property of taxpayers 65 years of age or older. The 1972 General Assembly amended KRS Chapter 132 to permit counties and school districts to adjust their local tax revenues lost through the application of this Homestead Exemption. The "Single Unit" qualification has been enlarged to subsequent sessions of the General Assembly to provide that such exemption shall apply to such property maintained as the permanent resident of the owner and the dollar amount has been construed to mean \$6,500 in terms of the purchasing power of the dollar in 1972. Every two years thereafter, if the cost of living index of the U.S. Department of Labor has changed as much as 1%, the maximum exemption shall be adjusted accordingly. Under the cost of living formula, the maximum was increased to \$40,500 effective January 1, 2021.

**Limitation on Taxation.** The 1979 Special Session of the Kentucky General Assembly enacted House Bill 44 which provides that no school district may levy a general tax rate, voted general tax rate, or voted building tax rate which would generate revenues that exceeds the previous year's revenues by four percent (4%).

The 1990 Regular Session of the Kentucky General Assembly in enacting the "School Reform" legislative package amended the provisions of KRS 160.470 which prohibited school districts from levying ad valorem property taxes which would generate revenues in excess of 4% of the previous year's revenues without said levy subject to recall to permit exceptions to the referendum under (1) KRS 160.470(12) [a new section of the statute] and (2) an amended KRS 157.440.

Under KRS 160.470(12)(a) for fiscal years beginning July 1, 1990 school districts are required to levy a "minimum equivalent tax rate" of thirty cents (\$.30) for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes (including occupational or utilities) levied by the district for school purposes divided by the total assessed value of property plus the assessment for motor vehicles certified by the State Revenue Cabinet. Failure to levy the minimum equivalent rate subjects the board of the district to removal.

The exception provided by KRS 157.440(1)(a) permits school districts to levy an equivalent tax rate as defined in KRS 160.470(12)(a) which will produce up to 15% of those revenues guaranteed by the program to support education excellence in Kentucky. Levies permitted by this section of the statute are not subject to public hearing or recall provisions as set forth in KRS 160.470.

**Local Thirty Cents Minimum.** Effective for school years beginning after June 30, 1990, the board of education of each school district shall levy a minimum equivalent tax rate of thirty cents (\$.30) for general school purposes. If a board fails to comply, its members shall be subject to removal from office for willful neglect of duty.

**Additional 15% Not Subject to Recall.** Effective with the school year beginning July 1, 1990, each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Effective with the 1990-91 school year, the State will equalize the revenue generated by this levy at one hundred fifty percent (150%) of the statewide average per pupil equalized assessment. For 1993-94 and thereafter, this level is set at \$225,000. The additional 15% rate levy is not subject to the public hearing or recall provisions.

**Assessment Valuation.** No later than July 1, 1994, all real property located in the state and subject to local taxation shall be assessed at one hundred percent (100%) of fair cash value.

**Special Voted and Other Local Taxes.** Any district may, in addition to other taxes for school purposes, levy not less than four cents nor more than twenty cents on each one hundred dollars (\$100) valuation of property subject to local taxation, to provide a special fund for the purchase of sites for school buildings and the erection, major alteration, enlargement, and complete equipping of school buildings. In addition, districts may levy taxes on tangible and intangible property and on utilities, except generally any amounts of revenues generated above that provided for by House Bill 44 is subject to voter recall.

**Local Tax Rates, Property Assessments and Revenue Collections**

<b>Tax Year</b>	<b>Combined Equivalent Rate</b>	<b>Total Property Assessment</b>	<b>Property Revenue Collections</b>
2000-01	50.5	626,978,661	3,166,242
2001-02	50.9	692,948,675	3,527,109
2002-03	50.2	728,818,859	3,658,671
2003-04	50.2	759,237,250	3,811,371
2004-05	50.1	812,822,625	4,072,241
2005-06	49.3	870,238,972	4,290,278
2006-07	49.7	903,817,780	4,491,974
2007-08	49.3	936,262,893	4,615,776
2008-09	48.7	982,881,785	4,786,634
2009-10	48.7	974,907,978	4,747,802
2010-11	52	982,192,561	5,107,401
2011-12	52.1	997,311,211	5,195,991
2012-13	53.2	1,004,796,011	5,345,515
2013-14	56	1,013,796,966	5,677,263
2014-15	58.6	1,017,523,089	5,962,685
2015-16	57.8	1,027,774,473	5,940,536
2016-17	57.2	1,045,244,594	5,978,799
2017-18	58.9	1,078,583,614	6,352,857
2018-19	59.5	1,085,435,980	6,458,344
2019-20	59.4	1,133,871,332	6,735,196
2020-21	58	1,161,775,636	6,738,299
2021-22	64.5	1,202,084,617	7,753,446

**Overlapping Bond Indebtedness**

The following table shows any other overlapping bond indebtedness of the Harrison County School District or other issuing agency within Harrison County as reported by the State Local Debt Officer for the period ending June 30, 2022.

<b>Issuer</b>	<b>Original Principal Amount</b>	<b>Amount of Bonds Redeemed</b>	<b>Current Principal Outstanding</b>
County of Harrison			
General Obligation	769,000	517,000	252,000
Hospital Revenue	4,500,000	2,045,455	2,454,545
City of Berry			
Sewer Revenue	75,000	19,850	55,150
City of Cynthiana			
General Obligation	229,800	149,589	80,211
Water & Sewer Revenue	2,070,000	435,300	1,634,700
Improvement Project Revenue	3,590,000	217,000	3,373,000
Special Districts			
Harrison County Public Properties Corporation	4,520,000	4,070,000	450,000
<b>Total:</b>	<b>15,753,800</b>	<b>7,454,194</b>	<b>8,299,606</b>

## SEEK ALLOTMENT

The Board has reported the following information as to the SEEK allotment to the District, and as provided by the State Department of Education.

SEEK	Base Funding	Local Tax Effort	Total State & Local Funding
2000-01	10,888,664	3,166,242	14,054,906
2001-02	10,589,787	3,527,109	14,116,896
2002-03	10,837,989	3,658,671	14,496,660
2003-04	11,305,896	3,811,371	15,117,267
2004-05	11,273,188	4,072,241	15,345,429
2005-06	12,091,782	4,290,278	16,382,060
2006-07	12,064,815	4,491,974	16,556,789
2007-08	12,984,222	4,615,776	17,599,998
2008-09	13,267,985	4,786,634	18,054,619
2009-10	11,701,123	4,747,802	16,448,925
2010-11	11,717,330	5,107,401	16,824,731
2011-12	12,649,827	5,195,991	17,845,818
2012-13	12,549,777	5,345,515	17,895,292
2013-14	12,325,983	5,677,263	18,003,246
2014-15	12,527,172	5,962,685	18,489,857
2015-16	12,531,095	5,940,536	18,471,631
2016-17	12,350,887	5,978,799	18,329,686
2017-18	12,390,487	6,352,857	18,743,344
2018-19	12,177,828	6,458,344	18,636,172
2019-20	11,861,005	6,735,196	18,596,201
2020-21	11,334,945	6,738,299	18,073,244
2021-22	12,333,664	7,753,446	20,087,110

- (1) Support Education Excellence in Kentucky (SEEK) replaces the minimum foundation program and power equalization funding. Capital Outlay is now computed at \$100 per average daily attendance (ADA). Capital Outlay is included in the SEEK base funding.
- (2) The Board established a current equivalent tax rate (CETR) of \$0.645 for FY 2021-22. The equivalent tax rate" is defined as the rate which results when the income from all taxes levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Commonwealth of Kentucky Revenue Cabinet.

### State Budgeting Process

- i) Each district board of education is required to prepare a general school budget on forms prescribed and furnished by the Kentucky Board of Education, showing the amount of money needed for current expenses, debt service, capital outlay, and other necessary expenses of the school during the succeeding fiscal year and the estimated amount that will be received from all sources.



- ii) By September 15 of each year, after the district receives its tax assessment data from the Department of Revenue and the State Department of Education, 3 copies of the budget are forwarded to the State Department for approval or disapproval.
- iii) The State Department of Education has adopted a policy of disapproving a school budget if it is financially unsound or fails to provide for:
  - a) payment of maturing principal and interest on any outstanding voted school improvement bonds of the district or payment of rental in connection with any outstanding school building revenue bonds issued for the benefit of the school district; or
  - b) fails to comply with the law.

### **POTENTIAL LEGISLATION**

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax exemption of such interest. In addition, current and future legislative proposals, if enacted into law, may cause interest on state or local government bonds (whether issued before, on the date of, or after enactment of such legislation) to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the amount of interest on such bonds that may currently be treated as tax exempt by certain individuals. For example, on August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 (the “Inflation Reduction Act”). The Inflation Reduction Act imposes a minimum tax of 15 percent of the adjusted financial statement income on certain corporations whose income exceeds stated thresholds for tax years beginning after December 31, 2022. Under the Inflation Reduction Act, interest on debt obligations otherwise exempt from federal income tax would be included in the calculation of adjusted financial statement income for corporations subject to the minimum tax. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the IRS, including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds or obligations which present similar tax issues, will not affect the market price for the Bonds.

### **CONTINUING DISCLOSURE**

As a result of the Board and issuing agencies acting on behalf of the Board offering for public sale municipal securities in excess of \$1,000,000, the Corporation and the Board will enter into a written agreement for the benefit of all parties who may become Registered of Beneficial Owners of the Bonds whereunder said Corporation and Board will agree to comply with the provisions of the Municipal Securities Disclosure Rules set forth in Securities and Exchange Commission Rule 15c2-12 by filing annual financial statements and material event notices with the Electronic Municipal Market Access (EMMA) System maintained by the Municipal Securities Rule Making Board.

The Board and Corporation have been timely in making required filings under the terms of the Continuing Disclosure Agreement for the past five years.

Financial information regarding the Board may be obtained from Superintendent, Harrison County Board of Education, 308 Webster Avenue, Cynthiana, Kentucky 41031, Telephone 859-234-7110.

### **TAX EXEMPTION; BANK QUALIFIED**

Bond Counsel is of the opinion that:

(A) The Bonds and the interest thereon are exempt from income and ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and will not be a specific item of tax preference for purposes of Federal income taxation. However, with respect to certain corporations, interest on the Series 2022 Bonds is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

(C) As a result of designations and certifications by the Board and the Corporation, indicating the issuance of less than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2022, the Bonds are "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended.

The Corporation will provide the purchaser the customary no-litigation certificate, and the final approving Legal Opinions of Steptoe & Johnson PLLC, Bond Counsel, Louisville, Kentucky approving the legality of the Bonds. These opinions will accompany the Bonds when delivered, without expense to the purchaser.

### **Original Issue Premium**

Certain of the Bonds are being initially offered and sold to the public at a premium ("Acquisition Premium" from the amounts payable at maturity thereon. "Acquisition Premium" is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Bonds that bear an interest rate that is higher than the yield (as shown on the cover page hereof), are being initially offered and sold to the public at an Acquisition Premium (the "Premium Bonds"). For federal income tax purposes, the amount of Acquisition Premium on each bond the interest on which is excludable from gross income for federal income tax purposes ("tax-exempt bonds") must be amortized and will reduce the bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining bondholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds, or on any of the Bonds, that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Bonds, including any Premium Bonds, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

### **Original Issue Discount**

Certain of the Bonds (the "Discount Bonds") are being initially offered and sold to the public at a discount ("OID") from the amounts payable at maturity thereon. OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the "issue price" of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond. The amount accrued will be based on a single rate of interest, compounded semiannually (the "yield to maturity") and, during each semi-annual period, the amount will accrue ratably on a daily basis. The OID accrued during the period that an initial purchaser of a Discount Bond at its issue price owns it is added to the purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond. In practical effect, accrued OID is treated as stated interest, that is, as excludable from gross income for federal income tax purposes.

In addition, original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of any Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

### **COVID-19**

The recent outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China and has since spread to other countries, including the United States and the Commonwealth of Kentucky, has been declared a Pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. On March 13, 2020, President Donald Trump declared a national emergency to unlock federal funds to help states and local governments fight the pandemic.

While the collection of property taxes, which are a significant source of building fund revenue for the payment of principal and interest due on the bonds (see "LOCAL SUPPORT" herein) may be impacted by the COVID-19 emergency, the District does not expect the impact to be significant unless the economic hardship is long term. In addition, the Commonwealth of Kentucky revenues are also likely to be impacted by a long-term economic hardship caused by declining collections of sales taxes, wage taxes, income taxes, property taxes and other revenue sources. The impact of those declining revenue collections on state education funds (see "STATE SUPPORT" herein) is unknown. Although the potential impact of the virus on the Commonwealth and the Board of Education's future ability to make payments under the Lease cannot be predicted at this time, the continued spread of the outbreak could have a material adverse effect on the Board of Education and ultimately, the Corporation.

On March 24, 2020 the Governor of Kentucky signed Senate Bill 177 which provides relief to Kentucky School Districts in light of the Coronavirus emergency. Among other things, it removes the limits on the number of days that a district can utilize an approved Non-Traditional Instruction program ("NTI"). Senate Bill 177 also authorizes Kentucky Superintendents to use their school year 2018-2019 attendance data on their Superintendent's Annual Attendance Report. The report determines a district's average daily attendance used in calculating Support Education Excellence in Kentucky ("SEEK") funds. On Friday, Dec. 18, 2020, Gov. Andy Beshear issued Executive Order No. 2020-1041 (EO 2020-1041), which outlines requirements and recommendations for the reopening of schools in January 2021. For more information on the Kentucky Department of Education's response to COVID 19, please see their website at <https://education.ky.gov/comm/Pages/COVID-19-Updates.aspx>.

### **ABSENCE OF MATERIAL LITIGATION**

There is no controversy or litigation of any nature now pending or threatened (i) restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Board or Corporation taken with respect to the issuance or sale thereof or (ii) which if successful would have a material adverse effect on the financial condition of the Board.

### **APPROVAL OF LEGALITY**

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving legal opinion of Steptoe & Johnson PLLC, Bond Counsel. The form of the approving legal opinion of Bond Counsel will appear on each printed Bond.

### **NO LEGAL OPINION EXPRESSED AS TO CERTAIN MATTERS**

Bond Counsel has reviewed the information contained in the Official Statement describing the Bonds and the provisions of the Bond Resolution and related proceedings authorizing the Bonds, but Bond Counsel has not reviewed any of the financial data, computations, tabulations, balance sheets, financial projections, and general information concerning the Corporation or District, and expresses no opinion thereon, assumes no responsibility for same and has not undertaken independently to verify any information contained herein.

## BOND RATING

As noted on the cover page of this Official Statement, Moody's Investors Service has given the Bonds the indicated rating. Such rating reflects only the respective views of such organization. Explanations of the significance of the rating may be obtained from the rating agency. There can be no assurance that such rating will be maintained for any given period of time or will not be revised or withdrawn entirely by the rating agency, if in their judgement circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

## MUNICIPAL ADVISOR

Prospective bidders are advised that RSA Advisors, LLC ("RSA") has been employed as Municipal Advisor in connection with the issuance of the Bonds. RSA's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof. Bidders may submit a bid for the purchase of the Bonds at the time of the advertised public sale, either individually or as a member of a syndicate organized to submit a bid for the purchase of the Bonds.

## APPROVAL OF OFFICIAL STATEMENT

The Corporation has approved and caused this "Official Statement" to be executed and delivered by its President. In making this "Official Statement" the Corporation relied upon information furnished to it by the Board of Education of the Harrison County School District and does not assume any responsibility as to the accuracy or completeness of any of the information in this Official Statement except as to copies of documents denominated "Official Terms and Conditions" and "Bid Form." The financial information supplied by the Board of Education is represented by the Board of Education to be correct. The Corporation deems this preliminary Official Statement to be final for purposes of Securities Exchange Commission Rule 15c2-12(b)(1) as qualified by the cover hereof.

No dealer, broker, salesman, or other person has been authorized by the Corporation, the Harrison County Board of Education or the Municipal Advisor to give any information or representations, other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Except when otherwise indicated, the information set forth herein has been obtained from the Kentucky Department of Education and the Harrison County School District and is believed to be reliable; however, such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Municipal Advisor or by Counsel. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to the date hereof.

This Official Statement does not, as of its date, contain any untrue statement of a material fact or omit to state a material fact which should be included herein for the purpose for which the Official Statement is to be used or which is necessary in order to make the statements contained herein, in the light of the circumstances under which they were made, not misleading in any material respect.

By /s/ \_\_\_\_\_  
**President**

By /s/ \_\_\_\_\_  
**Secretary**

**APPENDIX A**

**Harrison County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2022**

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**Demographic and Economic Data**

## **HARRISON COUNTY, KENTUCKY**

Cynthiana, the county seat of Harrison County, is located in north-central Kentucky. With an estimated 2021 population of 6,258, Cynthiana is located 34 miles northeast of Lexington, Kentucky; 69 miles southeast of Cincinnati, Ohio; 92 miles east of Louisville, Kentucky; and 199 miles north of Knoxville, Tennessee. The estimated 2021 population for Harrison County was 18,568.

### **The Economic Framework**

In 2021, Harrison County had a labor force of 8,157 people, with an unemployment rate of 3.3%. The top 5 jobs by occupation were as follows: sales – 657 (15.68%); office and administrative support – 445 (10.62%); executive, managers, and administrators – 399 (9.52%); production workers – 397 (9.47%); and food preparation, serving – 311 (7.42%).

### **Transportation**

Major highways serving Cynthiana are U.S. Highways 27 and 62. Kentucky Route 36 also serves Cynthiana. Interstate 75 is accessible 19 miles southwest via U.S. 62 and 30 miles northwest via Kentucky 36. Interstate 64 and the Mountain Parkway are accessible 31 miles south via U.S. 27 and Kentucky 627. Thirty trucking company provide interstate and/or intrastate service to Cynthiana. CSX Transportation provides main line rail service to Cynthiana. The nearest scheduled commercial airline service is located at Lexington's Bluegrass Airport, 38 miles southwest of Cynthiana. The local Cynthiana-Harrison County Airport has a paved 3,200-foot runway.

### **Power and Fuel**

Kentucky Utilities Company provides electric power to Cynthiana and parts of Harrison County. Harrison Rural Electric Cooperative Corporation provides power to the remainder of the county. Columbia Gas Company of Lexington, Inc. provides Cynthiana with natural gas service.

### **Education**

The Harrison County School System provides primary and secondary education to Cynthiana and Harrison County. Two nonpublic schools have facilities in Cynthiana. Twenty colleges and universities are located within 60 miles of Cynthiana. Harrison County Area Technology Center provides secondary technical training. The nearest technical college providing post secondary technical training is the Central Kentucky Technical College in Lexington.

## **LOCAL GOVERNMENT**

### **Structure**

Cynthiana is served by a mayor and four commissioners. The mayor serves a four-year term and the commissioners serve two-year terms. Harrison County is served by a county judge/executive and eight magistrates. The county judge/executive and magistrates all serve four-year terms.

### **Planning and Zoning**

Joint agency - Cynthiana-Harrison County-Berry Joint Planning Commission  
Participating cities - Cynthiana, Berry  
Zoning enforced - County-wide, including all cities  
Subdivision regulations enforced - County-wide, including all cities  
Local codes enforced - Building and housing codes county-wide, including all cities  
Mandatory state codes enforced - Kentucky Plumbing Code, National Electric Code, Kentucky Boiler regulations and Standards, Kentucky Building Code (modeled after BOCA code)

## Local Fees and Licenses

Cynthiana levies a one and one-half percent occupational license tax on gross wages, salaries, commissions, and other compensation earned in the city. A one and one-half percent tax is also levied on net profits of sales of all businesses, professions, or occupations for activities conducted inside the city limits. Regulatory license fees for various businesses range from \$5 to \$300 per year.

Harrison County levies a 1.5 percent occupational license tax on wages, salaries, and commissions of individuals and on net profits of businesses.

## Property Taxes

The Kentucky Constitution requires the state to tax all classes of taxable property, and state statutes allow local jurisdictions to tax only a few classes. All locally taxed property is subject to county taxes and school district taxes (either a county school district or an independent school district). Property located inside of city limits may also be subject to city property taxes.

Special local taxing jurisdictions (fire protection districts, watershed districts, and sanitation districts) levy taxes within their operating areas (usually a small portion of community or county).

Property assessments in Kentucky are at 100% fair cash value. A 15% reduction is automatically granted for accounts receivable.

## LABOR MARKET STATISTICS

The Cynthiana Labor Market Area includes Harrison County and the adjoining Kentucky counties of Bourbon, Bracken, Fayette, Grant, Nicholas, Pendleton, Robertson, and Scott.

### Population

<u>Area</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Cynthiana	6,316	6,267	6,258
Harrison County	18,718	18,756	18,568

*Source: U.S. Department of Commerce, Bureau of the Census.*

### Population Projections

<u>Area</u>	<u>2025</u>	<u>2030</u>	<u>2035</u>
Harrison County	18,643	18,515	18,285

*Source: Kentucky State Data Center, University of Louisville.*

## EDUCATION

### Public Schools

	<u>Total Enrollment (2021-22)</u>	<u>Pupil to Teacher Ratio</u>
Harrison County Schools	2,768	16 - 1

## Vocational Training

Vocational training is available at both the state vocational-technical schools and the area vocational education centers. The state vocational-technical schools are post-secondary institutions. The area vocational education centers are designed to supplement the curriculum of high school students. Both the state vocational-technical schools and the area vocational education centers offer evening courses to enable working adults to upgrade current job skills.

Arrangements can be made to provide training in the specific production skills required by an industrial plant. Instruction may be conducted either in the vocational school or in the industrial plant, depending upon the desired arrangement and the availability of special equipment.

## Bluegrass State Skills Corporation

The Bluegrass State Skills Corporation, an independent public corporation created and funded by the Kentucky General Assembly, provides programs of skills training to meet the needs of business and industry from entry level to advanced training, and from upgrading present employees to retraining experienced workers.

The Bluegrass State Skills corporation is the primary source for skills training assistance for a new or existing company. The Corporation works in partnership with other employment and job training resources and programs, as well as Kentucky's economic development activities, to package a program customized to meet the specific needs of a company.

<u>Technical School</u>	<u>Location</u>	<u>Enrollment (2019 – 2020)</u>
Harrison County ATC	Cynthiana	478
Clark County ATC	Winchester	664
Montgomery County ATC	Mt. Sterling	563
Mason County ATC	Maysville	219
Campbell County ATC	Alexandria	382
Madison County ATC	Richmond	896
Kenton County Academies of Innovation	Ft. Mitchell	508
Carroll County ATC	Carrollton	464
Boone County ATC	Hebron	215
Shelby County ATC	Shelbyville	598
Garrard County ATC	Lancaster	386

## Colleges and Universities

<u>Institution</u>	<u>Location</u>	<u>Enrollment (Fall 2020)</u>
Georgetown College	Georgetown, KY	1,484
Transylvania University	Lexington, KY	949
University of Kentucky	Lexington, KY	29,402
Midway University	Midway, KY	1,702
Kentucky State University	Frankfort, KY	2,171
Asbury University	Wilmore, KY	1,930
Eastern Kentucky University	Richmond, KY	16,612
Northern Kentucky University	Highland Heights, KY	14,980
Thomas More College	Crestview Hills, KY	2,238
Morehead State University	Morehead, KY	9,660
Berea College	Berea, KY	1,688
Centre College	Danville, KY	1,411

Source: Kentucky Cabinet for Economic Development.



## EXISTING INDUSTRY

<u>Firm</u>	<u>Product</u>	<u>Total Employed</u>
<i>Cynthiana:</i>		
3M	Office supplies	566
Abstract Manufacturing	Machining and welding fabrication	2
Bay Horse Innovations	Horse trailers and metal designs	8
Chromascape Inc.	Carbon black dispersors	35
Commercial Specialty Truck Holdings	Manufactures mixers for cement trucks	230
Cynthiana Publishing Co., Inc.	Newspaper & shopper's guide publishing	18
ED Bullard Company	Safety hard hats, fire helmets, face masks	250
EZ Pack	Machine shop	46
Farmers Tobacco Co. of Cynthiana	Cigarettes	46
Fikeco, Inc.	Sheet metal fabricating	14
Glen Gery Landmark Stone	Manufactured stone veneer	30
Harrison Machine Shop	Machine Shop	18
Lucas Equine Equipment, Inc.	Wood & metal farm gates; stee; & wood horse barn window grills, doors & stall fronts	28
Slade Pressure Washing, Inc.	Powder coating	12
STI Manufacturing Company	Wiring harnesses, automotive lights	34

*Source: Kentucky Cabinet for Economic Development (1/9/2020).*

**APPENDIX B**

**Harrison County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2022**

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**Audited Financial Statement ending June 30, 2021**

# **Harrison County School District**

**Financial Statements  
With Supplementary Information  
Year Ended June 30, 2021  
With Independent Auditors' Report**

HARRISON COUNTY SCHOOL DISTRICT

Year Ended June 30, 2021

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# HARRISON COUNTY SCHOOL DISTRICT

Year Ended June 30, 2021

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**HARRISON COUNTY SCHOOL DISTRICT**

**Year Ended June 30, 2021**

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## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Harrison County School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Harrison County School District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Harrison County School District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Independent Auditors' Report  
(Continued)**

**Other Matters**

***Required Supplementary Information***

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

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Harrison County School District's basic financial statements. The information on pages 50-51, 54, 55-57, and 68-70 as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The information on pages 50-51, 54, 55-57, and 68-70 as listed in the table of contents is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on pages 50-51, 54, 55-57, and 68-70 as listed in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2021 on our consideration of the Harrison County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Harrison County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Harrison County School District's internal control over financial reporting and compliance.



Crestview Hills, Kentucky  
November 10, 2021



## HARRISON COUNTY SCHOOL DISTRICT

### Management's Discussion and Analysis (MD&A) Year Ended June 30, 2021

As management of the Harrison County School District (District), we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

#### FINANCIAL HIGHLIGHTS

The ending cash balance for the District was \$4,461,824 in 2021 and \$8,258,924 in 2020. This represents a decrease of \$3,797,100. This large decrease was due to several reasons, one of which was construction cash on hand at the end of fiscal year 2020 of \$3,758,686 compared to only \$601,521 construction cash on hand at June 30, 2021. A large project had just started during FY 20 and much of the cash from the bond sale proceeds was still on hand at the end of that fiscal year. By June 30, 2021, the project was substantially complete and most all construction expenses had been paid, leaving a much smaller cash balance on hand in the construction fund. Another reason for the significant decrease in cash on hand from FY 20 to FY 21 was due to a large decrease of cash in the Special Revenue Fund. In FY20, there was a cash deficit of (\$147,977) and at the end of FY 21, there was a deficit of (\$2,468,119). This was due to the federal ESSER and ARP ESSER grants and the lag time in being reimbursed for these expenses incurred and paid in FY21. The Construction Fund and Special Revenue Fund alone come to a combined decrease in cash on hand of (\$5,477,307). This large decrease was offset by a significant increase in cash in the General Fund of \$1,938,676.

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

During fiscal year 2021, utility tax revenue was \$933,480. This represents an 8.6% decrease as compared to the previous year.

Excluding on-behalf payments, the General Fund had \$18,300,826 in revenue and other financing sources, which primarily consisted of SEEK, property, utilities, and motor vehicle taxes. Excluding on-behalf payments and transfers, General Fund expenditures totaled \$16,231,382.

During fiscal year 2021, the District recorded in its financial statements certain payments made by the State of Kentucky on behalf of the employees of the District, such as retirement plan match and insurance payments. These on-behalf payments totaled approximately \$7,329,120 including general fund, school food service and debt service.

## HARRISON COUNTY SCHOOL DISTRICT

### Management's Discussion and Analysis (MD&A) Year Ended June 30, 2021 (Continued)

#### OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

**HARRISON COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis (MD&A)**  
**Year Ended June 30, 2021**  
**(Continued)**

**DISTRICT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows exceeded assets and deferred outflows by \$1,386,438 as of June 30, 2021.

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

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

**Net Position for the periods ending June 30, 2021 and 2020**

The following is a summary of net position for the fiscal years ended June 30, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Current assets	\$ 8,019,247	\$ 9,180,058
Noncurrent assets	<u>22,350,949</u>	<u>20,046,451</u>
Total assets	<u>30,370,196</u>	<u>29,226,509</u>
Deferred outflows	<u>4,703,152</u>	<u>3,962,603</u>
Current liabilities	2,202,666	2,841,026
Noncurrent liabilities	<u>33,055,941</u>	<u>32,667,861</u>
Total liabilities	<u>35,258,607</u>	<u>35,508,887</u>
Deferred inflows	<u>3,298,279</u>	<u>3,155,730</u>
Net position:		
Investment in capital assets (net of debt)	8,560,971	4,976,956
Restricted	(16,908,857)	(13,408,654)
Unrestricted	<u>4,864,348</u>	<u>2,956,193</u>
Total net position	<u>\$ (3,483,538)</u>	<u>\$ (5,475,505)</u>

**HARRISON COUNTY SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)  
Year Ended June 30, 2021  
(Continued)**

**DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)**

**Comments on General Fund Budget Comparisons**

- The District's total General Fund revenue for the fiscal year ended June 30, 2021, net of interfund transfers and sale of assets, was \$24,207,184.
- General Fund budget compared to actual revenue varied from line item to line item with the ending actual balance being \$405,052 more than budget or approximately 1.67%.
- The total cost of General Fund programs and services was \$22,654,212, net of interfund transfers.
- General Fund revenue exceeded expenses by \$1,419,883 in fiscal year 2021.

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 25,218	\$ 109,754
Operating grants and capital grants	9,668,626	6,060,434
Total grant revenues	<u>9,693,844</u>	<u>6,170,188</u>
General Revenues		
Taxes	7,035,304	6,699,034
Grants and entitlements	8,450,494	9,330,324
Earnings on investments	55,716	124,594
Miscellaneous	2,703,944	2,321,694
Total general revenues	<u>18,245,458</u>	<u>18,475,646</u>
Total revenues	<u>27,939,302</u>	<u>24,645,834</u>
<b>Expenses</b>		
Instructional	9,369,965	8,888,720
Student support services	2,550,714	2,446,342
Staff support	2,208,500	1,317,614
District administration	631,032	651,497
School administration	1,433,408	1,390,402
Business support	945,357	791,572
Plant operations	3,651,732	3,494,098
Student transportation	1,930,743	1,829,385
Other instructional	1,819	613
Food service operation	2,511,067	3,393,351
Community service	366,036	391,411
Other non-instructional	-	1,364
Facility acquisition and construction	-	4,320
Interest on long-term debt	346,962	306,398
Total expenses	<u>25,947,335</u>	<u>24,907,087</u>
Excess (deficit) of revenues over expenses	<u>\$ 1,991,967</u>	<u>\$ (261,253)</u>

## **HARRISON COUNTY SCHOOL DISTRICT**

### **Management's Discussion and Analysis (MD&A) Year Ended June 30, 2021 (Continued)**

#### **BUDGETARY IMPLICATIONS**

In Kentucky, the public schools fiscal year is July 1<sup>st</sup> – June 30<sup>th</sup>; other programs, i.e. some federal programs operate on a different fiscal calendar but are reflected in the district overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget with \$2,776,872 in contingency (9.98%).

#### **LOCAL INFORMATION**

Harrison County has an estimated 18,886 residents per the 2019 census. Cynthiana is the county seat of Harrison County and was established in 1793. It is bordered on the west by the Kentucky River and the north by the Ohio River. The city has a Mayor/Council form of government.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

**HARRISON COUNTY SCHOOL DISTRICT**

**Statement of Net Position – District Wide  
Year Ended June 30, 2021**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
<b>Current:</b>			
Cash (cash overdraft) and cash equivalents	\$ 4,556,538	\$ 109,271	\$ 4,665,809
Accounts receivable	3,128,529	185,861	3,314,390
Inventories for consumption	-	39,048	39,048
Total current	<u>7,685,067</u>	<u>334,180</u>	<u>8,019,247</u>
<b>Noncurrent:</b>			
Construction in progress	5,130,309	-	5,130,309
Nondepreciated capital assets:			
Land	1,164,371	-	1,164,371
Depreciated capital assets:			
Land improvements	126,282	-	126,282
Buildings and improvements	39,424,994	-	39,424,994
Infrastructure	84,283	-	84,283
Furniture and equipment	4,799,336	745,565	5,544,901
Less: accumulated depreciation	<u>(28,546,104)</u>	<u>(578,087)</u>	<u>(29,124,191)</u>
Total noncurrent	<u>22,183,471</u>	<u>167,478</u>	<u>22,350,949</u>
Total assets	<u>29,868,538</u>	<u>501,658</u>	<u>30,370,196</u>
<b>Deferred outflows</b>	<u>4,237,688</u>	<u>465,464</u>	<u>4,703,152</u>
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
<b>Current:</b>			
Current portion of bonds payable	1,159,662	-	1,159,662
Accounts payable	214,982	8,587	223,569
Accrued interest	109,336	-	109,336
Accrued sick leave	41,181	-	41,181
Accrued payroll and related expenses	356,796	-	356,796
Unearned revenues	<u>312,122</u>	<u>-</u>	<u>312,122</u>
Total current	<u>2,194,079</u>	<u>8,587</u>	<u>2,202,666</u>
<b>Noncurrent:</b>			
Accrued sick leave	370,626	-	370,626
MIF net OPEB liability	8,144,377	316,071	8,460,448
CERS net pension liability	9,650,631	1,922,430	11,573,061
Bond obligations	<u>12,651,806</u>	<u>-</u>	<u>12,651,806</u>
Total noncurrent	<u>30,817,440</u>	<u>2,238,501</u>	<u>33,055,941</u>
Total liabilities	<u>33,011,519</u>	<u>2,247,088</u>	<u>35,258,607</u>
<b>Deferred inflows</b>	<u>3,130,590</u>	<u>167,689</u>	<u>3,298,279</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	8,393,493	167,478	8,560,971
Restricted	(15,293,724)	(1,615,133)	(16,908,857)
Unrestricted	<u>4,864,348</u>	<u>-</u>	<u>4,864,348</u>
Total net position	<u>\$ (2,035,883)</u>	<u>\$ (1,447,655)</u>	<u>\$ (3,483,538)</u>

The accompanying notes are an integral part of these financial statements

HARRISON COUNTY SCHOOL DISTRICT

Statement of Activities – District Wide  
Year Ended June 30, 2021

Function/Programs	Expenses	Program Revenues			Net (expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
Instructional	\$ 9,369,965	\$ -	\$ 3,799,633	\$ -	\$ (5,570,332)	\$ -	\$ (5,570,332)
Student support services	2,550,714	-	170,279	-	(2,380,435)	-	(2,380,435)
Staff support services	2,208,500	-	1,299,767	-	(908,733)	-	(908,733)
District administration	631,032	-	175,101	-	(455,931)	-	(455,931)
School administration	1,433,408	-	332	-	(1,433,076)	-	(1,433,076)
Business support services	945,357	-	157,443	-	(787,914)	-	(787,914)
Plant operation and maintenance	3,651,732	-	585,515	-	(3,066,217)	-	(3,066,217)
Student transportation	1,930,743	-	464,396	-	(1,466,347)	-	(1,466,347)
Other instructional	1,819	-	-	-	(1,819)	-	(1,819)
Community service operations	366,036	-	260,980	-	(105,056)	-	(105,056)
Other non-instructional	-	-	-	-	-	-	-
Facility acquisition and construction	-	-	-	-	-	-	-
Food service operation	5,016	-	-	-	(5,016)	-	(5,016)
Interest on long-term debt	346,962	-	-	-	(346,962)	-	(346,962)
Total governmental activities	23,441,284	-	6,913,446	-	(16,527,838)	-	(16,527,838)
<b>Business-type activities</b>							
Food service	2,506,051	25,218	2,755,180	-	-	274,347	274,347
Total business-type activities	2,506,051	25,218	2,755,180	-	-	274,347	274,347
Total school district	\$ 25,947,335	\$ 25,218	\$ 9,668,626	\$ -	(16,527,838)	274,347	(16,253,491)
<b>General revenues:</b>							
Taxes					7,035,304	-	7,035,304
State and federal sources					8,450,494	-	8,450,494
Investment earnings					55,716	-	55,716
Miscellaneous					2,703,944	-	2,703,944
Fund transfer					-	-	-
Total general and special revenues					18,245,458	-	18,245,458
Change in net position					1,717,620	274,347	1,991,967
Net position - beginning					(3,753,503)	(1,722,002)	(5,475,505)
Net position - ending					\$ (2,035,883)	\$ (1,447,655)	\$ (3,483,538)

The accompanying notes are an integral part of these financial statements

**HARRISON COUNTY SCHOOL DISTRICT**

**Balance Sheet – Governmental Funds  
As of June 30, 2021**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
<b>Current:</b>				
Cash (overdraft) and cash equivalents	\$ 5,871,090	\$ (2,468,119)	\$ 1,153,567	\$ 4,556,538
Accounts receivable	328,835	2,799,610	84	3,128,529
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 6,199,925</u>	<u>\$ 331,491</u>	<u>\$ 1,153,651</u>	<u>\$ 7,685,067</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
<b>Current:</b>				
Accounts payable	\$ 186,891	\$ 19,369	\$ 8,722	\$ 214,982
Unearned revenue	-	312,122	-	312,122
Accrued payroll and related expenses	356,796	-	-	356,796
	<hr/>	<hr/>	<hr/>	<hr/>
	543,687	331,491	8,722	883,900
<b>Fund Balances</b>				
Nonspendable - prepaids	-	-	-	-
Assigned:				
Site based carryforward	126,518	-	-	126,518
Sick leave	144,229	-	-	144,229
Other	-	-	140,696	140,696
Restricted:				
Capital projects	-	-	596,345	596,345
Other	-	-	407,888	407,888
Committed:				
Unassigned	5,385,491	-	-	5,385,491
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	5,656,238	-	1,144,929	6,801,167
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 6,199,925</u>	<u>\$ 331,491</u>	<u>\$ 1,153,651</u>	<u>\$ 7,685,067</u>

The accompanying notes are an integral part of these financial statements



**HARRISON COUNTY SCHOOL DISTRICT**

**Reconciliation of the Balance Sheet  
Governmental Funds to the Statement of Net Position  
As of June 30, 2021**

Total governmental fund balance		\$ 6,801,167
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Construction in process	5,130,309	
Cost of capital assets	45,599,266	
Accumulated depreciation	<u>(28,546,104)</u>	
		22,183,471
Deferred outflows		
Related to CERS	1,118,255	
CERS contributions made after the measurement date	763,607	
Related to MIF	1,832,710	
MIF contributions made after the measurement date	501,626	
Bond refunding	<u>21,490</u>	
		4,237,688
Deferred inflows		
Related to CERS	(288,011)	
Related to MIF	<u>(2,842,579)</u>	
		(3,130,590)
Long-term liabilities at year end consist of:		
Bonds payable		(13,895,210)
Premiums on bonds, net		(23,891)
Discounts on bonds, net		107,633
Accrued interest on bonds		(109,336)
Net pension liability		(9,650,631)
MIF net OPEB liability		(8,144,377)
Assessed KISBIT liability		-
Accrued sick leave		<u>(411,807)</u>
Total net position - governmental		<u>\$ (2,035,883)</u>

The accompanying notes are an integral part of these financial statements

**HARRISON COUNTY SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds  
Year Ended June 30, 2021**

	General Fund	Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 6,453,511	\$ -	\$ 581,793	\$ 7,035,304
Earnings on investments	52,113	41	3,562	55,716
State sources	17,505,258	1,785,238	1,437,115	20,727,611
Federal sources	130,804	4,914,603	-	5,045,407
Other sources	65,498	213,605	398,226	677,329
Total revenues	<u>24,207,184</u>	<u>6,913,487</u>	<u>2,420,696</u>	<u>33,541,367</u>
<b>Expenditures</b>				
Instructional	12,420,815	3,501,312	335,628	16,257,755
Student support services	2,358,603	170,279	15,573	2,544,455
Staff support services	891,174	1,299,767	17,559	2,208,500
District administration	442,387	175,101	-	617,488
School administration	1,433,076	332	-	1,433,408
Business support services	784,330	157,443	-	941,773
Plant operation and maintenance	2,696,740	585,515	-	3,282,255
Student transportation	1,464,160	464,396	14,514	1,943,070
Other instructional	-	-	1,819	1,819
Food service operation	5,016	-	-	5,016
Community service operations	103,923	260,980	-	364,903
Other non-instructional	-	-	-	-
Facility acquisition and construction	-	-	3,020,863	3,020,863
Debt service:				
Principal	48,570	-	1,250,000	1,298,570
Interest	5,418	-	346,376	351,794
Total expenditures	<u>22,654,212</u>	<u>6,615,125</u>	<u>5,002,332</u>	<u>34,271,669</u>
Excess (deficit) of revenues over expenditures	<u>1,552,972</u>	<u>298,362</u>	<u>(2,581,636)</u>	<u>(730,302)</u>
<b>Other financing sources (uses)</b>				
Loan and bond proceeds	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Operating transfers in	516,472	53,673	1,718,794	2,288,939
Operating transfers out	(53,673)	(352,035)	(1,883,231)	(2,288,939)
Total other financing sources (uses)	<u>462,799</u>	<u>(298,362)</u>	<u>(164,437)</u>	<u>-</u>
Net change in fund balance	2,015,771	-	(2,746,073)	(730,302)
Fund balance, July 1, 2020	<u>3,640,467</u>	<u>-</u>	<u>3,891,002</u>	<u>7,531,469</u>
Fund balance, June 30, 2021	<u>\$ 5,656,238</u>	<u>\$ -</u>	<u>\$ 1,144,929</u>	<u>\$ 6,801,167</u>

The accompanying notes are an integral part of these financial statements

**HARRISON COUNTY SCHOOL DISTRICT**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balance of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2021**

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

Net changes-governmental funds		\$ (730,302)
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.</p>		
Depreciation expense	(1,209,608)	
Capital outlays	3,431,699	2,222,091
<p>Bond and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Bond principal paid		1,298,569
Proceeds from sale of bonds		-
Discount on sale of bonds		-
Amortization of deferred outflow from bond refunding		(15,145)
Amortization of bond premium and discount, net		(3,907)
Deferred outflows related to pensions		(114,621)
Deferred outflows related to MIF		936,778
Deferred inflows related to pensions		256,234
Deferred inflows related to MIF		(468,840)
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
		(1,663,237)
Changes in net position of governmental activities		\$ 1,717,620

The accompanying notes are an integral part of these financial statements

**HARRISON COUNTY SCHOOL DISTRICT**  
**Statement of Net Position – Proprietary Funds**  
**As of June 30, 2021**

	<b>Food Service</b>	<b>Total</b>
<b>Assets</b>		
<b>Current</b>		
Cash (overdraft) and cash equivalents	\$ 109,271	\$ 109,271
Accounts receivable	185,861	185,861
Inventories for consumption	39,048	39,048
Total current	334,180	334,180
<b>Noncurrent</b>		
Equipment	745,565	745,565
Less: accumulated depreciation	(578,087)	(578,087)
Total noncurrent	167,478	167,478
Total assets	501,658	501,658
<b>Deferred outflows</b>	465,464	465,464
<b>Liabilities and Net Position</b>		
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable	8,587	8,587
Total current	8,587	8,587
<b>Noncurrent</b>		
MIF net OPEB liability	316,071	316,071
CERS net pension liability	1,922,430	1,922,430
Total noncurrent	2,238,501	2,238,501
Total liabilities	2,247,088	2,247,088
<b>Deferred inflows</b>	167,689	167,689
<b>Net Position</b>		
Invested in assets, net of debt	167,478	167,478
Restricted	(1,615,133)	(1,615,133)
Total net position	\$ (1,447,655)	\$ (1,447,655)

The accompanying notes are an integral part of these financial statements

**HARRISON COUNTY SCHOOL DISTRICT**

**Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds  
Year Ended June 30, 2021**

	<b>Food Service</b>	<b>Total</b>
<b>Operating revenues</b>		
Lunchroom sales	\$ 24,378	\$ 24,378
Other operating revenues	840	840
	25,218	25,218
<b>Operating expenses</b>		
Salaries and benefits	1,023,239	1,023,239
Contract services	68,831	68,831
Materials and supplies	1,381,083	1,381,083
Depreciation	18,189	18,189
Other operating expenses	14,709	14,709
	2,506,051	2,506,051
Operating loss	(2,480,833)	(2,480,833)
<b>Nonoperating revenues</b>		
Federal grants	2,315,078	2,315,078
State grants	332,012	332,012
Donated commodities and other donations	108,090	108,090
	2,755,180	2,755,180
Change in net position	274,347	274,347
Total net position, July 1, 2020	(1,722,002)	(1,722,002)
Total net position, June 30, 2021	\$ (1,447,655)	\$ (1,447,655)

The accompanying notes are an integral part of these financial statements

**HARRISON COUNTY SCHOOL DISTRICT**

**Statement of Cash Flows – Proprietary Funds  
Year Ended June 30, 2021**

	<u>Food Service Fund</u>	<u>Total</u>
<b>Cash flows from operating activities</b>		
Cash received from lunchroom sales	\$ 24,378	\$ 24,378
Cash received from other activities	64,845	64,845
Cash payments to employees for services	(1,135,875)	(1,135,875)
Cash payments to suppliers for goods and services	(1,470,747)	(1,470,747)
Net cash used in operating activities	<u>(2,517,399)</u>	<u>(2,517,399)</u>
<b>Cash flows from capital financing activities</b>		
Purchase of capital assets	<u>(100,596)</u>	<u>(100,596)</u>
Net cash used in capital financing activities	<u>(100,596)</u>	<u>(100,596)</u>
<b>Cash flows from noncapital financing activities</b>		
Non-operating revenues received	<u>2,755,180</u>	<u>2,755,180</u>
Net cash provided by noncapital financing activities	<u>2,755,180</u>	<u>2,755,180</u>
Net increase in cash and cash equivalents	137,185	137,185
Cash (overdraft) and cash equivalents - beginning	<u>(27,914)</u>	<u>(27,914)</u>
Cash (overdraft) and cash equivalents - ending	<u>\$ 109,271</u>	<u>\$ 109,271</u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>		
Operating loss	\$(2,480,833)	\$(2,480,833)
<b>Adjustments to reconcile operating loss to net cash used in operating activities</b>		
Depreciation	18,189	18,189
Changes in assets and liabilities:		
Increase in deferred outflows	66,463	66,463
Increase in deferred inflows	(70,057)	(70,057)
Increase in CERS net pension liability	(64,194)	(64,194)
Increase in MIF net OPEB liability	(44,848)	(44,848)
Increase in accounts payable	3,475	3,475
Increase in accounts receivable	64,005	64,005
Increase in inventories	(9,599)	(9,599)
Net cash used in operating activities	<u>\$(2,517,399)</u>	<u>\$(2,517,399)</u>
<b>Schedule of non-cash transactions:</b>		
Donated commodities received from federal government	<u>\$ 108,090</u>	<u>\$ 108,090</u>
On behalf payments	<u>\$ 314,444</u>	<u>\$ 314,444</u>

The accompanying notes are an integral part of these financial statements

**HARRISON COUNTY SCHOOL DISTRICT**  
**Statement of Net Position – Fiduciary Funds**  
**As of June 30, 2021**

	<u>Fiduciary Funds</u>	<u>Total</u>
<b>Assets</b>		
Cash and cash equivalents	<u>\$ 1,877,598</u>	<u>\$ 1,877,598</u>
Total assets	<u>1,877,598</u>	<u>1,877,598</u>
<b>Net Position</b>		
Unrestricted	<u>1,877,598</u>	<u>1,877,598</u>
Total net position	<u><u>\$ 1,877,598</u></u>	<u><u>\$ 1,877,598</u></u>

The accompanying notes are an integral part of these financial statements

HARRISON COUNTY SCHOOL DISTRICT

Statement of Changes in Net Position – Fiduciary Funds  
For The Year Ended June 30, 2021

	<u>Fiduciary Funds</u>	<u>Total</u>
<b>Additions</b>		
Contributions	\$ 102,154	\$ 102,154
Interest on investments	9,513	9,513
	<u>111,667</u>	<u>111,667</u>
<b>Deductions</b>		
Community service operations	<u>15,125</u>	<u>15,125</u>
	<u>15,125</u>	<u>15,125</u>
Increase in net position	96,542	96,542
Net position, July 1, 2020	<u>1,781,056</u>	<u>1,781,056</u>
Net position, June 30, 2021	<u><u>\$ 1,877,598</u></u>	<u><u>\$ 1,877,598</u></u>

The accompanying notes are an integral part of these financial statements



## HARRISON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### ***Reporting Entity***

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

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

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

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

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

##### ***Basis of Presentation***

District-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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

## HARRISON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statement (Continued)

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

##### *Basis of Presentation (Continued)*

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

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

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

The District has the following funds:

##### I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on page 68-69. This is a major fund of the District.
- (C) Special Revenue Activity Fund is used to support co-curricular activities and are not raised and expended by student groups. District activity funds accounted for in the District bank account are not subject to the Redbook and may be expended with more flexibility than school activity funds but must meet the "educational purpose" standard for all District expenditures.

## HARRISON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statement (Continued)

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

##### *Basis of Presentation (Continued)*

##### I. Governmental Fund Types (continued)

- (D) The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.
- (E) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
  - 2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
  - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. The District is committed to construction contracts in the amount of \$595,438 for ongoing projects.

##### II. Debt Service Fund

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

##### III. Proprietary Fund (Enterprise Fund)

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

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

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

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

## HARRISON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statement (Continued)

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

##### *Basis of Presentation (Continued)*

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

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

##### *Basis of Accounting*

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

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

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

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

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

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

## HARRISON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statement (Continued)

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

##### ***Taxes***

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

##### ***Budgetary Process***

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

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

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

##### ***Cash and Cash Equivalents***

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

##### ***Inventories***

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

##### ***Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the district-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars, with the exception of computers, digital cameras and real property, for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

HARRISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statement  
(Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Capital Assets (Continued)**

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

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

**Accumulated Unpaid Sick Leave Benefits**

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

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**Accrued Liabilities and Long-Term Obligations**

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

## HARRISON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statement (Continued)

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

##### ***Fund Balance Reserves***

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

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for purpose; positive amounts are reported only in the General fund.

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

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

##### ***Net Position***

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

##### ***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools.

## HARRISON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statement (Continued)

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

##### *Interfund Activity*

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

##### *Pensions*

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

##### *Postemployment Benefits Other than Pensions (OPEB)*

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they were reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

#### NOTE 2 ESTIMATES

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

#### NOTE 3 CASH AND CASH EQUIVALENTS

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



**HARRISON COUNTY SCHOOL DISTRICT**

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

**NOTE 4 CAPITAL ASSETS**

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

<u>Governmental Activities</u>	Balance June 30, 2020	Additions	Deductions	Balance June 30, 2021
Land	\$ 1,164,371	\$ -	\$ -	\$ 1,164,371
Land improvements	107,322	18,960	-	126,282
Buildings and improvements	39,280,964	144,030	-	39,424,994
Technology equipment	499,622	18,842	-	518,464
Vehicles	3,150,789	211,801	-	3,362,590
General equipment	901,078	17,204	-	918,282
Infrastructure	84,283	-	-	84,283
Construction work in progress	2,109,447	3,020,862	-	5,130,309
Totals at historical cost	<u>47,297,876</u>	<u>3,431,699</u>	<u>-</u>	<u>50,729,575</u>
Less: accumulated depreciation				
Land improvements	20,922	1,521	-	22,443
Buildings and improvements	24,009,956	930,589	-	24,940,545
Technology equipment	400,004	38,699	-	438,703
Vehicles	2,180,418	189,787	-	2,370,205
Infrastructure	49,958	4,214	-	54,172
General equipment	675,238	44,798	-	720,036
Total accumulated depreciation	<u>27,336,496</u>	<u>1,209,608</u>	<u>-</u>	<u>28,546,104</u>
Governmental activities capital assets - net	<u>\$ 19,961,380</u>	<u>\$ 2,222,091</u>	<u>\$ -</u>	<u>\$ 22,183,471</u>
<u>Business - Type Activities</u>				
General equipment	\$ 642,746	\$ 100,596	\$ -	\$ 743,342
Technology equipment	2,223	-	-	2,223
Totals at historical cost	<u>644,969</u>	<u>100,596</u>	<u>-</u>	<u>745,565</u>
Less: accumulated depreciation				
General equipment	557,675	18,189	-	575,864
Technology equipment	2,223	-	-	2,223
Total accumulated depreciation	<u>559,898</u>	<u>18,189</u>	<u>-</u>	<u>578,087</u>
Business - type activities capital assets - net	<u>\$ 85,071</u>	<u>\$ 82,407</u>	<u>\$ -</u>	<u>\$ 167,478</u>

**HARRISON COUNTY SCHOOL DISTRICT**

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

**NOTE 4 CAPITAL ASSETS (Continued)**

Depreciation expense by function for the fiscal year ended June 30, 2021 was as follows:

	Governmental	Business-Type
Instruction	\$ 417,102	\$ -
Student support services	6,259	-
Staff support services	-	-
District administration	13,544	-
School administration	-	-
Business support services	3,584	-
Plant operation and maintenance	568,512	-
Student transportation	199,474	-
Community service	1,133	-
Food service		18,189
Total	\$ 1,209,608	\$ 18,189

**NOTE 5 ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System and County Employees Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2021, this amount totaled approximately \$411,807 for those employees with twenty-seven or more years of experience.

**NOTE 6 LEASE OBLIGATIONS AND BONDED DEBT**

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

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

Issue Date	Proceeds	Rates
April 1, 2012	\$ 2,210,000	2.000%
June 1, 2012	995,000	2.250%
January 1, 2013	4,300,000	2.000%
September 1, 2015	477,919	2.000%
April 1, 2016	590,000	2.950%
August 1, 2016	4,245,000	2.000%
February 1, 2018	1,140,000	3.000%
February 19, 2020	3,445,000	2.000% - 2.500%
April 1, 2020	1,265,000	2.000% - 2.375%

## HARRISON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statement (Continued)

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

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

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 17 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2021 for debt service (principal and interest) are reported in Note 17.

#### NOTE 7 RETIREMENT PLANS

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

##### **General information about the County Employees Retirement System Non-Hazardous**

##### ***Plan description***

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

**HARRISON COUNTY SCHOOL DISTRICT**

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

**NOTE 7 RETIREMENT PLANS (Continued)**

***Benefits provided***

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

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

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

***Contributions***

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

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

The contribution requirement for CERS for the year ended June 30, 2021, was \$1,126,135, which consisted of \$915,720 from the District and \$210,415 from the employees. Total contributions for the year ended June 30, 2020 and 2019 were \$1,143,029 and \$1,013,151, respectively. The contributions have been contributed in full for fiscal years 2021, 2020 and 2019.

## HARRISON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statement (Continued)

#### NOTE 7 RETIREMENT PLANS (Continued)

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

###### *Plan description*

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

###### *Benefits provided*

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

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

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

## HARRISON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statement (Continued)

#### NOTE 7 RETIREMENT PLANS (Continued)

##### *Benefits provided (continued)*

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

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

Contributions—Contribution rates are established by Kentucky Revised Statutes. Non-university employees are required to contribute 12.8555% of their salaries to the System. University employees are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to TRS. The contribution requirement for TRS for the year ended June 30, 2021, was \$2,239,611, which consisted of \$595,835 from the District and \$1,643,776 from the employees. Total contributions for the year ended June 30, 2020 and 2019 were \$2,150,624 and \$2,129,731, respectively. The contributions have been contributed in full for fiscal years 2021, 2020 and 2019.

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

##### **Medical Insurance Plan**

##### *Plan description*

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

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

HARRISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statement  
(Continued)

NOTE 7 RETIREMENT PLANS (Continued)

*Funding policy*

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

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 11,573,061
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>50,070,447</u>
	<u>\$ 61,643,508</u>

The net pension liability for each plan was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2020, the District's proportion was 0.150889% percent.

**HARRISON COUNTY SCHOOL DISTRICT**

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

**NOTE 7 RETIREMENT PLANS (Continued)**

For the year ended June 30, 2021, the District recognized pension expense of \$765,158 related to CERS. The District also recognized a reduction of expense of \$9,179,949 and a reduction of revenue of \$9,179,949 for TRS support provided by the Commonwealth due to a change in assumptions. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 501,653	\$ 212,052
Net difference between projected and actual earnings on pension plan investments	288,596	-
Changes of assumptions	451,909	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	98,856	133,332
District contributions subsequent to the measurement date	<u>915,720</u>	<u>-</u>
Total	<u><u>\$ 2,256,734</u></u>	<u><u>\$ 345,384</u></u>

\$915,720 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 412,016
2023	320,726
2024	146,576
2025	116,312



HARRISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statement  
(Continued)

NOTE 7 RETIREMENT PLANS (Continued)

*Actuarial assumptions*

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

	<u>CERS</u>	<u>KTRS</u>
Inflation	2.30%	2.30%
Projected salary increases	3.30%	3.5-7.3%
Investment rate of return, net of investment expense and inflation	6.25%	7.50%

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

For TRS, Mortality rates were based on 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 were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015 adopted by the Board on November 19, 2016.

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

**HARRISON COUNTY SCHOOL DISTRICT**

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

**NOTE 7 RETIREMENT PLANS (Continued)**

***Actuarial assumptions (Continued)***

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

<u>Asset Class</u>	<u>KTRS Target Allocation</u>	<u>KTRS Long-Term Expected Real Rate of Return</u>	<u>CERS Target Allocation</u>	<u>CERS Long-Term Expected Real Rate of Return</u>
US equity	40.0%	4.60%	18.8%	4.50%
International Equity	22.0%	22.00%	18.8%	5.25%
Core bonds			13.5%	-0.25%
Private equity	7.0%	7.70%	10.0%	6.65%
High yield			15.0%	3.90%
Fixed income	15.0%	0.00%		
Additional categories	8.0%	2.50%		
Real estate	6.0%	4.30%	5.0%	5.30%
Opportunistic			3.0%	2.25%
Real return			15.0%	3.95%
Cash	2.0%	-0.50%	1.0%	-0.75%
Total	<u>100%</u>		<u>100%</u>	

***Discount rate***

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

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

**HARRISON COUNTY SCHOOL DISTRICT**

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

**NOTE 7 RETIREMENT PLANS (Continued)**

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

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

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 14,272,103	\$ 11,573,061	\$ 9,338,152
KTRS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	-	-	-

***Pension plan fiduciary net position***

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

**NOTE 8 OPEB PLANS**

**General information about the Teachers' Retirement System OPEB Plan**

***Plan description***

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

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

## HARRISON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statement (Continued)

#### NOTE 8 OPEB PLANS (CONTINUED)

##### Medical Insurance Plan

###### *Plan description*

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

###### *Benefits provided*

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

###### *Contributions*

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

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

###### *Plan description*

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

HARRISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statement  
(Continued)

NOTE 8 OPEB PLANS (CONTINUED)

*Benefits provided*

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

*Contributions*

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

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

At June 30, 2021, the Harrison County School District reported a liability of \$8,460,448 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 both June 30, 2020 and 2019, the District's proportion was 0.19 percent for TRS and 0.15 percent for CERS.

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

District's proportionate share of the CERS net OPEB liability	\$ 3,642,448
District's proportionate share of the TRS net OPEB liability	4,818,000
State's proportionate share of the net OPEB liability associated with the District	<u>3,859,000</u>
	<u><u>\$ 12,319,448</u></u>

**HARRISON COUNTY SCHOOL DISTRICT**

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

**NOTE 8 OPEB PLANS (CONTINUED)**

For the year ended June 30, 2021, the District recognized OPEB expense of (\$813,070) and revenue of \$270,044 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual performance	\$ 608,577	\$ 2,663,052
Net difference between projected and actual earnings on OPEB plan investments	352,391	74,324
Change of Assumptions	925,571	3,853
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,296	211,666
District contributions subsequent to the measurement date	521,093	-
Total	\$ 2,424,928	\$ 2,952,895

Of the total amount reported as deferred outflows of resources related to OPEB, \$521,093 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2022	\$ (171,557)
2023	(123,729)
2024	(194,310)
2025	(171,046)
2026	(287,418)
Thereafter	(101,000)

**HARRISON COUNTY SCHOOL DISTRICT**

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

**NOTE 8 OPEB PLANS (CONTINUED)**

***Actuarial assumptions***

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	TRS	CERS
Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.	6.25%
Projected salary increases	3.50 - 7.20%, including inflation	3.30% to 11.55%, varies by service
Inflation rate	3.00%	2.30%
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	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Ages 65 and Older	5.25% for FY 2020 decreasing to an ultimate rate of 5.00% by FY 2022	Initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years
Medicare Part B Premiums	6.49% for FY 2020 with an ultimate rate of 5.00% by 2031	
Municipal Bond Index Rate	2.19%	2.45%
Discount Rate	8.00%	5.34%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation	

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

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

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

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

**HARRISON COUNTY SCHOOL DISTRICT**

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

**NOTE 8 OPEB PLANS (CONTINUED)**

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	58.0%	5.4%
Fixed Income	9.0%	0.0%
Real Estate	6.5%	4.3%
Private Equity	8.5%	7.7%
Other Additional Categories	17.0%	2.5%
Cash (LIBOR)	1.0%	-0.5%
Total	<u>100.0%</u>	

***Discount rate***

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

For CERS, the discount rate used to measure the total OPEB liability was 5.34%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.



**HARRISON COUNTY SCHOOL DISTRICT**

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

**NOTE 8 OPEB PLANS (CONTINUED)**

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

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
<b>TRS</b>			
District's net OPEB liability	\$ 5,822,000	\$ 4,818,000	\$ 3,978,000
	<u>1% Decrease (4.34%)</u>	<u>Current Discount Rate (5.34%)</u>	<u>1% Increase (6.34%)</u>
<b>CERS</b>			
Districts' net OPEB liability	\$ 4,679,476	\$ 3,642,448	\$ 2,790,702

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

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
<b>TRS</b>			
District's net OPEB liability	\$ 3,818,000	\$ 4,818,000	\$ 6,048,000
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
<b>CERS</b>			
District's net OPEB liability	\$ 2,820,165	\$ 3,642,448	\$ 4,640,308

***OPEB plan fiduciary net position***

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

**Life Insurance Plan**

***Plan description***

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

**HARRISON COUNTY SCHOOL DISTRICT**

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

**NOTE 8 OPEB PLANS (CONTINUED)**

***Benefits provided***

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

***Contributions***

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

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

At June 30, 2021, the Harrison County School District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the District		117,000
		117,000
	\$	117,000

For the year ended June 30, 2021, the District recognized OPEB expense of \$-0- and revenue of \$5,619 for support provided by the State.

***Actuarial assumptions***

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

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

**HARRISON COUNTY SCHOOL DISTRICT**

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

**NOTE 8 OPEB PLANS (CONTINUED)**

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

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

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

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

Asset Class*	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Large Cap Equity	40.0%	4.6%
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 Additional Categories	6.0%	2.5%
Cash (LIBOR)	2.0%	-0.5%
Total	<u>100.0%</u>	

*\* As the LIF investment policy is to change, the above reflects the pension allocation and returns that achieve the target 8.0% long-term rate of return*

**Discount rate**

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

**HARRISON COUNTY SCHOOL DISTRICT**

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

**NOTE 8 OPEB PLANS (CONTINUED)**

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

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

***OPEB plan fiduciary net position***

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

**NOTE 9 CONTINGENCIES**

Grant Fund Approval

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

**NOTE 10 INSURANCE AND RELATED ACTIVITIES**

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

**NOTE 11 RISK MANAGEMENT**

The District is self-insured for unemployment insurance benefits. The District reimburses the state for any claims paid. The District purchases workers' compensation insurance through Kentucky Employer's Mutual Insurance. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

HARRISON COUNTY SCHOOL DISTRICT

Notes to the Financial Statement  
(Continued)

**NOTE 12 DEFICIT OPERATING/FUND BALANCES**

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

Capital Outlay Fund	\$ 255,584
District Activity Fund	1,430
Building Fund	160,244
Construction Fund	2,346,940
Eastside Elementary School	7,166
Harrison County Middle School	2,391
Southside Elementary School	105
Westside Elementary School	2,397

**NOTE 13 COBRA**

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

**NOTE 14 COMMITMENTS UNDER NONCAPITALIZED LEASES**

The District has operating leases for twenty-five copiers for sixty months at \$4,190 per month expiring in January 2023 and three mailing systems for 60 months at \$198 per quarter expiring in October 2021. Expenditures for the equipment under these operating leases totaled \$50,478 for the year ended June 30, 2021.

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

Year Ending <u>June 30,</u>	
2022	\$ 50,280
2023	<u>29,330</u>
Total minimum payments	<u>\$ 79,610</u>

**HARRISON COUNTY SCHOOL DISTRICT**

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

**NOTE 15 TRANSFER OF FUNDS**

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Special Revenue	Match	\$ 53,673
Special Revenue	Debt Service	Debt service	41,200
Building Fund	General Fund	Capital Funds Request	62,117
Building Fund	Debt service	Debt service	963,330
Building Fund	Construction Fund	Construction	368,392
School Activity Fund	School Activity Fund	Transfers between accounts	40,341
Special Revenue	General Fund	Indirect costs	18,617
Capital Outlay	Construction Fund	Capital Funds Request	305,531
Capital Outlay	General Fund	Capital Funds Request	143,520
Special Revenue	General Fund	Indirect costs	292,218

**NOTE 16 ON-BEHALF PAYMENTS**

For the year ended June 30, 2021, total payments of \$7,329,120 were made for life insurance, health insurance, TRS matching, technology and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 6,422,830
Debt Service	591,846
Food Service	<u>314,444</u>
Total On-Behalf	<u>\$ 7,329,120</u>

**HARRISON COUNTY SCHOOL DISTRICT**

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

**NOTE 17 SCHEDULE OF LONG-TERM OBLIGATIONS**

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

FISCAL YEAR	Harrison County School District			KY School Facilities Construction Commission			Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2021-2022	\$ 701,460	\$ 192,724	\$ 894,184	\$ 462,109	\$ 134,888	\$ 596,997	\$ 1,491,181
2022-2023	717,575	178,518	896,093	472,289	124,708	596,997	1,493,090
2023-2024	724,296	163,269	887,565	463,445	114,078	577,523	1,465,088
2024-2025	688,860	148,448	837,308	325,176	105,057	430,233	1,267,541
2025-2026	662,361	133,776	796,137	322,639	97,443	420,082	1,216,219
2026-2027	675,474	119,828	795,302	334,526	89,892	424,418	1,219,720
2027-2028	693,086	104,609	797,695	321,914	82,055	403,969	1,201,664
2028-2029	431,364	88,717	520,081	268,636	74,161	342,797	862,878
2029-2030	444,336	77,040	521,376	285,664	67,283	352,947	874,323
2030-2031	452,218	65,003	517,221	282,782	60,015	342,797	860,018
2031-2032	469,799	52,624	522,423	295,201	52,747	347,948	870,371
2032-2033	479,511	39,793	519,304	230,489	45,180	275,669	794,973
2033-2034	150,200	26,606	176,806	239,800	39,513	279,313	456,119
2034-2035	158,600	23,343	181,943	251,400	33,528	284,928	466,871
2035-2036	166,589	19,824	186,413	253,411	27,059	280,470	466,883
2036-2037	161,208	16,126	177,334	228,792	20,426	249,218	426,552
2037-2038	170,911	12,373	183,284	234,089	14,380	248,469	431,753
2038-2039	174,327	8,392	182,719	160,673	8,208	168,881	351,600
2039-2040	172,360	4,174	176,534	167,640	4,192	171,832	348,366
	<u>\$ 8,294,535</u>	<u>\$ 1,475,187</u>	<u>\$ 9,769,722</u>	<u>\$ 5,600,675</u>	<u>\$ 1,194,813</u>	<u>\$ 6,795,488</u>	<u>\$ 16,565,210</u>

A summary of the changes in the principal of the outstanding bond obligations and sick leave accrual for the District during the year ended June 30, 2021 is as follows:

Governmental Activities	Balance	Additions	Payments	Balance
	July 1, 2020			June 30, 2021
Bond obligations	\$ 15,193,779	\$ -	\$ 1,298,569	\$ 13,895,210
Bond premium	\$ 27,013	\$ -	\$ 3,122	\$ 23,891
Bond discount	\$ (114,662)	\$ -	\$ (7,029)	\$ (107,633)
Accrued sick leave	\$ 288,459	\$ 164,786	\$ 41,438	\$ 411,807

**NOTE 18 COVID-19 PANDEMIC**

The COVID-19 outbreak in the United States has caused disruption through limited district activities. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. At this time, the District is uncertain on the disruption's impact on its operating results.

**NOTE 19 SUBSEQUENT EVENTS**

Subsequent events were considered through November 10, 2021, which represents the release date of our report.

SUPPLEMENTARY  
INFORMATION



**HARRISON COUNTY SCHOOL DISTRICT**

**Combining Balance Sheet – Nonmajor Governmental Funds  
As of June 30, 2021**

	<u>Debt Service Fund</u>	<u>Building Fund</u>	<u>District Activity Fund</u>	<u>Capital Outlay Fund</u>	<u>Construction Fund</u>	<u>School Activity Fund</u>	<u>Total Nonmajor Government Funds</u>
<b>Assets</b>							
<b>Current:</b>							
Cash and cash equivalents	\$ -	\$ 907	\$ 142,066	\$ -	\$ 601,521	409,073	\$ 1,153,567
Accounts receivable	-	-	-	-	-	84	84
Total current	<u>\$ -</u>	<u>\$ 907</u>	<u>\$ 142,066</u>	<u>\$ -</u>	<u>\$ 601,521</u>	<u>\$ 409,157</u>	<u>\$ 1,153,651</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,370</u>	<u>\$ -</u>	<u>\$ 6,083</u>	<u>1,269</u>	<u>\$ 8,722</u>
Total liabilities	-	-	1,370	-	6,083	1,269	8,722
<b>Fund Balances:</b>							
Assigned:							
Other	-	-	140,696	-	-	-	140,696
Restricted:							
Capital projects fund	-	907	-	-	595,438	-	596,345
Other	-	-	-	-	-	407,888	407,888
Total fund balances	-	907	140,696	-	595,438	407,888	1,144,929
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 907</u>	<u>\$ 142,066</u>	<u>\$ -</u>	<u>\$ 601,521</u>	<u>\$ 409,157</u>	<u>\$ 1,153,651</u>

**HARRISON COUNTY SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance –  
Nonmajor Governmental Funds  
Year Ended June 30, 2021**

	<u>Debt Service Fund</u>	<u>Building Fund</u>	<u>District Activity Fund</u>	<u>Capital Outlay Fund</u>	<u>Construction Fund</u>	<u>School Activity Fund</u>	<u>Total Nonmajor Government Funds</u>
<b>Revenues:</b>							
Taxes	\$ -	\$ 581,793	\$ -	\$ -	\$ -	\$ -	\$ 581,793
Earnings on investments	-	-	3,560	-	-	2	3,562
State sources	591,846	589,685	-	255,584	-	-	1,437,115
Other sources	-	-	58,323	-	-	339,903	398,226
Total revenues	<u>591,846</u>	<u>1,171,478</u>	<u>61,883</u>	<u>255,584</u>	<u>-</u>	<u>339,905</u>	<u>2,420,696</u>
<b>Expenditures:</b>							
Instructional	-	-	57,115	-	-	278,513	335,628
Student support services	-	-	646	-	-	14,927	15,573
Staff support services	-	-	5,549	-	-	12,010	17,559
Student transportation	-	-	3	-	-	14,511	14,514
Other instruction	-	-	-	-	-	1,819	1,819
Facility acquisition and construction	-	-	-	-	3,020,863	-	3,020,863
Debt service:							
Principal	1,250,000	-	-	-	-	-	1,250,000
Interest	346,376	-	-	-	-	-	346,376
Total expenditures	<u>1,596,376</u>	<u>-</u>	<u>63,313</u>	<u>-</u>	<u>3,020,863</u>	<u>321,780</u>	<u>5,002,332</u>
Excess (deficit) of revenues over expenditures	<u>(1,004,530)</u>	<u>1,171,478</u>	<u>(1,430)</u>	<u>255,584</u>	<u>(3,020,863)</u>	<u>18,125</u>	<u>(2,581,636)</u>
<b>Other Financing Sources (Uses)</b>							
Operating transfers in	1,004,530	-	-	-	673,923	40,341	1,718,794
Operating transfers out	-	(1,331,722)	-	(511,168)	-	(40,341)	(1,883,231)
Total other financing sources(uses)	<u>1,004,530</u>	<u>(1,331,722)</u>	<u>-</u>	<u>(511,168)</u>	<u>673,923</u>	<u>-</u>	<u>(164,437)</u>
Net change in fund balance	-	(160,244)	(1,430)	(255,584)	(2,346,940)	18,125	(2,746,073)
Fund balance, July 1, 2020	-	161,151	142,126	255,584	2,942,378	389,763	3,891,002
Fund balance, June 30, 2021	<u>\$ -</u>	<u>\$ 907</u>	<u>\$ 140,696</u>	<u>\$ -</u>	<u>\$ 595,438</u>	<u>\$ 407,888</u>	<u>\$ 1,144,929</u>

**HARRISON COUNTY SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual – General Fund  
Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>Revenues</b>				
Taxes	\$ 6,557,118	\$ 6,557,118	\$ 6,453,511	\$ (103,607)
Earnings on investments	50,000	50,000	52,113	2,113
State sources	17,448,367	17,448,367	17,505,258	56,891
Federal sources	118,000	118,000	130,804	12,804
Other sources	145,119	145,119	581,970	436,851
	<u>24,318,604</u>	<u>24,318,604</u>	<u>24,723,656</u>	<u>405,052</u>
<b>Expenditures</b>				
Instructional	13,304,425	13,304,425	12,420,815	883,610
Student support services	2,383,994	2,383,994	2,358,603	25,391
Staff support services	981,276	981,276	891,174	90,102
District administration	671,911	671,911	442,387	229,524
School administration	1,422,817	1,422,817	1,433,076	(10,259)
Business support services	811,078	811,078	784,330	26,748
Plant operation and maintenance	3,091,810	3,091,810	2,696,740	395,070
Student transportation	2,117,714	2,117,714	1,464,160	653,554
Other instructional	-	-	-	-
Food service operation	22,887	22,887	5,016	17,871
Community service operations	122,399	122,399	103,923	18,476
Facility acquisition and construction	-	-	-	-
Debt service	53,987	53,987	53,988	(1)
Other	2,830,544	2,830,544	53,673	2,776,871
	<u>27,814,842</u>	<u>27,814,842</u>	<u>22,707,885</u>	<u>5,106,957</u>
Net change in fund balance	(3,496,238)	(3,496,238)	2,015,771	5,512,009
Fund balance, July 1, 2020	<u>3,496,238</u>	<u>3,496,238</u>	<u>3,640,467</u>	<u>144,229</u>
Fund balance, June 30, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,656,238</u>	<u>\$ 5,656,238</u>

**HARRISON COUNTY SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual – Special Revenue Fund  
Year Ended June 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Revenues</b>				
Earnings on investments	\$ -	\$ -	\$ 41	\$ 41
State sources	1,941,764	1,941,764	1,785,238	(156,526)
Federal sources	9,009,591	2,507,079	4,914,603	2,407,524
Other sources	53,672	53,672	267,278	213,606
Total revenues	<u>11,005,027</u>	<u>4,502,515</u>	<u>6,967,160</u>	<u>2,464,645</u>
<b>Expenditures</b>				
Instructional	5,094,565	3,132,962	3,501,312	(368,350)
Student support services	173,501	90,447	170,279	(79,832)
Staff support services	1,103,190	622,124	1,299,767	(677,643)
District administration	577,934	-	175,101	(175,101)
School administration	-	-	332	(332)
Business support services	81,370	62,463	157,443	(94,980)
Plant operation and maintenance	829,632	156,904	585,515	(428,611)
Student transportation	2,058,079	99,404	464,396	(364,992)
Community service operations	250,009	250,009	260,980	(10,971)
Other	836,747	88,202	352,035	(263,833)
Total expenditures	<u>11,005,027</u>	<u>4,502,515</u>	<u>6,967,160</u>	<u>(2,464,645)</u>
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2020	-	-	-	-
Fund balance, June 30, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**HARRISON COUNTY SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balance  
Bond and Interest Redemption Funds  
For the Year Ended June 30, 2021**

	<b>Issue of 2010 - Ref</b>	<b>Issue of 2012</b>	<b>Issue of 2012 - Ref</b>	<b>Issue of 2013</b>	<b>Issue of 2015 KISTA</b>
<b>Cash at July 1, 2020</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Receipts:</b>					
Transfers and miscellaneous deposits	133,380	64,095	241,362	317,140	53,988
<b>Disbursements:</b>					
Bonds paid	130,000	45,000	225,000	220,000	48,570
Interest coupons	3,380	19,095	16,362	97,140	5,418
Total disbursements	133,380	64,095	241,362	317,140	53,988
Excess of receipts over disbursements	-	-	-	-	-
<b>Cash at June 30, 2021</b>	-	-	-	-	-
<b>Fund Balance at June 30, 2021</b>	\$ -	\$ -	\$ -	\$ -	\$ -
	<b>Issue of 2016 - Ref</b>	<b>Issue of 2018</b>	<b>Issue of 2020</b>	<b>Issue of 2020B</b>	<b>Total</b>
<b>Cash at July 1, 2020</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Receipts:</b>					
Transfers and miscellaneous deposits	462,300	110,219	185,692	42,585	1,650,364
<b>Disbursements:</b>					
Bonds paid	395,000	80,000	115,000	15,000	1,298,570
Interest coupons	67,300	30,219	70,692	27,585	351,794
Total disbursements	462,300	110,219	185,692	42,585	1,650,364
Excess of receipts over disbursements	-	-	-	-	-
<b>Cash at June 30, 2021</b>	-	-	-	-	-
<b>Fund Balance at June 30, 2021</b>	\$ -	\$ -	\$ -	\$ -	\$ -

**HARRISON COUNTY SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balance  
Harrison County High School Activity Fund  
For the Year Ended June 30, 2021**

	<b>Fund Balance</b>			<b>Fund Balance</b>
	<b>July 1, 2020</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>June 30, 2021</b>
Academic Team	\$ 1,331	\$ -	\$ -	\$ 1,331
AFJROTC	11,068	15,337	15,507	10,898
Archery	15,223	5,902	13,788	7,337
Art Club	58	-	-	58
Athletic	2,084	3,117	2,795	2,406
Athletic Concessions	4,808	9,785	11,784	2,809
Athletic Officials	1,347	28,828	28,500	1,675
Band Boosters	8,914	11,936	4,260	16,590
Band Trips	55	-	-	55
Baseball	21,436	18,573	18,658	21,351
Beta Club	85	4,347	2,828	1,604
Book Club	741	-	-	741
Bowling	2,124	2,786	2,043	2,867
Boys Basketball	9,514	18,438	18,152	9,800
Boys Soccer	4,839	2,221	998	6,062
Boys Track	1,659	2,978	2,744	1,893
Cheerleading	7,977	9,804	9,023	8,758
Chorus	792	-	40	752
Class of 2021	1,418	-	1,418	-
Class of 2022	156	-	-	156
Class of 2023	685	-	-	685
Community Enrichment Club	947	-	-	947
Counselors	3,244	15,231	14,927	3,548
Cross Country	401	442	592	251
Culinary Club	2,134	1,322	1,595	1,861
Dance Team	735	-	-	735
District Baseball	-	4,093	4,093	-
District Soccer	-	1,775	1,775	-
Esports	-	1,065	700	365
FCCLA	5,070	-	928	4,142
FFA	974	8,472	4,275	5,171
FFA Greenhouse	15,426	16,764	13,386	18,804
FFA Service Project	864	-	-	864
FFA- Soil Conservation	823	-	-	823
Football	3,223	18,757	14,037	7,943
Football Boosters	434	-	-	434
General	14,658	-	2,736	11,922
Girls Basketball	3,513	12,067	12,574	3,006
Girls Soccer	14,533	9,076	6,308	17,301
Girls Track	2,708	2,478	1,792	3,394
Golf Team	2,367	3,115	2,799	2,683

**HARRISON COUNTY SCHOOL DISTRICT**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021**

	<b>Fund Balance July 1, 2020</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Fund Balance June 30, 2021</b>
High School Gaming	501	557	555	503
Library	427	-	400	27
Pep Club	883	-	-	883
Project Graduation	2,103	17,026	18,622	507
Prom	14,915	5,909	12,762	8,062
PTSO	-	575	575	-
ROTC Marksmanship Team	61	-	-	61
Senior Graduation Fund	19	-	-	19
Softball	9,103	26,701	15,135	20,669
Softball Boosters	6,384	11,731	5,435	12,680
Spanish Club	179	-	-	179
Speech Club	404	475	100	779
Staff Account	467	-	246	221
Start Up Cash	-	350	350	-
Student Council	675	-	-	675
Swim Team	41	-	-	41
Tennis	3,755	1,230	796	4,189
Tenth Region GBCA	1,312	1,300	-	2,612
Track Boosters	942	590	-	1,532
Tri-M	544	-	-	544
Volleyball	3,835	7,483	5,353	5,965
Volleyball Boosters	7,698	4,460	4,146	8,012
Wrestling	2,164	8,251	6,221	4,194
Wrestling Boosters	7,067	1,116	1,245	6,938
Yearbook Fund	11,309	4,803	4,293	11,819
Youth Service Center	376	-	73	303
<b>Total</b>	<b>\$ 243,960</b>	<b>\$ 321,266</b>	<b>\$ 291,362</b>	<b>\$ 273,864</b>

**HARRISON COUNTY SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balance  
School Activity Funds  
For the Year Ended June 30, 2021**

	<u>Northside Elementary School</u>	<u>Southside Elementary School</u>	<u>Westside Elementary School</u>	<u>Eastside Elementary School</u>	<u>Harrison County Middle School</u>	<u>Total</u>
Fund balance at July 1, 2020	\$ 12,003	\$ 32,294	\$ 20,907	\$ 18,497	\$ 62,102	\$ 145,803
Add: receipts	7,547	6,397	170	275	44,590	58,979
Less: disbursements	<u>(7,266)</u>	<u>(6,502)</u>	<u>(2,567)</u>	<u>(7,441)</u>	<u>(46,981)</u>	<u>(70,757)</u>
Fund balance at June 30, 2021	<u>\$ 12,284</u>	<u>\$ 32,189</u>	<u>\$ 18,510</u>	<u>\$ 11,331</u>	<u>\$ 59,711</u>	<u>\$ 134,025</u>



**HARRISON COUNTY SCHOOL DISTRICT**

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

	Last 10 Fiscal Years*									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the net pension liability	0%	0%	0%	0%	0%	0%	*	*	*	*
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*	*
State's proportionate share of the net pension liability associated with the District	50,070,447	48,760,694	48,627,737	99,430,873	108,642,112	86,783,333	*	*	*	*
<b>Total</b>	<b>\$ 50,070,447</b>	<b>\$ 48,760,694</b>	<b>\$ 48,627,737</b>	<b>\$ 99,430,873</b>	<b>\$ 108,642,112</b>	<b>\$86,783,333</b>	<b>*</b>	<b>*</b>	<b>*</b>	<b>*</b>
District's covered-employee payroll	\$ 12,569,716	\$ 12,323,286	\$ 12,606,882	\$ 12,303,521	\$ 11,518,006	*	*	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%	0%	0%	0%	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	58.27%	58.76%	59.27%	39.83%	35.22%	42.49%	45.59%	*	*	*

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

*Changes of benefit terms:* None

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

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

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

*Changes of assumption:* In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation for the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

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

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

**HARRISON COUNTY SCHOOL DISTRICT**

**Schedule of District Contributions – TRS**

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 595,835	\$ 551,718	\$ 543,374	\$ 530,186	\$ 517,880	\$ 485,598	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(595,835)</u>	<u>(551,718)</u>	<u>(543,374)</u>	<u>(530,186)</u>	<u>(517,880)</u>	<u>(485,598)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 12,053,828	\$ 12,569,716	\$ 12,323,286	\$ 12,606,882	\$ 12,303,521	\$ 11,518,006	*	*	*	*
Contributions as a percentage of of covered-employee payroll	4.94%	4.39%	4.41%	4.21%	4.21%	4.22%	*	*	*	*

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

# HARRISON COUNTY SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of net pension liability	0.150889%	0.149036%	0.154528%	0.157587%	0.157211%	0.163326%	0.164955%	*	*	*
District's proportionate share of the net pension liability	\$ 11,573,061	\$ 10,481,768	\$ 9,411,226	\$ 9,224,052	\$ 7,740,457	\$ 7,022,415	\$ 5,351,760	*	*	*
Total net pension liability	\$ 7,669,917,211	\$ 7,033,044,552	\$ 6,090,304,793	\$ 5,853,307,482	\$ 4,923,618,237	\$ 4,299,525,565	\$ 3,244,377,000	*	*	*
District's covered-employee payroll	\$ 3,865,481	\$ 3,758,761	\$ 3,915,252	\$ 3,908,124	\$ 3,732,093	\$ 3,839,356	\$ 3,790,176	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	299.40%	278.86%	240.37%	236.02%	207.40%	182.91%	141.20%	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%	*	*	*

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

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

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:  
 1. Tired structure for benefit accrual rates  
 2. New retirement eligibility requirements  
 3. Different rules for the computation of final average compensation

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

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

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

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

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

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

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

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

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

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

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

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

**HARRISON COUNTY SCHOOL DISTRICT**

**Schedule of District Contributions – CERS**

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 915,720	\$ 930,037	\$ 807,737	\$ 566,595	\$ 544,978	\$ 466,930	\$ 487,636	\$ 378,121	*	*
Contributions in relation to the contractually required contribution	(915,720)	(930,037)	(807,737)	(566,595)	(544,978)	(466,930)	(487,636)	(378,121)	*	*
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*	*
District's covered-employee payroll	\$ 3,807,137	\$ 3,865,481	\$ 3,758,761	\$ 3,915,252	\$ 3,908,124	\$ 3,732,093	\$ 3,839,356	\$ 3,790,176	*	*
Contributions as a percentage of covered-employee payroll	24.05%	24.06%	21.49%	14.47%	13.94%	12.51%	12.70%	9.98%	*	*

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

**HARRISON COUNTY SCHOOL DISTRICT**

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

	Last 10 Fiscal Years*									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the collective trust OPEB liability	0%	0%	0%	0%	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -	\$ -	*	*	*	*	*	*
State's proportionate share of the collective net OPEB liability (asset) associated with the District	117,000	105,000	99,000	52,000	*	*	*	*	*	*
Total net OPEB liability	\$ 117,000	\$ 105,000	\$ 99,000	\$ 52,000	*	*	*	*	*	*
District's covered-employee payroll	\$ 12,569,716	\$ 12,323,286	\$ 12,606,882	\$ 12,303,521	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	0.0%	0.0%	0.0%	0.0%	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	71.57%	73.40%	74.97%	79.99%	*	*	*	*	*	*

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

*Changes of benefit terms* - None.

*Methods and assumptions used in the actuarially determined contributions* - The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	27 years, Closed
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.45%
Discount rate	7.50%

**HARRISON COUNTY SCHOOL DISTRICT**

**Schedule of District Contributions – LIF**

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	-	-	-	-	*	*	*	*	*	*
Contribution deficiency	-	-	-	-	*	*	*	*	*	*
District's covered-employee payroll	\$ 12,053,828	\$ 12,569,716	\$ 12,323,286	\$ 12,606,882	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	*	*	*	*	*	*

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

**HARRISON COUNTY SCHOOL DISTRICT**

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

	Last 10 Fiscal Years*									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the collective trust OPEB liability	0.190887%	0.191690%	0.192762%	0.195477%	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 4,818,000	\$ 5,610,000	\$ 6,688,000	\$ 6,970,000	*	*	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ 3,859,000	\$ 4,531,000	\$ 5,764,000	\$ 5,637,000	*	*	*	*	*	*
Total net OPEB liability	\$ 8,677,000	\$ 10,141,000	\$12,452,000	\$12,607,000	*	*	*	*	*	*
District's covered-employee payroll	\$ 12,569,716	\$ 12,323,286	\$ 12,606,882	\$ 12,303,521	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	38.3%	45.5%	53.1%	56.7%	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	39.05%	32.58%	25.54%	21.18%	*	*	*	*	*	*

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

*Changes of benefit terms - None*

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contributions rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	21 years, Closed
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.25% 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	0.49% for FY 2020 with an ultimate rate of 5.00% by 2032
Under age 65 claims	The current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

## HARRISON COUNTY SCHOOL DISTRICT

### Schedule of District Contributions – MIF

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 337,119	\$ 333,785	\$ 343,370	\$ 334,908	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(337,119)</u>	<u>(333,785)</u>	<u>(343,370)</u>	<u>(334,908)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 12,053,828	\$ 12,569,716	\$ 12,323,286	\$ 12,606,882	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	2.80%	2.66%	2.79%	2.66%	*	*	*	*	*	*

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

*Changes of benefit terms - None*

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contributions rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	21 years, Closed
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.25% 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	0.49% for FY 2020 with an ultimate rate of 5.00% by 2032
Under age 65 claims	the current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).



**HARRISON COUNTY SCHOOL DISTRICT**

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

	Last 10 Fiscal Years*									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the collective trust OPEB liability	0.150845%	0.148900%	0.154522%	0.157587%	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$3,642,448	\$2,506,062	\$2,743,507	\$3,168,038	*	*	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ -	\$ -	\$ -	\$ -	*	*	*	*	*	*
Total net OPEB liability	\$3,642,448	\$2,506,062	\$2,743,507	\$3,168,038	*	*	*	*	*	*
District's covered-employee payroll	\$ 3,865,481	\$ 3,758,761	\$ 3,915,252	\$ 3,908,124	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	94.2%	66.7%	70.1%	81.1%	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	60.44%	57.62%	52.40%	*	*	*	*	*	*

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

*Changes in assumptions:* None

2018: Updated health care trend rates were implemented.

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

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 183,974	\$ 197,740	\$ 180,008	\$ 183,909	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(183,974)</u>	<u>(197,740)</u>	<u>(180,008)</u>	<u>(183,909)</u>	*	*	*	*	*	*
Contribution deficiency	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	*	*	*	*	*	*
District's covered-employee payroll	\$ 3,807,137	\$ 3,865,481	\$ 3,758,761	\$ 3,915,252	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	4.83%	5.12%	4.79%	4.70%	*	*	*	*	*	*

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

**HARRISON COUNTY SCHOOL DISTRICT**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Agreement Number</u>	<u>Federal Expenditures for FYE 6/30/2021</u>
<b>U.S. Department of Education</b>			
<b>Passed through Kentucky Department of Education</b>			
Special Education Cluster			
Special Education_Grants to States	84.027	3810002 20	\$ 630,733
Total CFDA #84.027			<u>630,733</u>
Special Education_Preschool Grants	84.173	3800002 21	26,651
Total CFDA #84.173			<u>26,651</u>
<b>Total Special Education Cluster</b>			<b><u>657,384</u></b>
Title I Grants to Local Educational Agencies	84.010	310002 19	10,837
Title I Grants to Local Educational Agencies	84.010	310002 20	104,640
Title I Grants to Local Educational Agencies	84.010	310002 21	611,759
Total CFDA #84.010			<u>727,236</u>
Migrant Education State Program	84.011	31002 21	25,000
Total CFDA #84.011			<u>25,000</u>
Vocational Education - Basic Grants to States	84.048	3710002 21	19,904
Total CFDA #84.048			<u>19,904</u>
Twenty-First Century Community Learning Centers	84.287	3400002 19	124,090
Twenty-First Century Community Learning Centers	84.287	3400002 20	356,304
Total CFDA #84.287			<u>480,393</u>
Title II Improving Teacher Quality State Grants	84.367	3230002 19	9,357
Title II Improving Teacher Quality State Grants	84.367	3230002 20	18,248
Title II Improving Teacher Quality State Grants	84.367	3230002 21	95,000
Total CFDA #84.367			<u>122,606</u>
Title IV, Part A, Student Support and Academic Enrichment	84.424A	3420002 20	4,443
Title IV, Part A, Student Support and Academic Enrichment	84.424A	3420002 21	48,646
Total CFDA #84.424A			<u>53,089</u>
Rural Education	84.358	3140002 20	17,020
Rural Education	84.358	3140002 21	54,120
Total CFDA #84.358			<u>71,140</u>
CARES Elementary and Secondary School Emergency Relief Fund	84.425D	4000002-20	601,971
2020-2021 Digital Learning Coaches	84.425D	4000003-20	3,476
CARES Governor's Emergency Relief Fund	84.425C	CARE-20	104,020
FY 21 Elementary and Secondary School Emergency Relief Fund II	84.425D	4200002-21	910,613
American Rescue Plan (ESSER III)	84.425U	4300002-21	1,115,604
Total CFDA #84.425			<u>2,735,684</u>
Last Mile Internet Coronavirus Relief Fund	21.019	CARES-20	35,156
Total CFDA #21.019			<u>35,156</u>
<b>Total Passed through Kentucky Department of Education</b>			<b><u>4,927,593</u></b>
<b>Total U.S. Department of Education</b>			<b><u>4,927,593</u></b>

**HARRISON COUNTY SCHOOL DISTRICT**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021 (Continued)**

**U.S. Department of Defense**

*Passed through Kentucky Department of Education*

ROTC	12.000	31002 13	56,340
<b>Total U.S. Department of Defense</b>			<b>56,340</b>

**U.S. Department of Homeland Security**

*Passed through Kentucky Department of Education*

Disaster Grants - Public Assistance Presidentially Declared Disasters)	97.036	70070201453	(13,708)
<b>Total U.S. Department of Homeland Security</b>			<b>(13,708)</b>

**U.S. Department of Health and Human Services**

*Passed through Kentucky Department of Education*

Every Student Succeeds Act/Preschool Development Grants	93.434	90TP0051	584
<b>Total U.S. Department of Health and Human Services</b>			<b>584</b>

**U.S. Department of Agriculture**

Child Nutrition Cluster

*Passed through Kentucky Department of Education*

Summer Food Service Program for Children	10.559	7690024 20	53,806
Summer Food Service Program for Children	10.559	7690024 21	154,547
Summer Food Service Program for Children	10.559	7740023 20	524,334
Summer Food Service Program for Children	10.559	7740023 21	1,507,154
National School Lunch Program	10.555	7750002 21	4,685
Child Nutrition Discretionary Grant	10.579	7840027-19	37,000
Supper Food Service Program	10.558	7790021 20	1,495
Supper Food Service Program	10.558	7790021 20	29,867
Supper Food Service Program	10.558	7800016 20	104
Supper Food Service Program	10.558	7800016 21	2,085
			<b>2,315,077</b>

*Passed through Kentucky Department of Agriculture*

National School Lunch Program - Food Donation (Commodities)	10.555	057502-02	108,090
<b>Total Child Nutrition Cluster</b>			<b>2,423,167</b>

**Total U.S. Department of Agriculture** **2,423,167**

**Total Expenditures of Federal Awards** **\$ 7,393,976**

## HARRISON COUNTY SCHOOL DISTRICT

### Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2021

#### NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Harrison County School District under programs of the federal government for the year ended June 30, 2021, and is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of *Federal* Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Harrison County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

#### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### NOTE 3 FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2021, the District reported food commodities expended in the amount of \$108,090.

#### NOTE 4 INDIRECT COST RATE

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

#### NOTE 5 SUBRECIPIENTS

The District did not have any subrecipients during the year ended June 30, 2021.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Harrison County School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Harrison County School District's basic financial statements, and have issued our report thereon dated November 10, 2021.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

We noted other matters that we reported to management of the District on pages 77-78.

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

**Purpose of this Report**

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



Crestview Hills, Kentucky  
November 10, 2021

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

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

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

We have audited Harrison County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Harrison County School District's major federal programs for the year ended June 30, 2021. Harrison County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, Harrison County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.



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

**Report on Internal Control Over Compliance**

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

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

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

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



Crestview Hills, Kentucky  
November 10, 2021

**HARRISON COUNTY SCHOOL DISTRICT**

**Schedule of Findings of Questioned Costs  
Year Ended June 30, 2021**

**SECTION I -SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
  
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None noted
  
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
  
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None noted

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR Section 200.516(a)? \_\_\_\_\_ Yes   X   No

***Identification of major programs***

CFDA No.	Name of Federal Program or Cluster
84.425	Education Stabilization Fund
21.019	Coronavirus Relief Fund

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

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters are reportable

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST**

No matters are reportable

**HARRISON COUNTY SCHOOL DISTRICT**

**Summary Schedule of Prior Year Findings and Questioned Costs  
Year Ended June 30, 2021**

Reference Number	Summary of Findings	Status
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**SECTION I -SUMMARY OF AUDITOR'S RESULTS**

No matters are reportable.

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters are reportable

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST**

No matters are reportable

**HARRISON COUNTY SCHOOL DISTRICT**

**Management Letter Comments  
Year Ended June 30, 2021**

In planning and performing our audit of the financial statements of Harrison County School District for the year ended June 30, 2021, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated November 10, 2021 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 10, 2021, on the financial statements of the Harrison County School District.

**CURRENT YEAR RECOMMENDATIONS**

**CENTRAL OFFICE**

No matters are reportable

**ACTIVITY FUNDS**

**Harrison County High School**

No matters are reportable

**Harrison County Middle School**

No matters are reportable

**Northside Elementary School**

No matters are reportable

**Southside Elementary School**

No matters are reportable

**Eastside Elementary School**

No matters are reportable

**Westside Elementary School**

No matters are reportable

**HARRISON COUNTY SCHOOL DISTRICT**

**Management Letter Comments (Continued)  
Year Ended June 30, 2021**

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

**CENTRAL OFFICE**

No matters are reportable

**Harrison County High School**

No matters are reportable

**Harrison County Middle School**

No matters are reportable

**Northside Elementary School**

No matters are reportable

**Southside Elementary School**

No matters are reportable

**Eastside Elementary School**

No matters are reportable

**Westside Elementary School**

No matters are reportable

**APPENDIX C**

**Harrison County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2022**

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**Continuing Disclosure Agreement**

## **CONTINUING DISCLOSURE UNDERTAKING AGREEMENT**

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of October 11, 2022, by and between the Board of Education of Harrison County, Kentucky ("Board"); the Harrison County School District Finance Corporation, an agency and instrumentality of the Board ("Corporation") and the Registered and Beneficial Owners of the Bonds hereinafter identified as third party beneficiaries to this Agreement. For the purposes of this Agreement "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the bond registrar.

### **WITNESSETH:**

WHEREAS, the Corporation has acted as issuing agency for the Board pursuant to the provisions of Section 162.385 of the Kentucky Revised Statutes ("KRS") and the Corporation's Bond Resolution in connection with the authorization, sale and delivery of \$2,080,000 of the Corporation's School Building Refunding Revenue Bonds, Series 2022, dated as of October 11, 2022 ("Bonds"), which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by RSA Advisors, LLC, Lexington, Kentucky ("Financial Advisor") and approved by the authorized representatives of the Board and the Corporation, and

WHEREAS, the Securities and Exchange Commission ("SEC"), pursuant to the Securities and Exchange Act of 1934, has amended the provisions of SEC Rule 15c2-12 relating to financial disclosures by the issuers of municipal securities under certain circumstances ("Rule"), and

WHEREAS, it is intended by the parties to this Agreement that all terms utilized herein shall have the same meanings as defined by the Rule, and

WHEREAS, the Board is an "obligated person" as defined by the Rule and subject to the provisions of said Rule, and

WHEREAS, failure by the Board and the Corporation to observe the requirements of the Rule will inhibit the subsequent negotiation, transfer and exchange of the Bonds with a resulting diminution in the market value thereof to the detriment of the Registered and Beneficial Owners of said Bonds and the Board;

NOW, THEREFORE, in order to comply with the provisions of the Rule and in consideration of the purchase of the Bonds by the Registered and Beneficial Owners, the parties hereto agree as follows:

### **1. ANNUAL FINANCIAL INFORMATION**

The Board agrees to provide the annual financial information contemplated by Rule 15c2-12(b)(5)(i) relating to the Board for its fiscal years ending June 30 of each year, commencing with fiscal year ending June 30, 2022, to (a) the Municipal Securities Rulemaking Board ("MSRB"), or any successor thereto for purposes of its Rule, through the continuing disclosure service portal provided by the MSRB's Electronic Municipal Market Access ("EMMA") system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission and (b) the State Information Depository ("SID"), if any (the Commonwealth of Kentucky has not established a SID as of the date of this Agreement) within nine (9) months of the close of each fiscal year.

For the purposes of the Rule "annual financial information" means financial information and operating data provided annually, of the type included in the FOS with respect to the Board in accordance with guidelines established by the National Federation of Municipal Analysts, and shall include annual audited financial statements for the Board in order that the recipients will be provided with ongoing information regarding revenues and operating expenses of the Board and the information provided in the FOS under the headings "OUTSTANDING BONDS", "BOND DEBT SERVICE", "DISTRICT STUDENT POPULATION", "LOCAL SUPPORT – Local Tax Rates, Property Assessment and Revenue Collections and SEEK Allotment". If audited financial statements are not available when the annual financial information is filed, unaudited financial statements shall be included, to be followed by audited financial statements when available.

The audited financial statements shall be prepared in accordance with Generally Accepted Accounting Principles, Generally Accepted Auditing Standards or in accordance with the appropriate sections of KRS or

Kentucky Administrative Regulations.

The parties hereto agree that this Agreement is entered into among them for the benefit of those who become Registered and Beneficial Owners of the Bonds as third party beneficiaries to said Agreement.

## 2. MATERIAL EVENTS NOTICES

Under the Rule, Section 15c2-12(b)(5)(i)(C), the following sixteen (16) events must be disclosed within ten (10) business days following the occurrence of said event to MSRB via EMMA and the SID, if any:

- (1) Principal/interest payment delinquency;
- (2) Nonpayment related default, if material;
- (3) Unscheduled draw on debt service reserve reflecting financial difficulties;
- (4) Unscheduled draw on credit enhancement reflecting financial difficulties;
- (5) Substitution of credit or liquidity provider, or its failure to perform;
- (6) Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the securities, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond call, if material and tender offers;
- (9) Defeasance;
- (10) Release, substitution or sale of property securing the repayment of the security, if material;
- (11) Rating change;
- (12) Merger, consolidation, acquisition or sale of all or substantially all assets of an obligated person, other than in the ordinary course of business, and the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to such action, other than pursuant to its terms, if material;
- (13) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (14) Successor, additional or change in trustee, if material;
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material, and;
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.



For purposes of this Agreement the term “financial obligation” means:

- (A) Debt obligation;
- (B) Derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
- (C) Guarantee of paragraph (A) or (B) above.

Notice of said material events shall be given to the entities identified in this Section by the Board on a timely basis (within ten (10) business days of the occurrence). Notwithstanding the foregoing, the provisions of the documents under which the Bonds are authorized and issued do not provide for a debt service reserve, credit enhancements or credit or liquidity providers.

In accordance with Rule Section 15c2-12(b)(5)(i)(D), the Board agrees that in the event of a failure to provide the Annual Financial Information required under Section 1 of this Agreement, it will notify MSRB via EMMA of such failure in a timely manner.

The Finance Officer of the Board shall be the responsible person for filing the annual financial information and/or notices of the events set forth above within the time prescribed in this Agreement. The Board shall cause the Finance Officer to institute an internal tickler system as a reminder of the obligations set forth herein. By December 1 of each fiscal year and each 30 days thereafter the Finance Officer will contact the auditor for the Board to determine when the audited financial statements will be finalized. The Finance Officer will impress upon the auditor the necessity of having such audited financial report on or before March 15. Within 5 days of receipt of such audited financial report the finance officer will cause the annual financial information to be filed as required by this Agreement.

### **3. SPECIAL REQUESTS FOR INFORMATION**

Upon the request of any Registered or Beneficial Owner of the Bonds or the original purchaser of the Bonds or any subsequent broker-dealer buying or selling said Bonds on the secondary market ("Underwriters"), the Board shall cause financial information or operating data regarding the conduct of the affairs of the Board to be made available on a timely basis following such request.

### **4. DISCLAIMER OF LIABILITY**

The Board and the Corporation hereby disclaim any liability for monetary damages for any breach of the commitments set forth in this Agreement and remedies for any breach of the Board's continuing disclosure undertaking shall be limited to an action for specific performance or mandamus in a court of competent jurisdiction in Kentucky following notice and an opportunity to cure such a breach.

### **5. FINAL OFFICIAL STATEMENT**

That the Final Official Statement prepared by the Financial Advisor and approved by the authorized representatives of the Board and the Corporation is hereby incorporated in this Agreement as fully as if copied herein and the "annual financial information" required under Section 1 hereof shall in summary form update the specific information set forth in said FOS.

### **6. DURATION OF THE AGREEMENT**

This Agreement shall be in effect so long as any of the Bonds remain outstanding and unpaid; provided, however, that the right is reserved in the Board to delegate its responsibilities under the Agreement to a competent agent or trustee, or to adjust the format of the presentation of annual financial information so long as the intent and purpose of the Rule to present adequate and accurate financial information regarding the Board is served.

**7. AMENDMENT; WAIVER**

Notwithstanding any other provision of this Agreement, the Board may amend this Agreement, and any provision of this Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 1, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the holders of the Bonds in the same manner as provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Registered Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Agreement, the Board shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Board. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Section 15c2-12(b)(5)(i)(C) of the Rule, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**8. DEFAULT**

In the event of a failure of the Board to comply with any provision of this Agreement, the Corporation may and, at the request of any Underwriter or any Registered Owner or Beneficial Owner of Bonds, shall take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Board to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an event of default under the Bond Resolution, and the sole remedy under this Agreement in the event of any failure of the Board to comply with this Agreement shall be an action to compel performance.

In witness whereof the parties hereto have executed this Agreement as of the date first above written.

**BOARD OF EDUCATION OF HARRISON COUNTY, KENTUCKY**

\_\_\_\_\_  
Chairperson

Attest:

**HARRISON COUNTY SCHOOL DISTRICT FINANCE CORPORATION**

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Secretary

**APPENDIX D**

**Harrison County School District Finance Corporation School  
Building Revenue Bonds  
Series of 2022**

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**Official Terms and Conditions of Sale**

**OFFICIAL  
TERMS AND CONDITIONS OF BOND SALE**

**\$2,080,000\***  
**Harrison County School District Finance Corporation**  
**School Building Revenue Bonds, Series of 2022**  
**Dated October 11, 2022**

**SALE: September 20, 2022 AT 11:00 A.M., E.D.S.T.**

As published on PARITY®, a nationally recognized electronic bidding system, the Harrison County School District Finance Corporation ("Corporation") will until September 20, 2022, at the hour of 11:00 A.M., E.D.S.T., in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky, 40601, receive competitive bids for the revenue bonds herein described. To be considered, bids must be submitted on an Official Bid Form and must be delivered to the Corporation at the address indicated on the date of sale no later than the hour indicated. Bids may be submitted manually or by facsimile or electronically via PARITY. Bids will be considered by the Corporation and may be accepted without further action by the Corporation's Board of Directors.

Subject to a Permitted Adjustment\* increasing or decreasing the issue by up to \$210,000.

**HARRISON COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION**

The Corporation has been formed in accordance with the provisions of Sections 162.120 through 162.300 and Section 162.385 of the Kentucky Revised Statutes ("KRS"), and KRS Chapter 273 and KRS 58.180, as a non-profit, non-stock corporation for the purpose of financing necessary school building facilities for and on behalf of the Board of Education of Harrison County, Kentucky (the "Board"). Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes and the legality of the financing plan to be implemented by the Bonds herein referred to has been upheld by the Kentucky Court of Appeals (Supreme Court) in the case of *White v. City of Middlesboro, Ky.* 414 S.W.2d 569.

**STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY**

These Bonds are authorized pursuant to KRS 162.120 through 162.300, 162.385, and KRS 58.180 and are issued in accordance with a Resolution of the Corporation's Board of Directors. Said Bonds are revenue bonds and constitute a limited indebtedness of the Corporation payable from rental revenues derived by the Corporation from the Board under the Lease identified below. Said Bonds are being issued to finance Phase I of a new High School (the "Project") and are secured by a lien upon and a pledge of the revenues from the rental of the school building Project to the Board under the Lease on a year to year basis; the first rental period ending June 30, 2023.

Should the Board default in its obligations under the Lease or fail to renew the Lease, the Registered Owners of Bonds have the right to have a receiver appointed to administer the school building Project but foreclosure and sale are not available as remedies.

The rental of the school building Project from the Corporation to the Board is to be effected under a certain Lease Agreement by and between the Corporation and the Board (the "Lease"), whereunder the school building Project is leased to the Board for the initial period ending June 30, 2023, with an option in the Board to renew the Lease each year at rentals sufficient to provide for the principal and interest requirements on the Bonds as they become due, plus the costs of insurance, maintenance, depreciation, and bond issuance and administration expenses; the Board being legally obligated only for the initial rental period and for one year at a time thereafter each time the Lease is renewed.

Under the terms of the Lease, and any renewal thereof, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the Lease to the Corporation the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

**ADDITIONAL PARITY BONDS**

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of said lands and school building Project and secured by a statutory mortgage lien and pledge of revenues, but only if and to the extent the issuance of such additional parity bonds are in accordance with the plans and specifications which have been approved by the Board, Commissioner of Education, and filed in the office of the Secretary of the Corporation and a Lease shall be entered into whereunder the annual rental payments during the life of such additional bonds shall be increased by the amount of the annual principal and interest requirements of such additional bonds.

**BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT**

All such Bonds shall be in denominations in multiples of \$5,000 within the same maturity, bear interest from October 11, 2022, payable on April 1, 2023, and semi-annually thereafter and shall mature as to principal on October 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2023	\$10,000	2033	\$135,000
2024	10,000	2034	135,000
2025	10,000	2035	135,000
2026	10,000	2036	150,000
2027	10,000	2037	150,000
2028	10,000	2038	160,000
2029	10,000	2039	175,000
2030	10,000	2040	360,000
2031	10,000	2041	375,000
2032	10,000	2042	205,000

\*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to \$210,000 which may be applied in any or all maturities.

The Bonds maturing on or after October 1, 2031 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after October 1, 2030, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

Notwithstanding the foregoing, the Corporation reserves the right, upon thirty (30) days notice, to call the Bonds in whole or in part on any date at par for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any building constituting the Project and apply casualty insurance proceeds to such purpose.

The Bonds are to be issued in fully registered form (both principal and interest). U.S. Bank Trust Company, National Association, Louisville, Kentucky, has been designated as the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co. Principal and interest will be payable through the Book-Entry-Only-System administered by The Depository Trust Company: Please see "BOOK-ENTRY-ONLY-SYSTEM" below. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on October 1 and April 1 of each year, beginning April 1, 2023 (Record Date is the 15th day of month preceding interest due date).

## BIDDING CONDITIONS AND RESTRICTIONS

(A) Bids must be made on Official Bid Form, contained in Information for Bidders available from the undersigned or RSA Advisors, LLC, Lexington, Kentucky, by visiting [www.rsamuni.com](http://www.rsamuni.com) submitted manually, by facsimile or electronically via PARITY®.

(B) Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

(C) The minimum bid shall be not less than \$2,038,400 (98% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

(D) The maximum permissible net interest cost for the Bonds shall not exceed "The Bond Buyer's" Index of 20 Municipal Bonds as established on the Thursday immediately preceding the sale of said Bonds plus 1.50%.

(E) The determination of the best purchase bid for said Bonds shall be made on the basis of all bids submitted for exactly \$2,080,000 principal amount of Bonds offered for sale hereunder, but the Corporation may adjust the principal amount of Bonds upward or downward by \$210,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$1,870,000 or a maximum of \$2,290,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$5,000 of Bonds as the price per \$5,000 for the \$2,080,000 of Bonds bid.

(F) If three (3) or more bids for the Bonds are received as a result of this competitive sale, the successful purchaser will be required to certify on or before the issue date the reasonably expected initial offering price to the public as of the Sale Date for each Maturity of the Bonds which prices are the prices for each Maturity of the Bonds used by the successful purchaser in formulating its bid to purchase the Bonds.

If less than three (3) bids for the Bonds are received as a result of this competitive sale, the successful purchaser, by submitting a bid pursuant to a published Notice of Sale, has agreed in writing that they will certify on or before the issue date (and provide reasonable supporting documentation for such Certification, such as a copy of the Pricing wire or equivalent communication) for each Maturity of the Bonds (i) the first price at which at least 10% of each Maturity of the Bonds was sold to the Public, or (ii) that they will neither offer nor sell any of the Bonds of each Maturity to any person at a price that is higher than the Initial Offering Price for such maturity during the Holding Period for such Maturity.

Bids will not be subject to cancellation or withdrawal by the bidder in the event that three bids are not received and the Issuer determines to apply the hold-the-offering-price rule.

For purposes of the above the following terms are defined as follows:

- (a)  *Holding Period*  means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.
- (b)  *Maturity*  means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.
- (c)  *Public*  means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.
- (d)  *Sale Date*  means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is September 20, 2022.
- (e)  *Underwriter*  means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(G) The successful bidder may elect to notify the Municipal Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each term bond specified, and (b) Term Bonds will be subject to mandatory redemption by lot on October 1 in accordance with the maturity schedule setting the actual size of the issue.

(H) CUSIP identification numbers will be printed on the Bonds at the expense of the Corporation. The purchaser shall pay the CUSIP Service Bureau Charge. Improper imprintation or the failure to imprint CUSIP numbers shall not constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for said Bonds in accordance with the terms of any accepted proposal for the purchase of said Bonds.

(I) The Corporation will provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2-12. A Final Official Statement will be provided in Electronic Form to the successful bidder, in sufficient time to meet the delivery requirements of the successful bidder under SEC and Municipal Securities Rulemaking Board Delivery Requirements. The successful bidder will be required to pay for the printing of Final Official Statements.

(J) Bids need not be accompanied by a certified or bank cashier's good faith check, BUT the successful bidder will be required to wire transfer an amount equal to 2% of the amount of the principal amount of Bonds awarded to the order of the Corporation by the close of business on the day following the award. Said good faith amount which will be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of such Bonds when ready. The good faith amount (without interest) will be applied to the purchase price upon delivery of the Bonds. The successful bidder shall not be required to take up and pay for said Bonds unless delivery is made within 45 days from the date the bid is accepted.

(K) Delivery will be made utilizing the DTC Book-Entry-Only-System.

(L) The Corporation reserves the right to reject any and all bids or to waive any informality in any bid. The Bonds are offered for sale subject to the principal and interest not being subject to Federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder, in accordance with the Final Approving Legal Opinion of Steptoe & Johnson PLLC, Bond Counsel, Louisville, Kentucky, which Opinion will be qualified in accordance with the section hereof on TAX EXEMPTION.

(M) The Corporation and the Board agree to cooperate with the successful bidder in the event said purchaser desires to purchase municipal bond insurance regarding the Bonds; provided, however, that any and all expenses incurred in obtaining said insurance shall be solely the obligation of the successful bidder should the successful bidder so elect to purchase such insurance.

## **STATE SUPPORT OF EDUCATION**

The 1990 Regular Session of the General Assembly of the Commonwealth enacted a comprehensive legislative package known as the Kentucky Education Reform Act ("KERA") designed to comply with the mandate of the Kentucky Supreme Court that the General Assembly provide for as efficient and equitable system of schools throughout the State.

KERA became fully effective on July 13, 1990. Elementary and Secondary Education in the Commonwealth is supervised by the Commissioner of Education as the Chief Executive Officer of the State Department of Education ("DOE"), an appointee of the reconstituted State Board for Elementary and Secondary Education (the "State Board"). Some salient features of KERA are as follows:

KRS 157.330 establishes the fund to Support Education Excellence in Kentucky ("SEEK") funded from biennial appropriations from the General Assembly for distribution to school districts. The base funding guaranteed to each school district by SEEK for operating and capital expenditures is determined in each fiscal year by dividing the total annual SEEK appropriation by the state-wide total of pupils in average daily attendance ("ADA") in the preceding fiscal year; the ADA for each district is subject to adjustment to reflect the number of at risk students (approved for free lunch programs under state and federal guidelines), number and types of exceptional children, and transportation costs.

KRS 157.420 establishes a formula which results in the allocation of funds for capital expenditures in school districts at \$100 per ADA pupil which is included in the SEEK allotment (\$4,000) for the current biennium which is required to be segregated into a Capital Outlay Allotment Fund which may be used only for (1) direct payment of construction costs; (2) debt service on voted and funding bonds; (3) lease rental payments in support of bond issues; (4) reduction of deficits resulting from over expenditures for emergency capital construction; and (5) a reserve for each of the categories enumerated in 1 through 4 above.

KRS 160.470(12)(a) requires that effective for fiscal years beginning July 1, 1990 each school district shall levy a minimum equivalent tax rate of \$.30 for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes levied by the district (including utilities gross receipts license and special voted) for school purposes is divided by the total assessed value of property, plus the assessment for motor vehicles certified by the Revenue Cabinet of the Commonwealth. Any school district board of education which fails to comply with the minimum equivalent tax rate levy shall be subject to removal from office.

KRS 160.470(12)(2) provides that for fiscal years beginning July 1, 1990 each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Any increase beyond the 4% annual limitation imposed by KRS 132.017 is not subject to the recall provisions of that Section. Revenue generated by the 15% levy is to be equalized at 150% of the state-wide average per pupil equalized assessment.

KRS 157.440(2) permits school districts to levy up to 30% of the revenue guaranteed by the SEEK program, plus the revenue produced by the 15% levy, but said additional tax will not be equalized with state funds and will be subject to recall by a simple majority of those voting on the question.



KRS 157.620(1) also provides that in order to be eligible for participation from the Kentucky School Facilities Construction Commission for debt service on bond issues the district must levy a tax which will produce revenues equivalent to \$.05 per \$100 of the total assessed value of all property in the district (including tangible and intangible property and motor vehicles) in addition to the minimum \$.30 levy required by KRS 160.470(12). A district having a special voted tax which is equal to or higher than the required \$.05 tax, must commit and segregate for capital purposes at least an amount equal to the required \$.05 tax. Those districts which levy the additional \$.05 tax are also eligible for participation in the Kentucky Facilities Support ("KFS") program for which funds are appropriated separately from SEEK funds and are distributed to districts in accordance with a formula taking into account outstanding debt and funds available for payment from both local and state sources under KRS 157.440(1)(b).

KRS 160.460 provides that as of July 1, 1994 all real property located in the Commonwealth subject to local taxation shall be assessed at 100% of fair cash value.

**BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2024**

The Kentucky General Assembly is required by the Kentucky Constitution to adopt measures providing for the state’s revenues and appropriations for each fiscal year. The Governor is required by law to submit a biennial State Budget (the “State Budget”) to the General Assembly during the legislative session held in each even numbered year. State Budgets have generally been adopted by the General Assembly during those legislative sessions, which end in mid-April, to be effective upon the Governor’s signature for appropriations commencing for a two-year period beginning the following July 1.

In the absence of a legislatively enacted budget, the Supreme Court has ruled the Governor has no authority to spend money from the state treasury except where there is a statutory, constitutional or federal mandate and the Commonwealth may be prevented from expending funds for certain state governmental functions, including the ability to pay principal of, premium, if any, and interest, when due, on obligations that are subject to appropriation.

The General Assembly recently adopted a budget for the biennial period ending June 30, 2024 which was approved and signed by the Governor. Such budget became effective beginning July 1, 2022. The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and other Funds of the commonwealth. When published, the updates can be found at [www.osbd.ky.gov](http://www.osbd.ky.gov).

**POTENTIAL LEGISLATION**

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax exemption of such interest. In addition, current and future legislative proposals, if enacted into law, may cause interest on state or local government bonds (whether issued before, on the date of, or after enactment of such legislation) to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the amount of interest on such bonds that may currently be treated as tax exempt by certain individuals. For example, on August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 (the “Inflation Reduction Act”). The Inflation Reduction Act imposes a minimum tax of 15 percent of the adjusted financial statement income of certain corporations whose income exceeds stated thresholds for tax years beginning after December 31, 2022. Under the Inflation Reduction Act, interest on debt obligations otherwise exempt from federal income tax would be included in the calculation of adjusted financial statement income for corporations subject to the minimum tax. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the IRS, including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds or obligations which present similar tax issues, will not affect the market price for the Bonds.

## **CONTINUING DISCLOSURE**

As a result of the Board and issuing agencies acting on behalf of the Board offering for public sale municipal securities in excess of \$1,000,000, the Corporation and the Board will enter into a written agreement for the benefit of all parties who may become Registered or Beneficial Owners of the Bonds whereunder said Corporation and Board will agree to comply with the provisions of the Municipal Securities Disclosure Rules set forth in Securities and Exchange Commission Rule 15c2-12 by filing annual financial statements and material events notices with the Electronic Municipal Market Access (EMMA) System maintained by the Municipal Securities Rule Making Board.

Financial information regarding the Board may be obtained from Superintendent, Harrison County Board of Education, 308 Webster Avenue, Cynthiana, Kentucky 41031, Telephone 859-234-7110.

## **TAX EXEMPTION; BANK QUALIFIED**

Bond Counsel advises as follows with respect to the Bonds:

(A) The Bonds and the interest thereon are exempt from income and ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and interest on the Bonds will not be a specific item of tax preference for purposes of the Federal alternative minimum tax; however, with respect to certain corporations, interest on the Bonds is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

(C) As a result of certifications by the Board and the Corporation, indicating the issuance of less than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2022, the Bonds may be treated by financial institutions as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

## **BOOK-ENTRY-ONLY-SYSTEM**

The Bonds shall utilize the Book-Entry-Only-System administered by The Depository Trust Company ("DTC").

DTC will act as securities depository for the Bonds. The Bonds initially will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond Certificate will be issued, in the aggregate principal amount of the Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners

will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds ("Beneficial Ownership Interest") are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their Beneficial Ownership interests in Bonds, except in the event that use of the book-entry system for the Securities is discontinued. Transfers of ownership interest in the Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co., effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments of the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' account on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Trustee, disbursements of such payments to Direct Participants shall be the responsibility of DTC, and disbursements of such payment to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Beneficial Ownership Interests purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Beneficial Ownership Interests by causing the Direct Participant to transfer the Participant's interest in the Beneficial Ownership Interests, on DTC's records, to the purchaser or the Trustee, as appropriate. The requirements for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered by the Bond Registrar.

NEITHER THE ISSUER, THE BOARD NOR THE BOND REGISTRAR/PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE BOND REGISTRAR/PAYING AGENT AS BEING AN OWNER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND RESOLUTION TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

**HARRISON COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION**

By /s/Dana Waits  
Secretary

**APPENDIX E**

**Harrison County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2022**

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**Official Bid Form**

**OFFICIAL BID FORM  
(Bond Purchase Agreement)**

The Harrison County School District Finance Corporation (“Corporation” or “Issuer”), will until 11:00 A.M., E.D.S.T., on September 20, 2022, receive in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 700 Louisville Road, Carriage House, Frankfort, Kentucky 40601, (telephone 502-564-5582; fax 888-979-6152) competitive bids for its \$2,080,000 School Building Revenue Bonds, Series of 2022, dated October 11, 2022; maturing October 1, 2023 through 2042 (“Bonds”).

We hereby bid for said \$2,080,000\* principal amount of Bonds, the total sum of \$\_\_\_\_\_ (not less than \$2,038,400) plus accrued interest from October 11, 2022 payable April 1, 2023 and semiannually thereafter at the following annual rates, (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on October 1 in the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>	<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2023	\$10,000	%	2033	\$135,000	%
2024	10,000	%	2034	135,000	%
2025	10,000	%	2035	135,000	%
2026	10,000	%	2036	150,000	%
2027	10,000	%	2037	150,000	%
2028	10,000	%	2038	160,000	%
2029	10,000	%	2039	175,000	%
2030	10,000	%	2040	360,000	%
2031	10,000	%	2041	375,000	%
2032	10,000	%	2042	205,000	%

\* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$2,290,000 of Bonds or as little as \$1,870,000 of Bonds, at the same price per \$5,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined at the time of acceptance of the best bid.

We further understand that by submitting a bid we agree as follows:

If three (3) or more bids for the Bonds are received as a result of this competitive sale, the successful purchaser will be required to certify on or before the issue date the reasonably expected initial offering price to the public as of the Sale Date for each Maturity of the Bonds which prices are the prices for each Maturity of the Bonds used by the successful purchaser in formulating its bid to purchase the Bonds.

If less than three (3) bids for the Bonds are received as a result of this competitive sale, the successful purchaser, by submitting a bid pursuant to a published Notice of Sale, has agreed in writing that they will certify on or before the issue date (and provide reasonable supporting documentation for such Certification, such as a copy of the Pricing wire or equivalent communication) for each Maturity of the Bonds (i) the first price at which at least 10% of each Maturity of the Bonds was sold to the Public, or (ii) that they will neither offer nor sell any of the Bonds of each Maturity to any person at a price that is higher than the Initial Offering Price for such maturity during the Holding Period for such Maturity.

Bids will not be subject to cancellation or withdrawal by the bidder in the event that three bids are not received and the Issuer determines to apply the hold-the-offering-price rule.

For purposes of the above the following terms are defined as follows:

- (a) *Holding Period* means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.
- (b) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.
- (c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

- (d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is September 20, 2022.
- (e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Sale of Bonds, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

The successful bidder may elect to notify the Municipal Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each Term Bond specified, and (b) Term Bonds will be subject to mandatory redemption on October 1 in accordance with the maturity schedule setting the actual size of the issue.

The DTC Book-Entry-Only-System will be utilized on delivery of this issue.

It is understood that the Corporation will furnish the final approving Legal Opinion of Steptoe & Johnson PLLC Bond Counsel, Louisville, Kentucky.

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through U.S. Bank Trust Company, National Association, Louisville, Kentucky, Attn: Mr. Charles Lush (502-562-6436).

Bids must be submitted only on this form and must be fully executed.

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds on or about October 11, 2022 and upon acceptance by the Issuer's Municipal Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

\_\_\_\_\_  
Bidder

By \_\_\_\_\_  
Authorized Officer

\_\_\_\_\_  
Address

Total interest cost from October 11, 2022 to final maturity	\$ _____
Plus discount or less any premium	\$ _____
Net interest cost (Total interest cost plus discount)	\$ _____
Average interest rate or cost	_____ %

The above computation of net interest cost and of average interest rate or cost is submitted for information only and is not a part of this Bid.

Accepted by RSA Advisors, LLC, as Municipal Advisor and Agent for the Harrison County School District Finance Corporation for \$\_\_\_\_\_ amount of Bonds at a price of \$\_\_\_\_\_ as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>
2023	_____,000	_____ %	2033	_____,000	_____ %
2024	_____,000	_____ %	2034	_____,000	_____ %
2025	_____,000	_____ %	2035	_____,000	_____ %
2026	_____,000	_____ %	2036	_____,000	_____ %
2027	_____,000	_____ %	2037	_____,000	_____ %
2028	_____,000	_____ %	2038	_____,000	_____ %
2029	_____,000	_____ %	2039	_____,000	_____ %
2030	_____,000	_____ %	2040	_____,000	_____ %
2031	_____,000	_____ %	2041	_____,000	_____ %
2032	_____,000	_____ %	2042	_____,000	_____ %

Dated: September 20, 2022

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RSA Advisors, LLC,  
as Agent for Harrison County  
School District Finance Corporation